A study on the importance of green accounting

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ABSTRACT

Green accounting is a path for expansion. By using this as a tool, many of the environmental costs can be reduced by proper decision making and also by implementing greener technologies. This paper’s main objective is to understand what green accounting or green reporting means and also its importance. It also aims to find out how important it is for a company to implement green accounting and keep a track of what is receiving from the environment and what it is giving back in return. This would help in the efficient use of resources and it would also help in reducing pollution to an extent. Green accounting plays a major role in the corporate social responsibility (CSR) of a firm. Through primary data collection in this study, we also try to understand people’s perspectives towards green accounting. Though it is difficult task to implement green accounting in every and each organization, an attempt is made to show how green accounting helps in environmental sustainability. The organizations must take initiative to implement green accounting in all the levels of the organization. The government must take strict actions is the environmental norms are not followed and also penalties must be imposed for it. The responsibility towards the environment has become one of the most important factors in the corporate social responsibility of a firm.

Keywords— Green accounting, Environmental sustainability, Corporate social responsibility

1. INTRODUCTION

Most of the times the organizations fail to take into consideration, that the activities carried on by them may eventually deplete the natural resources and also pollute the environment. According to Wikipedia, Green accounting is the type of accounting which tries to combine the environmental costs along with the financial cost which would lead to the final results of the operations of the company. Green accounting is not made compulsory by the central or the state government and also there are no clear-cut policies regarding the environment protection. On the other hand, when the company is gaining something from the environment, it must also take into account the costs of the environment. Of course, the renewable resources can be used in plenty. But the non-renewable resources once used, cannot be gained back. However, environmental accounting does not only consider the depletion of the environment plus, but the environmental pollution caused by the company is also not specifically accounted for.

The System of Environmental–Economic Accounting (SEEA) is used in green accounting. It focuses to prevent the depletion of scarce natural resources and preventing the environmental degradation. The green accounting has two purposes out of which one is to improve the financial environmental performance in the business and the other is to check how the operations of the organization have an effect on the environmental system. Implementation of green accounting in the management system of the organization is important for the progress of environmental and economic performance of the organization. Yet, it is still a difficult task to implement this type of accounting in India due to lack of information to stakeholders regarding the additional cost expenditure and implementation effects. Most of the companies are unaware of the outcomes and hence would not want to implement this tool.

Green accounting is a path to a sustainable future when the companies are making their final accounts or their balance sheets, they usually consider the internal costs such as the labour cost and material cost which directly affect the balance sheet of the organization (The European Commission, 2011). External costs such as the environmental cost, social cost, and the economic cost are often ignored. The company must make sure to take external factors also into consideration so that the scarce resources can be carefully and efficiently used. It can be used as a tool by the company to keep a track of all the activities through which the company is gaining from the environment, keep an account of what it has been doing to give something back to the environment in return of what it has received and also assess the data as to what measures have to be taken to save the environment which is eventually getting depleted.

This type of accounting involves penalties for polluters like the polluting permits, tax breaks for polluting the environment and this money can be used in green R&D. The depreciation of the assets produced by the company can be predictable since it is usually small but the environmental deterioration cannot be predicted since it is comparatively large. Usually, economic terms cannot always
be used to represent the green growth and hence, additional criteria like using new clear technologies and sustainability have to be used.

By using green accounting as a tool, many of the environmental costs can be eliminated or reduced by proper decision making and investing in greener technologies or even by investing in eco-friendly means of production, for instance, instead of using books or papers to record the data of the business, the usage of books and papers can be reduced by recording the same data or transactions on computers or through digital means. Many small and medium enterprises are now interested in going green as they have been giving value to environmental responsibility.

Green accounting comes up with different objectives as well as perspectives which seldom includes preserving environmental assets as well as it accounts for the change in welfare because of the effect on the environment (Salah El Serafy, 1997). It plays a very important role in the corporate social responsibility (CSR) of a firm and also plays a vital role in decision making of the firm regarding the methods or procedure used and also the profitability of the firm.

The current actions taken by the company towards the green cause will have a short-term well as long-term impact on the environment. Hence it is necessary to frame methods to promote green causes. The companies can be the leader of green change by incorporating it into their own company and also encourage other organizations to also implement them. When green accounting is incorporated at every level of the organization, higher environmental responsibility can be attained.

