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## INTEGRATING ENVIRONMENT INTO ECONOMICS: A REVIEW OF GREEN ACCOUNTING PRACTICES IN INDIA

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### ABSTRACT

Rapid industrialization and economic development have significantly increased pressure on natural resources and the environment. Traditional accounting systems mainly focus on financial performance and often ignore environmental costs such as pollution, resource depletion, and biodiversity loss. In this context, Green Accounting has emerged as an important approach that integrates environmental considerations into economic and financial decision-making. The present study aims to examine the concept of Green Accounting and analyze its relevance in the Indian context.

This study is primarily based on a review of existing literature related to Green Accounting in India. Various research papers and secondary sources have been analyzed to understand the development, implementation, and challenges associated with environmental accounting practices. The study also explores the role of regulatory frameworks such as the Companies Act, 2013 and sustainability disclosure requirements introduced by SEBI.

The findings indicate that although awareness regarding environmental sustainability has increased in India, the practical implementation of Green Accounting is still at a developing stage. Major challenges include the absence of standardized measurement techniques, high implementation costs, and limited professional expertise. The study suggests that stronger regulatory support, standardized reporting frameworks, professional training, and technological integration can significantly improve the adoption of Green Accounting practices. Overall, the effective implementation of Green Accounting can contribute to sustainable economic development by balancing economic growth with environmental protection.

**KEYWORDS:** Green Accounting, Sustainable Development, Corporate Environmental Disclosure, India.

### 1. INTRODUCTION

In the past, the natural environment provided a wide range of resources and ecological services that



supported both human life and economic activities. Forests, water resources, fertile land, and biodiversity played a crucial role in maintaining ecological balance and ensuring the well-being of society. These resources also supported livelihoods and helped maintain the stability of economic systems.

However, with the rapid growth of industrialization, technological advancement, and economic development, the condition of the natural environment has changed significantly. The continuous pursuit of higher economic growth has led to excessive exploitation of natural resources, increasing environmental pollution, and a gradual loss of biodiversity. Over time, these developments have contributed to major global environmental problems such as climate change and ozone layer depletion. For many years, business organizations mainly focused on profit maximization without giving adequate attention to the environmental consequences of their activities. As a result, non-renewable resources have been depleted and pollutants have been released into ecosystems such as air, water, and soil. Consequently, the world is gradually moving from a condition of relatively abundant resources to one characterized by environmental degradation and resource scarcity. These developments raise serious concerns about the sustainability of current economic growth and highlight the limitations of traditional financial accounting systems, which often fail to account for natural resource depletion and environmental damage.

In the context of India, these challenges are particularly important as the country continues to experience rapid industrial growth while also attempting to protect its natural environment. At present, Green Accounting in India is still in an early stage of development, although awareness regarding the protection of biodiversity and ecosystems is gradually increasing.

The Government of India has introduced several policies and regulatory frameworks to address these concerns. For instance, Article 51A of the Constitution emphasizes the duty of every citizen to protect and improve the natural environment. Additionally, the Companies Act, 2013 has made Corporate Social Responsibility (CSR) mandatory for certain companies, encouraging them to contribute to environmental protection and sustainable development.

Furthermore, the Securities and Exchange Board of India (SEBI) requires major listed companies to disclose information related to environmental and sustainability practices through Business Responsibility and Sustainability Reports (BRSR). These initiatives reflect a growing realization that traditional economic indicators such as GDP often fail to capture the true cost of environmental degradation and resource depletion.

Therefore, Green Accounting has emerged as an important approach for integrating environmental



considerations into economic decision-making. It provides a broader understanding of development by highlighting the relationship between economic activities and environmental sustainability.

Therefore, after understanding the role of Green Accounting in India, this study reviews some existing literature in order to develop a clearer understanding of the concept of Green Accounting.

