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## An Overview Of Green Accounting Practices And Reporting Method In Indian Companies

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### Abstract:-

Accounting means maintaining records of usage of natural resources by organization in the process of development of business and to increase revenue. In the race of earning more and more, organization do overuse of resources which cause depletion of natural resources. People thinks, we have unlimited resources but we don't have. Resources are scarce, so organization should use it in right manner. Because of this practice of organization, green accounting like term emerged. Govt. had taken action after Stockholm conference 1972.govt. had taken more focuses on this after Bhopal gas tragedy. Govt. made various act for this and make some parameters to follow them to record them and ensure sustainability. We are lacking in implementation of these act. All businesses adhere to them in accordance with their wishes. It must faithfully abide by them, not only make laws. The only way to guarantee sustainability is in this way.

**Key words:** - Scarce natural resources, Sustainability, implementation of law, environmental reporting.

### Introduction: -

Green accounting means accounting of natural resources which organization use to make increment in shareholders' value and for existence in market. The concept of green accounting emerges when it found depletion in natural resources. In this world business organization wants to achieve profit in only money terms. Prof. Peter Wood first introduced green accounting in 1980. Other names for green accounting include integrated accounting and environment accounting. The concept of environmental accounting is developed in India following the Stockholm conference in 1972. Jairam Ramesh, a former environment minister in India, was the country's first environmental accountant. Bhopal gas tragedy like incidents makes stress to follow accounting of natural resources. No organization can make profit without using natural resources. Company's social responsibility is towards to nature and society to not harm or deplete resources in greater amount.

Understanding the economic significance of the environment can be done with the help of green accounting. According to Salah El Serafy (1997), environmental accounting has several objectives and viewpoints that are limited to the preservation of natural resources and changes in welfare brought on by environmental effects. It is crucial to a company's corporate social responsibility (CSR) as well as decision-making about the practices or protocols used and the productivity of the business. The company's current environmental initiatives will have both short-term and long-term effects on the environment.

## Objective of the study

- 1) Gaining a general understanding of the state of green accounting in India today with reference to the sustainability reports of a few Indian companies.
- 2) To study the Current situation of green accounting practice in Indian companies
- 3) To study the reporting methods of Indian companies.

## Review of literature

G. T. and M. Ramu, A Study on Green Accounting, 2018: A Way to Sustainable. Development Stated that commercial organizations largely abide by governmental laws and regulations. Environmental safety and protection as well as sustainable environmental development must be made known to the public in order to make sure that the seeds planted by the previous generation are enjoyed by the present. Dr Ashima Saxena, 2018, Environmental Accounting Practices in India; stated that The environment should be respected, protected, and tried to be restored by business. Businesses have a duty to manage and stop pollution and contamination. Organizations shall be transparent with stakeholders about their environmental performance, including an assessment of any potential environmental risks associated with their operations. Dr. K. Kanaka Raju, 2018, Green Accounting Practices; opined that Due to increased stakeholder knowledge and other practices, there is no clarity or transparency about policy framework at the federal, state, or even business reporting levels. Dr. Rajani B Bhat, Dr. Jaya K. R., 2018. A Study on Environmental Accounting Practices Adopted by Select NIFTY Indian Companies; stated that Companies fully agree that they must fulfill their obligation by disclosing all relevant information about environmental matters, but industries only give out a limited amount of information on these matters, as well as information on environmental costs and expenditures.

Quantitative data is also scarce, thus the regulatory agencies should issue accurate accounting statements and provide information on environmental expenditure. Dr. Gangotree Ghosh, 2018, "Clean India- Green India": An overview of Green Accounting Practices in India stated Everything a firm discloses in its annual reports is primarily an effort to follow the laws and guidelines outlined in the Companies Act. A country can achieve sustainable development, which is the ultimate goal of "Clean India" and "Green India," with the aid of a clearly defined green accounting and reporting policy. K.R. Gola and Priyam Mendiratta, Green accounting and its application: a study on reporting practices of environmental accounting in India, 2022, concluded that, they have investigated how green accounting is used and understood by organizations. In this regard, they looked at IFRS and GRI for environmental or sustainable disclosure, however they said they were unable to discover any information on these topics in IFRS. The specific disclosures GRI 307 & 308, which are related to environmental reporting in the financial statements, are made available by GRI. Numerous provisions are arbitrary and may make it difficult to compare different organizations. Additionally, they wrote they are optional. As a result of the investigation, the requirement for certain specific accounting or reporting guidelines becomes apparent.

