



CONCEPT OF GREEN ACCOUNTING AND ITS PROSPECTS WITH REGARDS OF CAREER DEVELOPMENT

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Abstract:

“Green Accounting” is gaining utmost importance in recent times to ensure nations stability calculation in terms of not just economic but also ecological measurement. Green Accounting should be given emphasis as it contributes to the complete evaluation of a nation in comparison with its fellow nations. It is gaining recognition due to its inordinate purposes. This is one of an innovative and fruitful application of accounting, not in a traditional approach of record keeping. Purpose of Green Accounting and its requirement of inclusion in any economy in the near future with backed reasons will be put across in this paper. It will also be discussed that nations do exhibit symptoms associated with unaccounted depreciation of natural resources, including a lack of focus on sustainability thus, setting out a rationale for Green Accounting being the need of the hour.

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Introduction:

Ecology is scientific study of relationship between organisms and their environment. In the past, our poverty was due to under-utilization of resources but in future there is a possibility of poverty, unemployment and inequality due to destruction of environment mainly due to non-utilization of the resources optimally and unplanned industrial growth. Thus, it becomes mandatory for any economy to asses not only its monetary situation but also the ecological / natural resources to properly understand its position in terms of growth.

GREEN ACCOUNTING term refers to the record of natural resources of a nation along with the GDP (monetary) calculation. It maintains a complete recording of the augment or depletion in real terms of social, ecological, human and natural resources of a given nation at a point of time.

Need of Green Accounting:

It should be recognized that GDP growth is too narrow a measure of economic growth and is not a measure of national wealth, and this is why proposition of “Green Accounting” becomes necessary. Creation and destruction of Human Capital and Natural Capital both need to be explicitly measured, because they have a significant impact on the long-term sustainability of nation’s growth.

Education and health are key components of human capital, measure of state’s wealth must therefore include estimates of investment in both areas. The threat to public health is multiplied by the poor state of civic amenities such as water supply, drainage and sanitation. Privatization of education and health sector are observable trends in India. All this will prove to conserve the depleting natural capital of a nation which has to be regressively kept a tap on through accessible and feasible methods like Green Accounting.



Review of Literature:

The research conducted by Ms. Haripriya Gundemeda, Mr. Pavan Sukhdev, Mr. Pushpam Kumar, Mr. Rajiv Sinha, Mr. Sanjeev Sanyal on Green Accounting Methodology for India and its States was based on the complete methodology the complete data representation and comparison of natural resources and its depletion collected from several state authorities (forest departments etc). They provided a complete look out and detailed study for the existing situation, future prospects and also the flaws in the complete Green Accounting system.

Green Accounting Methodology:

Green Accounting is an evolving science, and not all component of natural capital or human capital should be valued in a particular manner, consistent and widely accepted as a norm as per expert's opinion. The use of subjective judgment in selecting and prioritizing and the need for simplifying assumptions in making them in a timely fashion is hence necessary. 'Strong sustainability' is based on the concept that natural capital is a complement to manufactured capital, rather than a substitute. Thus, in simple way every method is certainly not full proof and so is Green Accounting which also has several limitations, for example sharp depletions of forest area in particular regions can cause calamitous changes in micro-climate, geology, and local bio-diversity which cannot really be represented or replaced by any other form of capital.

There should be three main considerations for application of Green Accounting in a nation first would be all databases chosen for primary data inputs for calculating Green Accounting adjustments must preferably be national databases, which houses data in order of state-wise, such that regional biases or regional variations in data collection methods do not come in the way of a true and fair accounting framework. Secondly, the use of standardized models and standard projections is must across all States. This will not only ensure a common and consistent methodology, it will also enable us to bridge time gaps between the displays of various slices of official data. The third should be that our selected areas of externalities must be material as a component well in terms of being potentially targeted in order to categories which are (a) material in an overall context, (b) measured by existing statistical databases, or yet to be captured by databases, and (c) realistically manageable as by the national or state government policy over the next decade or so.

Based on these three criteria, one should include in evaluation the following: forests, agricultural cropland & pasture land, cattle, known mineral deposits, and surface freshwater resources however, the following shall be excluded subsoil water, undiscovered mineral deposits, and livestock other than cattle.

Natural Capital Externalities: Freshwater, Forests, Agricultural Land and Sub-soil Assets:

India's Natural Capital, apart from its Human Capital, is another large area of unaccounted externalities. India has National Parks and Sanctuaries, forested and extensively protective legislation has been enacted since independence. While, there is widespread violation of regulations by encroachers, property developers, illegal miners and poachers. Use of inappropriate agricultural technology (synthesized pesticides etc) and crop choice that have led to decreased water levels, water logging, rising salinity, surface water pollution and impoverishment of cropland. Decline in water quality due to chemical pollutants from ill-managed industrial wastes, use of pesticides and fertilizers in agriculture, and from the accumulation of poisonous solid wastes in and around cities and towns is a nation-wide phenomenon and this happens to come into only occasional attention



when it is raised by the press in the form of specific “point sources” of pollution in certain areas, or when it affects the quality of drinking water in high-profile (posh areas) cities.