2. REVIEW OF LITERATURE

(Heba Y M & Yousuf, 2010) by observing the concepts based on the environmental accounting, explored techniques which can be used in environmental reporting. Environmental reporting helps the companies become more aware of their corporate responsibility as well as the government could use the environmental report to keep track of the acts of the companies towards the environment. The author also observed that there is a parallel increase in measuring the environmental performance as the need for environmental accounting increases.

(Yajhou and Doreweiler, 2004) in this study, we can observe that the business policy, as well as the policy of the environment, have been combined and taken into consideration to a large extent. The government led incentive-based regulation and public’s consideration has been the two major objectives of this study. This study also talks about the environmental policy along with the strategy of the business. The companies whether big or small, have to soon come up with a framework within which it would operate its business strategies towards environmental accounting.

(Gray Otte, (2008) in his article ‘GHG emissions accounting’ mentioned that there are certain internal as well as external benefits to the company if they adopted green accounting. The GHG (greenhouse gas) emission accounting involves keeping a track of the emissions, accounting and later reporting them. By implementing the GHG process, there would be development in the communication process between the firms and the suppliers which would, in turn, lead to reductions in the costs. Also, green accounting does have limitations and barriers as well. But the author mentions certain ways through which the company can overcome these barriers.

(Lehmann, 2011) In this study, the author explains about IAR (interpretive accounting research). The main objective of IAR is to understand how the accounting discipline like management accounting might help in overcoming or suppressing issues related to global warming and sustainability considerations. The author also depicts how interpretive accounting research allows people to rethink the structure and strategies towards the natural world.

(Harazin, 2011) this article on ‘Relationship between environmental accounting and pillars of sustainability’ explains the challenges regarding sustainable development. The objective of this study was to find out and come to a conclusion whether the social and integration point of view is outside of the environmental accounting concept. At the end of the study, after various literature reviews and primer researches, the author was able to come to a conclusion that environmental accounting cannot be beyond social and integration challenge of sustainability and so, it can be related to pillars of sustainability.

3. NEED FOR STUDY

Many companies do not give much importance towards environmental accounting when compared to its financial accounts. The natural resources are depleting rapidly and hence keeping an account of the environmental costs would help in using the resources efficiently and abide by the environmental policies. The need for this study was to make people understand and aware about the importance of environmental accounting/environmental reporting in companies so that there would be better sustainability as well as to understand the corporate social responsibility of the companies towards the environment.

4. OBJECTIVES OF THE STUDY

- To create awareness about environmental accounting. Also known as green accounting.
- To understand the need and importance of Green accounting.
- To make an attempt to make green accounting a part of the company’s accounts.

5. RESEARCH METHODOLOGY

Primary data was collected and an exploratory study using a survey method was conducted to understand people’s perception towards environmental accounting and its implication. This research study was conducted in Bangalore during the period August 2018 and the sample of 54 respondents was selected for the study. The research study was targeted to students and working professionals. The primary data was collected and administered using a well – structured questionnaire. Likert’s scale of agreement (Strongly agree, Agree, Neutral, Disagree and strongly disagree) was used. The score of 5 was used to represent “Strongly agree”
while the score 1 represented “strongly disagree” on the scale. The data collected was classified and tabulated for analysis in accordance with the objectives of the study.

6. ANALYSIS AND INTERPRETATION
The primary data collected with the help of a questionnaire and analysis and interpretation was done with the help of final results. In the first part of the analysis, the percentage analysis was used to study the general profile of the respondents. The google forms were used and the percentage analysis was done which depicted the attitude of people towards green accounting.