## Green accounting

Green accounting is nothing but only maintaining records of usage of natural resources to achieving the organizational goal. It is new branch of accounting which is popular in this era. There is need of growing awareness and concern about social responsibility globally. Any economical development is not possible without depletion of natural resources. No organization can grow in market without depleting natural resources. Maintaining records of natural resources can cause right utilization of resources.

## World scenario

Global Reporting Initiative (GRI), Organization for Economic Co-operation and Development (OECD), and United Nations Commission on Sustainable Development are the main three international organizations that have attempted to develop a policy framework for including three-dimensional sustainable development in financial reporting (UNCSD).

### **In the Indian context,**

The Central Government issued the first public declaration of environmental-related information from businesses on a regular basis in 1991. It would be advantageous to preserve environmental records and accounts in order to discourage the exploitation of natural resources and stop their depletion.

A flexible financial framework for businesses is created by including the idea of sustainability accounting and reporting. Companies are issuing reports on their environmental, social, and economic performance at an increasing rate. Business Responsibility Reports (BRR) must now be included in the annual reports of the top 100 publicly traded firms in India, according to the Securities Exchange Board of India (SEBI). The National Voluntary Guidelines serve as the basis for SEBI's BRR disclosure system.

### **Legal framework of India:-**

According to the Companies Act of 2013, any company with a net worth of at least Rs 500 crore, a revenue of at least Rs 1000 crore, or a net profit of at least Rs 5 crore during the most recent financial year is required to abide by the CSR provisions outlined in Section 135 of the Companies (Corporate Social Responsibility) Rules of 2014 and Schedule VII, which sets forth mandatory requirements for businesses to carry out their CSR. The Board of Directors of the firm, to which CSR refers, is in charge of making sure that, in each fiscal year, the company spends at least 2% of the average net profit generated during the three fiscal years immediately following, in accordance with its CSR strategies.

### **The following are the many laws that are relevant to environmental protection:**

#### **Directly related to environment protection**

- The Water (Prevention and Control of Pollution) Act of 1974 is directly related to environmental protection.
- The 1977 Water (Prevention and Control of Pollution) Cess Act.
- The Air (Prevention and Control of Pollution) Act of 1981 is item number.
- The 1980 Forest (Conservation) Act.
- The 1986 Environment (Protection) Act is an example

#### **Constitutional Clause, (Article 51A)**

- The 1948 Factories Act.
- The 1989 Hazardous Waste (Management & Handling) Regulations.
- The 1991 Public Liability Insurance Act.
- The 1991 Motor Vehicle Act.
- The 1987 Indian Fisheries Act.
- The 1958 Merchant of Shipping Act.
- Indian Port Act
- India's penal code, first.
- The National Environment Tribunal Act of 1995. (2018, Dr. Ashima Saxena)

## Nine principles of BRR

Every entity required to file this report is required to disclose the nine BRR principles, which are essential indicators. However, entities that aspire to advance to a higher level in their pursuit of social, environmental, and ethical responsibility may voluntarily disclose the leadership indicators. These are what they are:-

Principle 1:- Organizations should operate honestly and transparently while being accountable to their stakeholders.

Principle 2:- Companies should deliver products and services in a safe and sustainable manner.

Principle 3:- Business should respect and advance the welfare of all employees, including those in their value chains

Principle 4:- states that companies should respect the interests of all their stakeholders and act in their best interests.

Principle 5:-organizations should uphold and advance human rights.

Principle 6:- Businesses should respect the environment and work to conserve and restore it.

Principle 7:- Businesses should influence public and regulatory policy in a responsible and transparent manner.

Principle 8:- Business should support inclusive growth and equitable development,

Principle 9:- Companies should interact with and benefit from their customers in a responsible way.

