

Green Accounting Practices in India - An Overview

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ABSTARCT

Environmental Accounting is an important tool for understanding the role played by business enterprises in the economy in relation to environmental safety and welfare. It provides data highlighting both the contribution of business enterprises to economic well-being and the costs imposed in the form of pollution or resource degradation. Therefore, recent years have witnessed rising concern for environmental degradation which is taking place due to increasing industrial activities. It may be noted here that environmental degradation and pollution spoil human health, reduce economic productivity and lead to loss of amenities. Developing countries like India face the twin problems of protecting the Environment and promoting economic development. A trade-off between Environmental protection and development is required. Green accounting has gained importance in India in recent years, as the country faces numerous environmental challenges, including air pollution, water scarcity, and climate change. In response to these challenges, the Indian government has implemented various policies and initiatives to promote sustainable development and encourage businesses to adopt green accounting practices.

Keywords: Green accounting, Environmental impact, Economic development, Business operation

INTRODUCTION

Green accounting, also known as environmental accounting, is an approach that integrates environmental factors into traditional financial accounting. It aims to provide a more comprehensive picture of a nations or company's wealth by considering the economic impact of environmental degradation and the use of natural resources.

Traditional accounting systems primarily focus on financial transactions and economic growth, often overlooking the depletion of natural assets like forests, clean air, and water. Green accounting fills this gap by valuing environmental assets and incorporating the costs of environmental damage, such as pollution, deforestation, and carbon emissions, into national and corporate accounts.

Governments and organizations use green accounting to make informed decisions that balance economic development with environmental sustainability. By including environmental costs in policy-making and business strategies, green accounting encourages more responsible resource use, promotes long-term sustainability, and supports the transition toward a green economy.

Objectives of Green Accounting

1. Integrate environmental costs and benefits into national accounts and decision-making processes.
2. Provide a comprehensive view of economic activities' true costs and benefits by incorporating environmental and social considerations.
3. Promote sustainable development and support the transition towards a green economy.
4. Encourage transparency and accountability in the use of natural resources and the management of environmental impacts.
5. Foster stakeholder engagement and participation in environmental decision-making.

Types of Green Accounting

There are many different kinds of green accounting, each with its own goals and purpose. Different needs and facets of environmental is addressed by these forms of green accounting. These are the two typical forms of green accounting.

1. **Environmental Management accounting:** The main goal of this accounting is to assist firms in better evaluating and controlling their internal environmental costs and resource usage. It seeks to find areas where the company may cut costs and use resources more effectively.
2. **Environmental Financial Accounting:** Integrating environmental data into financial reports is the main focus of this kind of green accounting. It seeks to give creditors, investors, and other stakeholders a better grasp of the environmental risks, opportunities, and effects on a company's financial performance.

Advantages of Green Accounting

- It helps in pollution control.
- Green accounting plays a vital role in sustainable development.
- Green accounting assists in projection cost estimating life cycle in the environment as well as product circulation, and administration from environmental practices.
- It helps also in assessing, testing, and reporting the performance of environmental activities.

Limitation of Green Accounting

- There is no standard accounting method
- Comparison between two countries or firms is not possible if the method of accounting is different.
- It mainly considers costs internal to the company and excludes costs to society.
- Input for Green Accounting is not easily available because costs and benefits relevant to the environment are not easily measurable.
- The cost of its tools and application initially is high.

Challenges and Opportunities in Green Accounting

Despite the progress made, green accounting practices in India face challenges, such as lack of standardization, limited awareness, and inadequate regulatory framework. However, these challenges also present opportunities for companies to take a leadership role in promoting sustainability and environmental responsibility. Green accounting is a career choice with a big impact. Instead of figuring out how the corporate giant of the world can make an impressive profit, a green account analyses external and internal costs then this information can be used by companies or governments to calculate carbon credits, etc. Green accounting goes beyond whistle-blowing and government-sponsored studies. Many private companies hire environmental 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

Green Accounting Practices in INDIA

Over the past decade, companies have recognized the benefits of environmental reporting. As a result, there was a dramatic increase in the number of companies reporting in numerous ways. Early reporters are quick to realize that environmental disclosure is more of a governance and strategic issue than a simple reporting tool (Roome, 1992; Parker, 1997; Parker, 2000a). Regardless of the medium of reporting, companies are bound to satisfy country-specific/ international reporting standards and requirements. It is important to understand how far standard setting improves credibility in reporting through major surveys. However, most studies are based on content analysis of annual reports.

A study of 80 executives of different industries was carried out by Dr. B. B. Padhan and Dr. R. K. Bal which revealed that the corporate world is fully aware of the requirements of environmental reporting. They are also aware of the environmental issues. The corporate executives have also expressed their views in favor of

environmental reporting by the industries. Despite their awareness and consent over environmental reporting, the result is very poor. It is so inadequate that very little information is found in the annual reports.

Green accounting practices in India are gaining momentum, driven by the government's increasing focus on environmental regulations and sustainability. Key Green Accounting Practices in India include:

- **Environmental Accounting:** Companies are now required to disclose environmental-related expenses and liabilities in their financial statements.
- **Sustainability Reporting:** Many Indian companies are adopting sustainability reporting frameworks, such as the Global Reporting Initiative (GRI), to disclose their environmental, social, and governance (ESG) performance.
- **Carbon Footprint Analysis:** Companies are conducting carbon footprint analyses to measure and reduce their greenhouse gas emissions.
- **Green Supply Chain Management:** Companies are adopting green supply chain management practices to reduce their environmental impact throughout their supply chain.

CONCLUSION

Green accounting practices in India have made significant strides in recent years, driven by growing environmental concerns, regulatory requirements, and stakeholder expectations. This study has explored the current state of green accounting practices in India, including environmental accounting, sustainability reporting, carbon footprint analysis, and green supply chain management.

The findings of this study suggest that while Indian companies have made progress in adopting green accounting practices, there is still a long way to go. The lack of standardization, limited awareness, and inadequate regulatory framework are some of the challenges that need to be addressed.

Despite these challenges, the benefits of green accounting practices are clear. By adopting these practices, Indian companies can improve their brand reputation, reduce costs, and increase investor confidence. Moreover, green accounting practices can help companies to better manage their environmental risks and opportunities, and to contribute to sustainable development.

Future Research Directions

This study has contributed to the existing literature on green accounting practices in India. However, several areas require further research, including:

1. **Green accounting practices in SMEs:** Future research can explore the adoption of green accounting practices in small and medium-sized enterprises (SMEs) in India.
2. **Impact of green accounting on financial performance:** Research can investigate the impact of green accounting practices on the financial performance of Indian companies.
3. **Green accounting practices in different industries:** Future research can explore the adoption of green accounting practices in different industries, such as manufacturing, healthcare, and IT.

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