

# Green Accounting: A Pathway to Sustainable Corporate Practices

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Received: 14/02/2025 | Accepted: 01/04/2025 | Published: 17/04/2025

**Abstract:** Green accounting, also known as environmental accounting, has emerged as a strategic tool for measuring, managing, and reporting the environmental costs associated with business activities. As climate change, resource depletion, and sustainability reporting gain prominence globally, organizations are under increasing pressure to integrate environmental considerations into financial decision-making. This paper examines the concept of green accounting, its methodologies, global practices, challenges, and implications for corporate sustainability. The study highlights the relevance of green accounting for ensuring transparency, improving stakeholder trust, and aligning corporate operations with the United Nations Sustainable Development Goals (SDGs).

**Keywords:** Green accounting, environmental accounting, sustainability reporting, corporate social responsibility, natural capital, environmental costs, ESG.

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## 1. Introduction

The growing emphasis on sustainable development has led to a shift in how organizations view their role in society. Traditional accounting focuses primarily on financial transactions, often neglecting environmental and social impacts. Green accounting addresses this gap by incorporating environmental costs, resource use, and ecological consequences into financial reporting. This integration provides stakeholders with a holistic view of a company's performance, enabling informed decision-making.

As industries face regulatory, social, and environmental pressures, the adoption of green accounting is becoming essential. International frameworks such as the Global Reporting Initiative (GRI), International Financial Reporting Standards (IFRS) on sustainability disclosures, and the European Union's Corporate Sustainability Reporting Directive (CSRD) have further pushed companies to embrace environmental accounting practices.

## 2. Concept of Green Accounting

Green accounting refers to a system of accounting that identifies, quantifies, and reports the environmental costs and benefits of corporate activities. It integrates financial and non-financial data to measure the ecological footprint of an organization.

Key components include:

- Environmental Costs: Expenses related to waste management, pollution control, environmental fines, and resource conservation.
- Natural Capital Valuation: Assigning economic value to natural resources like water, forests, and biodiversity.
- Sustainability Indicators: Metrics such as carbon emissions, energy consumption, and recycling rates.

By linking financial outcomes with ecological impacts, green accounting helps businesses assess long-term sustainability.

## 3. Methodologies of Green Accounting

Different methodologies are used to implement green accounting:

1. Input-Output Analysis – Examines the flow of resources in and out of production systems, assessing environmental costs.
2. Life Cycle Assessment (LCA) – Analyzes environmental impacts of products/services from production to disposal.
3. Environmental Management Accounting (EMA) – Focuses on internal cost savings and efficiency improvements through better environmental practices.
4. Natural Resource Accounting – Measures the depletion and degradation of natural resources.

## 4. Global Practices in Green Accounting

- United States: The Environmental Protection Agency (EPA) promotes corporate sustainability reporting with focus on emissions and waste reduction.

- European Union: Mandatory sustainability reporting under CSRD integrates green accounting principles into financial disclosures.

- Japan: Pioneered "eco-balance sheets" to monitor environmental performance.

- India: Companies are encouraged to disclose CSR and environmental expenditures under the Companies Act 2013, with growing adoption of GRI standards.

## 5. Challenges of Green Accounting

Despite its potential, green accounting faces challenges:

- Lack of Standardization: Absence of universally accepted frameworks complicates comparability.

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- Valuation Difficulties: Assigning monetary value to environmental resources is complex.
- Cost of Implementation: Smaller firms find it expensive to adopt environmental accounting systems.
- Limited Awareness: Many businesses still prioritize short-term financial performance over long-term sustainability.

## 6. Implications for Corporate Sustainability

The integration of green accounting provides numerous benefits:

- Enhances corporate reputation and stakeholder trust.
- Encourages efficient resource utilization and cost savings.
- Supports compliance with environmental regulations.
- Strengthens alignment with SDGs, particularly SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).

## 7. Conclusion

Green accounting is more than a reporting tool—it is a strategic necessity for businesses striving for sustainable growth. By integrating environmental considerations into financial systems, organizations can achieve a balance between profitability and ecological responsibility. Policymakers, regulators, and companies

must collaborate to standardize practices and overcome implementation barriers. As global sustainability challenges intensify, green accounting will play a pivotal role in shaping corporate responsibility and long-term resilience.

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