Table 1: Analysis

<table>
<thead>
<tr>
<th>Classification</th>
<th>No. of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>27</td>
<td>50</td>
</tr>
<tr>
<td>Female</td>
<td>27</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100</td>
</tr>
<tr>
<td>Age Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 -30 yrs.</td>
<td>36</td>
<td>66.66</td>
</tr>
<tr>
<td>30 - 40 yrs.</td>
<td>6</td>
<td>11.11</td>
</tr>
<tr>
<td>40 - 50 yrs.</td>
<td>5</td>
<td>9.25</td>
</tr>
<tr>
<td>50 - 60 yrs.</td>
<td>1</td>
<td>1.85</td>
</tr>
<tr>
<td>Others</td>
<td>6</td>
<td>11.11</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100</td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>25</td>
<td>46.66</td>
</tr>
<tr>
<td>Student</td>
<td>18</td>
<td>33.33</td>
</tr>
<tr>
<td>Lawyer</td>
<td>2</td>
<td>3.07</td>
</tr>
<tr>
<td>Business Men</td>
<td>9</td>
<td>16.86</td>
</tr>
<tr>
<td>Total</td>
<td>54</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary Data

The primary data was collected with the help of 54 respondents. The above table shows that out of 54 respondents, 27(50%) respondents were males and 27(50%) were females.

36(66.66%) respondents were in the age group of 20-30 years, 6(11.11%) was the age group of 30-40 years, 5(9.25%) respondents came under 40-50 age group, 1(1.85%) were in the age group of 50-60 years and 6(11.11%) belonged to another age group excluding the above-mentioned age group. Out of which, 37(68.51%) respondents were employees, 18(33.33%) of them were students, 2(3.07%) were lawyers and 9(16.86%) of them were businessmen.

Fig. 1: Graph showing response of “Should environmental accounting be implicated in all companies?”

When 54 respondents were asked if environmental accounting has to be implicated in all the companies, 81.5% of the people agreed and strongly agreed that it has to be implicated in all the companies and 13% of them were neutral about it and also, 5.5% of the people disagreed to it. Through this response we can conclude that, even though very less number of people disagree about environmental accounting being implicated in all the companies, majority of the people think that environmental accounting has to be implicated in all of the companies as it helps the companies to keep track of what it is taking from the environment and what it is giving back in return.

Fig. 2: Graph showing response of there must be more awareness created about environmental accounting
Next, the respondents were asked if more awareness has to be created for environmental accounting and the response was as follows; Here, in the second graph, we can see that 9.3% of the respondents do not agree about more awareness being created about environmental accounting whereas majority of the respondents which constitute 90.7% of the people, strongly agreed and agreed to the fact that there has to be awareness created everywhere among people and companies regarding environmental accounting since not many of the people know what it actually means and how it actually helps the company as well as the environment and how benefiting it actually is.

Fig. 3: Graph showing responses for there must be strict actions to be taken by the government if environmental reporting is not followed

Further, when a statement was put up for the respondents if strict actions must be taken by the government if environmental reporting is not followed, 1.9 of them disagreed with it. Moreover, the majority of them, 87% of the respondents agreed and strongly agreed with the statement that yes, strict actions must be taken by the government if environmental reporting is not followed. And also 11.1% of them were neutral about it.

7. CONCLUSION
Through this study, we can come to a conclusion that Green accounting helps the company as well as the environment in different ways and also, this study helps us to know what green accounting or green reporting means and what are its characteristics and how it works. If it is strictly implemented in all the levels of the organizations, there can be major changes brought towards the betterment of the environment. Since there is depletion of natural resources, green accounting helps us to keep a track of it and how it can be used and what can be done for maximum utilization of it. It also tries to explain how important it is for companies to implicate green accounting for better utilization of resources and also for the sustainability of the environment. Through the data collected through the primary source, we can come to a conclusion that most of the people are in the favor of green accounting and its implication in the company and about government being strict about its rules and regulations towards it.

8. SUGGESTIONS
There is a necessity to create awareness about green accounting/green reporting to the organisations as well as the general public. The government must make it mandatory for all the organizations to implement green accounting. Strict actions must be taken by the government if environmental norms are not followed by the organization. The company must disclose its information regarding environmental accounting as a part of its annual report. There must be more of strict environmental norms and legislation created by the government. Each and every employee in the organization must be made aware of the importance of environmental reporting.

9. SCOPE FOR FURTHER STUDY
In this paper, the study is based on the primary source of data collection. Secondary data has not been collected for the research methodology. However, there are a lot more sources to collect the secondary data from, and a lot more analyze can be done through the secondary source of data collected. Different companies’ environmental reports can be collected and a comparative study can be made so that the stakeholders could analyze the results before making their investments. A study can be done on how a company’s responsibility towards the environment can help in environmental sustainability.

10. REFERENCES