Source: - SEBI report ([https://www.sebi.gov.in/sebi\\_data/commndocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure1\\_p.PDF](https://www.sebi.gov.in/sebi_data/commndocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure1_p.PDF))

**List of companies (registered in stock exchange) are considering in study, which are as follows:-**

### 1) Nestle India Ltd:-

CSR, or corporate social responsibility, in India Limited; In accordance with the CSR Policy and the Annual Action Plan, which were periodically approved by the Board of Directors on the advice of the CSR Committee, Nestle will spend more than 2% of its average net profits over the previous three financial years in 2022, as per Section 135 of the Companies Act of 2013 read with the CSR Rules. Along with the previously listed programmes, Nestle has been involved in "Creating Shared Value" projects for many years, although these have not been included in calculations of CSR spending. Environmental preservation, rural development, water and sanitation, and nutrition education are all included in Nestlé's CSR programmes.

### Environment Sustainability of Nestle:-

The company's dedication to sustainability focuses on water, sourcing, packaging, and climate-change.

- From 2007 to 2022, the company lowered its use of energy by about 36%, water use by about 51%, the output of wastewater by about 38%, and particular direct greenhouse gas emissions by about 52% for every tone of production.

- Since 2020, company's brands have maintained their plastic neutrality.

They claim, company was one of the first to responsibly manage an amount equal to the post-consumer plastic waste produced by its products.

- As part of the NESCAFÉ Plan, Company trains coffee farmer to enhance their skill. (source: Nestle website) (<https://www.nestle.in/sites/g/files/pydnoa451/files/2023-03/17-3-Annual-Report-2022.pdf>).

## 2) Wipro ltd.

Wipro is attempting to balance expansion with sustainability, including targets for energy efficiency, GHG mitigation, and waste management.

### a) Pollution and waste management:-

One of the biggest risks to societal welfare and public health is pollution of the air and water. In order to manage these "commons" in an urban setting, commercial entities must look outside their own walls and use an integrated strategy. Our objectives for waste management are:

- All organic waste produced by commercial operations is recycled for efficient utilization.
- To ensure that by 2025, less than 2% of other categories of trash will end up in landfills and more than 98% will be recycled in accordance with applicable national criteria (excluding construction and demolition waste).

### b) Energy efficiency and GHG mitigation Targets:-

It has SBTI (Science Based Targets Initiative) approved targets for Scope 1, Scope 2 and Scope 3 till 2030 that are based on well below 2 degree temperature goal. We have committed to Net Zero goals by 2040, with absolute emissions reduction of 55% by 2030 with respect to the 2017 base year. These are aligned with the objectives of the Paris agreement to limit temperature rise to 1.5 degree Celsius.

The following are our interim subsidiary goals till 2030:-

- Achieve Scope 1 and 2 absolute emissions level of 80,000 tons by 2030 from 2017 baseline.
- Energy Intensity in terms of EPI (Energy Performance Index) Achieve EPI of 125 Kwh per sq. mt by 2025 from baseline of 181 in 2017 and maintain EPI thereafter
- GHG Emission Intensity (Scope 1 and Scope 2) on Floor Area (FAR) basis Annual reduction of 5 % in GHG intensity from 117 KgCo2 eq./ Sq. Mt. (kgpsm) to 60 kgpsm ofCo2 – eq by 2030

Source; - <https://www.wipro.com/content/dam/nexus/en/investor/annual-reports/2020-2021/integrated-annual-report-2020-21.pdf>

## 3) ICICI :-

ICICI claims Led by our purpose-driven approach, we, at ICICI Bank, have also been undertaking CSR (Corporate Social Responsibility) initiatives to create meaningful social and environmental impact. The majority of the Bank's social investments have been made via ICICI Foundation for Inclusive Growth.

In fiscal 2022, ICICI Bank allocated approximately `2.67 billion for CSR activities. which were:

- pivoted on supporting farmers,
- financial inclusion,
- skilling initiatives,
- afforestation,
- water conservation,
- rainwater harvesting and community development and

In addition to providing financing and market connections to farmers, micro business owners, and women self-help groups, the company focuses on developing financial literacy among the rural population.

Highlights environment: - Green Energy

- 11.19 million kWh (Kilowatt hour) Total solar power generated in fiscal 2022
- 260 kwp (Kilowatt peak) On-site capacity addition of solar power in fiscal 2022
- 126 Green branches and offices certified by IGBC
- 20 watt to 12 watt Reduced Connected Load per sq. ft. area in last 7 years, till March 31, 2022
- 1.38 to 1.36 (in tCO2 e) Carbon emission reduced per Full Time Equivalent (FTE) employee in fiscal 2022
- Paper Saved: - 12 million A4 size sheets = saving 1,400 trees + Saving 6million liters of water.