## 2. OBJECTIVES OF THIS STUDY

The main objectives of this study are as follows:

- **To understand the concept of Green Accounting:** The study aims to explain the concept of Green Accounting or Environmental Accounting and to develop a clear understanding of its major aspects.
- **To examine the regulatory framework in India:** The study attempts to analyze the role of different laws and regulatory initiatives in promoting Green Accounting in India, such as the Companies Act, 2013 and the sustainability disclosure guidelines introduced by SEBI.
- **To explore corporate environmental disclosure:** The study seeks to examine how companies are gradually incorporating information related to environmental impact and resource use in their reporting practices.
- **To identify the challenges in implementation:** Another objective of this study is to identify the major difficulties and limitations associated with the adoption of Green Accounting within the existing traditional accounting system in India.
- **To provide possible suggestions:** The study also aims to suggest ways through which Green Accounting practices can be strengthened in order to support sustainable economic development in a developing country like India.
- **To provide possible suggestions:** The study also aims to suggest ways through which Green Accounting practices can be strengthened in order to support sustainable economic development in a developing country like India.

## 3. Concept of Green Accounting and its Relevance in India

Green Accounting, which is also known as Environmental Accounting, is an approach that integrates environmental costs and benefits into the traditional accounting system. Unlike conventional accounting, which mainly focuses on financial transactions such as profit and loss, Green Accounting attempts to consider the environmental impact of economic activities. It aims to include certain hidden environmental costs, such as air and water pollution, depletion of natural resources, soil degradation, and loss of biodiversity, within the accounting framework. By doing so, it provides a broader understanding of the relationship between economic development and environmental sustainability.



The concept of Green Accounting is often associated with the idea of sustainable development and is sometimes explained through the principle of the “three Ps” — People, Planet, and Profit. This approach emphasizes that economic progress should not only focus on financial gains but should also consider social well-being and environmental protection. In practice, Green Accounting may involve different dimensions such as Environmental Management Accounting, which focuses on internal resource management, Environmental Financial Accounting, which deals with environmental information disclosed to stakeholders, and Environmental National Accounting, which measures natural resource use at the national level.

In the Indian context, the relevance of Green Accounting has been increasing as the country continues to experience rapid industrial and economic growth while also facing serious environmental challenges. Although the practice is still at an early stage in India, there is a growing recognition of the need to incorporate environmental considerations into economic and financial systems.

The Government of India has introduced several policies and regulatory measures that indirectly support the development of Green Accounting practices. For example, the Companies Act, 2013 requires certain companies to undertake Corporate Social Responsibility (CSR) activities, many of which are related to environmental protection. In addition, the Securities and Exchange Board of India (SEBI) has introduced Business Responsibility and Sustainability Reporting (BRSR) for major listed companies, encouraging greater transparency in sustainability and environmental reporting.

Furthermore, traditional economic indicators such as GDP often fail to capture the environmental cost of economic growth. In this context, Green Accounting can help provide a more realistic understanding of development by considering the depletion of natural resources and environmental degradation. Therefore, the adoption of Green Accounting practices can play an important role in promoting sustainable development in a developing country like India.

#### **4. Review of Literature on Green Accounting in India**

A considerable number of studies have already been conducted on Green Accounting in India. These studies mainly focus on the importance of Green Accounting, its role in promoting sustainable development, and the challenges associated with its implementation in the Indian context. Many researchers have also examined the role of government policies, corporate environmental disclosure, and sustainability reporting in encouraging environmentally responsible practices. The following section reviews some of the important existing studies related to Green Accounting in India in order to develop a clearer understanding of the subject.

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**Joshi and Vinod (2015)** examined the critical role of environmental valuation and green accounting in preserving India's coastal and marine ecosystems, specifically along the south-west coast. The study focused on quantifying the "Total Economic Value" of these ecosystems to ensure that their services—such as food provisioning, climate regulation, and tourism—are integrated into national decision-making. The authors utilized various valuation techniques, including market price methodology, replacement costs, and travel cost methods, to assess the natural capital of the Kerala coast. Their findings revealed that the ecosystem services of this region are valued between US \$1660 and \$1930 billion per year, with estuaries and brackish water areas providing the highest economic contributions. The researchers concluded that green accounting is an essential tool for modifying traditional national accounts like GDP to accurately reflect the depletion and use of India's natural resources. Ultimately, the study suggests that the successful adoption of these practices requires standardized reporting frameworks, such as ISO 14000, and comprehensive training for environmental auditors.

