Green Accounting: A Contributory To Corporate Social Responsibility

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Abstract:

With the enhancement in environmental awareness and looking after current scenario and raising environmental issues, need of green accounting has arose with its effective implementation for the health and well-being of the entire global system. Green accounting is an expanding field focused on factors like resource management and environmental impact, in addition to a company's revenue and expenses. Green accounting integrates environmental resources and introduces functions into national and corporate accounts. It is the popular term for environmental and natural resource accounting. Corporate environmental accounts have not yet found wide application; proposed concepts and methods are similar to those of national green accounting and are not further discussed here. Accountants have an important contribution to make to the debate surrounding Corporate Social Responsibility (CSR). While traditionally it has been financial accountability that is the remit of accountants, for many years now, accounting academics have been at the forefront of research and theory on social and environmental accounting and, more recently, practitioners, professional associations and others have taken an interest in the topic. The Paper presents here the introduction about the green accounting, its adoption and promotion of corporate social and environmental responsibility and its need for a national growth.

I INTRODUCTION

Better macroeconomic and societal indicators are needed to reflect the contribution of biodiversity and ecosystem services to human well-being. One approach that is gaining momentum across the globe is “green accounting” whereby national accounts are adjusted to include the value of nature´s goods and services.

Green accounting is a type of accounting that attempts to factor environmental costs into the financial results of operations. The term 'green accounting' hasn't yet been fully defined. Most agree, however, that in order for a business to be able to reduce its carbon footprint, it must first be able to measure it. Then, once the size of the carbon footprint is known, a business must be able to report the data to regulators, taxation officials, carbon credit trading organizations and other

relevant parties. Energy-reliant manufacturers and power-generating utilities feel the most pressure to embrace green accounting, but companies in nearly all business sectors can expect to do so at some level within the next few years.

The objectives of green accounting include:

- Segregation and Elaboration of all Environment related Flows and Stocks of Traditional Accounts
- Linkage of Physical Resource Accounts with Monetary Environmental Accounts
- Assessment of Environmental Costs and Benefits
- Accounting for the Maintenance of Tangible Wealth
- Elaboration and Measurement of Indicators of Environmentally Adjusted Product and Income

II NEED FOR ADOPTION OF GREEN ACCOUNTING IN INDIA

The major purpose of green accounting is to help businesses understand and manage the potential quid pro quo between traditional economics goals and environmental goals. It also increases the important information available for analyzing policy issues, especially when those vital pieces of information are often overlooked.

Green accounting is important tools for understanding the role played by the natural environment in the economic It provide data which high light the both the contribution of natural resources to economic wellbeing and the cost imposed by pollution and resources degradation It describe an effort to incorporate environmental benefit and costs into economic decision making.

The term green accounting has been enounced since the 1980s and known as a management tools. The conventional SNA was first started in the USA in 1942. The present situation of green accounting and its most evolved from, sustainable accounting, has been receiving continues attention in the academic accounting literature in the early 1990s the concept started almost three decades ago in the early 1970s with important contributions.

Goal of green accounting is to increases the amount of relevant for those who need or can use it. Relevant data depend on the scale and scope of coverage. Scale and scope Applicable at different scale of use and scope of coverage Application at an individual process level, a system, a product, a facility or an entire company level. Coverage may include specific costs, avoidable costs, future costs and social external costs. Decision on a scale and scope of application significantly impact ability to excess and measure cost.

Practically for developing countries like India it's a twin problem about saving environmental and economic developing. As the country economy is not very strong, hence it should be improve first. A study by world bank estimated the about 34,000 crores were lost by India due to environmental damage Company like AT&T are practically implementing green accounting. Thus, an urge to implement the Green Accounting is felt and needed to be implemented.

Environmental minister of our country has advocated greening India's national accounts by 2015 and encouraged policy makers to recognise the trade-off between pursuing high growth economic policies against the extensive impact they could have on India's natural capital.

III ROLE OF GREEN ACCOUNTING FOR CORPORATE SOCIAL RESPONSIBILITY

The impact of financial and other corporate decisions on a fragile environment and the eco-systems which nourish it, represent important, growing challenges for the accounting profession. The concept of sustainable development is generally understood at the global level, which is the most difficult to apply at the organizational level. As far as corporate sustainability is concerned, its interpretation poses a problem, due to the fact that the academic literature during the last decades has interpreted the concept of sustainable as continuity. Consequently, we have to re-interpret the accounting principle of continuing the enterprise, since now the realisation of the ideal of sustainability is a necessary but not sufficient condition for a company's survival.

It has been concluded by corporate analysts that the maximum economic results have to be achieved while also taking into account the principles of sustainable development. In practice the concept of an economically sustainable enterprise is derived from economic efficiency, which has two components. Environmental efficiency (eco-efficiency) has to be increased, while social efficiency has to be improved.

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Major scope of Green Accounting Includes- Environment Management Accounting (EMA), Environmental Financial Accounting (EFA) and Environmental National Accounting (ENA).

Environment Management Accounting EMA is the identification, collection ,estimation, analysis, internal reporting, and use of materials and energy flow information, environmental cost information, and other cost information for both conventional and environmental decision-making within an organization. For companies that have the goals of saving money, especially environmental costs, and reducing environmental impacts, EMA provides essential information for meeting those goals . It supports Segment Environmental Accounting to select an investment activity and project, Eco balance Environmental Accounting for sustainable environmental management activities, Corporate Environmental Accounting to inform the public of relevant information compiled in accordance with the environmental accounting.

Environmental accounting is that part of the development of accounting where non-monetary, physical and quality factors already receive great emphasis. Environmental

(green) accounting comprises two sub-systems, one of them (environmental accounting) deals with the financial effects induced by environmental protection, i.e., environmental expenditures and savings, and the other one (ecological accounting) deals with the environmental impact of the economic activities of a company, i.e., with figuring to what extent the natural environment undergoes change as a result of the operation and activities of a company.

Traditional accounting deals with the financial aspects of corporate activity, as laid down by the law. In contrast, what is demonstrated from the perspective of the sustainability of corporate operations deals with sustainability accounting, which

has no rules of application laid down in law, but which is, instead, a voluntary activity. At the same time the demand from stakeholders for information about companies' social and environmental performance is growing all the time. Companies that are willing to meet these demands have an interest in developing and operating a sustainability accounting system. Thus, the new management and accounting system, provides high quality, relevant information to help the company to achieve corporate sustainability or a tool to realise corporate sustainability.

Environmental financial accounting (EFA) Financial accounting with a particular focus on reporting environmental liability costs and other significant environment costs.

Environmental national accounting (ENA) National level accounting with a particular focus on national resources stocks and externality costs etc.

IV CONCLUSION

Green accounting demonstrates organizations commitment to the most important aspects - people, planet and profitability. At the macro-level the increase of productive wealth is the key determinant of the economic growth potential of an economy. A particular strength of green accounting is the measurement of environmental cost caused by economic agents of households and enterprises. Green accounting takes into consideration environmental resources and changes in them, and integrates the result with the system of national account so as provide a valuable information base for planning and formulating policy for the integrated sustainable development and growth of the nation. Green accounting is in preliminary stages in India and whatever shows in the accounts in this regard is more or less compliance of relevant rules and regulation in the act. Actually, unless common people of India are not made aware towards environment safety, development of this regard is a little bit of doubtful. Its Implementation is expected to have a great role in handling Corporate Social Responsibility.

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