Source: - ICICI

(<https://www.icicibank.com/content/dam/icicibank/managed-assets/docs/investor/annual-reports/2022/ICICI-Bank-ESG-Report.pdf> )

#### 4) Infosys

According to Section 135 of the 2013 Companies Act, CSR is applicable. Infosys is likewise attempting to move towards sustainability and has taken various initiatives in that direction. The following are a few of these:-

- 28.6 million square feet of the best green building certification
- 330 million liters of rainwater may be stored in 35 lakes built across our campuses,
- And waste water is recycled 100 percent of the time.

(<https://www.infosys.com/sustainability/documents/infosys-esg-report-print-version-2021-22.pdf>)

#### 5) HDFC

CSR is applicable as per section 135 of Companies Act, 2013

Their report is aimed at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.

Table1 this table discloses the policies and process of bank with nine parameters of NGRBC

Disclosers/ (principles)	2	3	4	5	6	7	8	9
Policy and management process								
1. a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Y	Y	Y	Y	Y	Y	Y	Y
b. Has the policy been approved by the Board? (Yes/No)	Y	Y	Y	Y	Y	Y	Y	Y
Whether the entity has translated the policy into procedures	Y	Y	Y	Y	Y	Y	Y	Y
. Specific commitments, goals and targets set by the entity with defined timelines, if any	X	Y	X	X	Y	X	Y	X

**Note:** - All policies have been developed as a result of detailed consultations and research on the best practices adopted by banks and organizations across the industry and as per the requirements of HDFC Bank.

Source: - ([https://v.hdfcbank.com/content/dam/hdfc-aem-microsites/Annual\\_Report\\_FY22/pdfs/Business-Responsibility-Sustainability-Report.pdf](https://v.hdfcbank.com/content/dam/hdfc-aem-microsites/Annual_Report_FY22/pdfs/Business-Responsibility-Sustainability-Report.pdf) )

#### Research methodology

This paper is descriptive in nature. Collection of Data is from various secondary resources like Google, research gate, Google scholar, company's website like HDFC, ICICI, Infosys, Wipro etc. this paper is qualitative research paper.

### **Findings and Conclusion: -**

As green Accounting emerged as new terms for industries, so it is at its infant stage. Findings of paper are companies are not following all the norms and guidelines as environmental reporting framework like other branch of accounting like financial accounting, where there is universal rules and principle .In financial accounting all companies follows the same method of reporting but in case of BRR(Business responsibility report)there is no common method of reporting, as all companies trying to follow growth with sustainability but they not following all the parameters of reporting. As we can see the Nescafe ltd. 2007 to 2022, for every ton of production, Company reduced the usage of energy by around 36%, water usage by around 51%, specific direct Green House Gas emissions by 52%. Where in the case of wipro ltd, company is trying To ensure that by 2025, less than 2% of other categories of trash will end up in landfills and more than 98% will be recycled in accordance with applicable national criteria (excluding construction and demolition waste). In case of ICICI Bank allocated fund in the fiscal year 2022, approximately `2.67 billion for CSR activities like, financial inclusion, skilling initiatives, afforestation. In the case of infosys, its focus on recycling of water 100%. But HDFC bank shows all the nine parameters of sustainability. There are no fixed parameters for reporting, all companies trying to show CSR report according to their will. Every company is doing and reporting as they feel right. GRI,OECD and UNCSD likes parameters are made at global level for reporting but few of them are following this for reporting. Companies are trying to follow sustainability guidelines but they see their profit goal first and following few principles for reporting.

### **Recommendation:-**

We may better understand why green accounting grew slowly in India by recognizing the multiple challenges associated with information disclosure in this area. First, experts need to investigate more than the general idea of green accounting. Due to the lack of fundamental accounting theory, such as accounting hypothesis, accounting measurement, and accounting procedures, green accounting is a continuous subject. There is need to make general rules and principle like other branches of accounting to make its reporting more effective. And it should make its implementation and investigation of reporting mandatory.

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