Inadequacy of Democratic ‘Checks and Balances’:

Despite the problems on both the Natural capital and Human capital, based on positive influence can take India along a path of sustainable development. Growing exposure of citizens to the rest of the world and the educational work of NGOs has increasingly sensitized sections of the urban public about environmental degradation and to the value of education regarding the same. The need for incorporating the importance of natural resource evaluation and management into the mainstream of public policy and administration is must as one cannot manage what one does not measure. Though there is significant growth in awareness among educated and urban population about conservation and protection of natural and human capital of the nation still the real action from the democrats is in reality a mismatch with the constitutional policies.

GDP Accounting versus Green Accounting:

The only yardsticks of growth or development that are available today is Gross Domestic Product (GDP) at the National level or Gross State Domestic Product (GSDP) at the State level and unfortunately it is not designed to capture the significant gains/ losses to human capital and natural capital that happen year after year and affect the true or holistic wealth of the nation and its people. Much recent work on ‘inclusive wealth’ measurement highlights the importance of holistic measures of wealth of an economy. National wealth should include not just a measure of manufactured assets and financial assets (physical capital), but also natural capital (oil, other minerals, forests, freshwater resources, cropland, fisheries, etc), human capital (knowledge and skills), and social capital (institutional and legal infrastructure, political maturity, social harmony etc). In the absence of any measure of sustainable growth, it is not surprising that a nation often embarks on unsustainable growth initiatives, at a very large future cost to the economy, to society, and to the natural ecosystems within which they survive. And hence “Green Accounting” plays a vital role to capture the sustainability of economy in terms of natural, human and social capital at large.

Growing Importance of Green Accounting:

Green accounting will soon turn as the key measure of growth and will probably be studied by future generations as one of the most significant designs in the economic history of mankind. Green Accounting, entails the estimation of prices for all national assets, including natural and human capital assets, and their inclusion in the ‘financial statement’ of the nation, so it is no mean task.

‘Green Accounting’ is a methodology for capturing the so-called ‘externalities’ of ‘mainstream’ economics (which include most material and unaccounted changes in natural capital, human capital, and social capital) by estimating their stock or net asset values, and thus bringing them within a common framework of value accounting for the nation. In practice, Green Accounting involves an array of quantitative estimations: modelling and valuing the non-marketed services of environmental assets such as forests, calculating the value of education as a generator of future incomes, present-valuing future liabilities in the form of pollution abatement costs and healthcare costs etc. This appears quite daunting an exercise, however, there is a sufficient body of work and precedent which will enable a nation to implement holistic Green Accounts. The benefits are immense, as Green



Accounting would better enable governments to evaluate choices without a bias against future generations, or a bias in favour of man-made assets as against natural assets. It would present in a different & holistic economic light choices such as conserving precious ecosystems rather than surrendering them at throwaway prices to logging interests for a relatively minor economic gain.

Green Accounting will also be focusing on conserving forest resources (a significant dependency for the poor household) and on investing more in primary and secondary education (as an important means of providing the poor with better livelihood in the future which is pertinent in underdeveloped and developing countries) can only serve to improve any nations current and disappointing state of financial and economic inclusion. The focus of Green Accounting is to adjust traditional measures of growth & to re-cast them as measures of sustainable growth.

Career Prospects:

When considering the green accounting as a developing area in modern times it even gives scope for several job aspects not just in one sector but to many. People who are interested in building a career in wild life reservation, forest departments, ecological balance study, environmentalists and even economists have scope in this area of service. Green accounting takes into consideration multiple area and thus conducting the thorough research in this field and thus arising job opportunities to future generation not just in one field but numerous. Once government approves Green accounting as a part of economy's assessment then career in this field will be open in government sector as well as private thus become a reason for employment boom.

Green Accounting application in terms of Indian economy:

The Central Statistical Organization (CSO) in India is working on a methodology to systematically incorporate natural resources into national accounts in different states for land, water, air, & sub-soil assets. However, the CSO approach develops accounts for some states & for some sectors, and their studies are still in progress. In contrast to the CSO approach, India uses a top-down or macroeconomic approach to model adjustments to GDP (national level)/GSDP (state level) accounts.

The materiality of calculated externalities in sectors such as education, health and natural resources are particularly interesting as these sectors are essential contributors to both sustainable development and poverty eradication.

Stock of natural capital (minerals, arable land, forests & freshwater) and its investment in human capital (education, health, and pollution control) is yet to be accounted and treated as a part of GDP valuation by Indian economy.

Conclusion:

Economies have spent the past decade building a growth dynamic that was missing in the earlier times however, it is also desirable to monitor and channel the forces of growth and investment in order to ensure that they truly improve the quality of life for current and future generations and to sustainably manage the economy. The concept called as 'Intergenerational solidarity' is also breeding in the recent times emphasizing on the similar terms of Green Accounting stating to conserve the resources for the coming generations and all this is only possible if we start keeping a tab on the complete resources in both ecological and human form.



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Every living being existing in this world has equal right over all the ecological resources and should also have access of the same even after several decades. All of this is to be made possible only if we start acting on conserving and augmenting the same on immediate basis. One approach that any economy can adopt is certainly 'Green Accounting' or any other methods on similar grounds.

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