**Malik and Mittal (2015)** investigated the status of green accounting practices in India to understand how corporations identify and report environmental costs and benefits. The primary objective of the study was to explore the conceptual framework of environmental accounting and evaluate its practical application within the Indian business context. The authors conducted a preliminary investigation analyzing 25 manufacturing and non-manufacturing firms to measure their performance against specific environmental reporting parameters. Their findings indicate that **green accounting is currently in a preliminary stage in India**, with most disclosures being descriptive and lacking financial quantification of natural capital degradation. Additionally, the study observes that while corporate executives are generally aware of environmental issues, actual reporting remains poor and is often limited to fulfilling basic legal requirements. The researchers conclude that **a well-defined environmental policy and standardized accounting procedures** are essential for ensuring India's sustainable development.

**Rewadikar (n.d.)** explores the conceptual framework and practical benefits of implementing green accounting within an economic entity, focusing on its role as a vital management tool for tracking environmental costs. The primary objective of the study is to assist organizations in evaluating the necessity of green accounting by identifying the specific advantages it offers for both internal operations and external accountability. The author adopts a descriptive and classificatory approach, detailing various forms of environmental accounting—including financial, management, and natural resource accounting—while contrasting physical and monetary measurement methods. The research highlights that green accounting promotes a corporate culture of environmental safety and provides essential data for informed decision-making regarding production and investment. Furthermore, the study finds that transparent environmental disclosure significantly enhances a company's social credibility and its relationship with external stakeholders like investors and consumers. The paper concludes that integrating these practices is essential for businesses to discharge their responsibility toward sustainable development while maintaining long-term profitability.



**Agarwal and Kalpaja (2018)** conducted an exploratory study to define the conceptual framework of green accounting and evaluate its critical importance for modern corporate entities. The primary focus of the research was to examine why organizations should track their environmental interactions to promote efficient resource utilization and pollution reduction. To achieve this, the authors employed a survey-based methodology, collecting primary data from 54 respondents in Bangalore—comprising students and working professionals—using a structured Likert-scale questionnaire. The study findings reveal that a vast majority of participants support the mandatory implementation of green accounting across all companies to ensure transparency regarding what an organization takes from and gives back to the environment. Furthermore, the researchers conclude that there is a significant need for increased public awareness and stricter government intervention, including the imposition of penalties for non-compliance with environmental norms. Ultimately, the paper suggests that integrating green accounting at every organizational level is an essential step toward achieving long-term environmental sustainability and fulfilling corporate social responsibility.

**Jhamb and Aggarwal (2019)** conducted a conceptual study to explore the status and implementation of green accounting practices within the Indian landscape. The study focuses on contrasting conventional accounting systems with environmental accounting to highlight the critical need for incorporating ecological impacts and resource exhaustion into financial frameworks. Using a descriptive and figurative approach, the authors outline specific procedures for preparing green accounts and categorizing environmental conservation costs. The researchers find that although India has established a comprehensive legal framework for environmental protection, the actual practice of green accounting remains in its nascent stages. A key conclusion is that most Indian corporations lack clear-cut environmental policies, leading to a significant gap between general CSR compliance and detailed ecological disclosure. Ultimately, the study suggests that for sustainable development to become a reality, India must prioritize public awareness and mandate transparent environmental reporting in corporate annual reports.

**Rathod and Rupareliya (2020)** conducted a study to explore the fundamental concept of green accounting and its specific implications for the development of emerging India. The research utilizes a conceptual and descriptive approach, analyzing various sectors such as energy production, tourism, and corporate office practices to evaluate their environmental footprints. The authors find that green accounting in India is currently in an introductory or developing stage at both the national and corporate levels. A key conclusion of the study is that incorporating environmental costs into financial frameworks provides a more authentic picture of actual national development than traditional accounting metrics. Furthermore, the researchers highlight specific opportunities for sustainability, such as the long-term benefits of solar energy and the potential for "paperless" offices to save millions of trees annually. Ultimately, the paper suggests that for India to successfully transition into a developed nation, the government must regulate standards while businesses collectively work to minimize their environmental costs.



**Venugopal et al. (2024)** conducted a comparative analysis of green accounting practices across various Indian industries to explore adoption rates, perceived benefits, and implementation challenges. Using a descriptive research design, the authors surveyed 150 corporations across sectors such as Energy, Manufacturing, and Information Technology to gather quantitative data on sustainability reporting. The results indicate that the **Energy sector leads in adoption at 82%**, with most firms primarily motivated by the need for regulatory compliance and an enhanced corporate image. Despite these motivations, the study identifies critical obstacles to implementation, particularly **high costs and a significant lack of specialized expertise** within organizations. Interestingly, the data demonstrates a **positive correlation between green accounting adoption and notable improvements** in both environmental performance and financial health. The researchers conclude that fostering a collaborative environment among regulators and corporate leaders is essential to overcome these barriers and promote widespread sustainable practices in India.

**Gupta and Poojari (2025)** investigated the role of green accounting in promoting sustainable development and corporate responsibility within the Indian context. The study specifically focuses on how integrating environmental factors into financial decision-making can effectively balance India's economic growth with environmental preservation. To achieve this, the authors employed a qualitative methodology based on **secondary data sources**, including international reports, academic research, and corporate case studies. Their analysis reveals that green accounting significantly enhances organizational transparency and corporate image while identifying opportunities for cost reduction through improved resource management. The researchers also highlight that while regulatory frameworks like **SEBI's BRSR mandate** are strengthening the system, implementation is often hindered by a lack of standardized measurement techniques and limited awareness among smaller enterprises. The study concludes that green accounting is a critical tool for India to transition toward a more sustainable economy and ensure long-term ecological balance.

**Pramod and Shrivastava (2026)** conducted a multi-disciplinary study to analyze the diverse benefits of green accounting and how various organizations operationalize these advantages to achieve sustainable value. Their research approach synthesizes insights from enterprise architecture, technological innovation frameworks like ML DevOps, and empirical findings to understand the mechanisms behind organizational transformation and process innovation. The authors argue that green accounting serves as a critical bridge between economic growth and environmental stewardship by internalizing "hidden" ecological costs such as pollution and biodiversity loss into financial frameworks. Regarding the Indian landscape, the study highlights the national priority of protecting ecosystems and notes specific initiatives such as SEBI's mandate for ESG disclosures and the voluntary adoption of sustainability reporting by major firms like Tata Group and ONGC. The findings suggest that leveraging technological infrastructure and fostering a culture of innovation are essential for overcoming implementation challenges like fragmented tools and multidisciplinary skill gaps. Ultimately, the study concludes that organizations integrating environmental data into their strategic



planning are better positioned for long-term competitive advantage and societal well-being.

## **5. CONCLUSION AND SUGGESTIONS**

From the review of the existing studies, it can be observed that Green Accounting is gradually gaining importance in the Indian context as a useful approach for integrating environmental considerations into economic and corporate decision-making. Traditional accounting systems mainly focus on financial profits and often ignore environmental costs such as pollution, resource depletion, and biodiversity loss. In contrast, Green Accounting attempts to include these hidden environmental costs within the accounting framework, thereby providing a more realistic picture of both corporate and national economic performance.

However, the reviewed literature also indicates that the practice of Green Accounting in India is still at a developing or preliminary stage. Although awareness regarding environmental responsibility has increased in recent years, the actual implementation of environmental accounting practices remains limited in many sectors. Some industries have shown greater progress in sustainability reporting, while many organizations still adopt only basic measures mainly to comply with regulatory requirements. Several challenges continue to hinder the wider adoption of Green Accounting, including the lack of standardized measurement techniques, high implementation costs, and limited availability of trained professionals with expertise in environmental accounting.

Despite these challenges, the literature suggests that organizations that successfully integrate environmental information into their accounting and strategic planning are better positioned to achieve long-term sustainability and improved corporate credibility. By considering environmental costs alongside financial performance, Green Accounting can help organizations make more responsible decisions and contribute to sustainable economic development.

In order to strengthen the adoption of Green Accounting practices in India, several measures can be considered. First, regulatory authorities and policy makers should work towards developing clear and standardized guidelines for environmental accounting and sustainability reporting to ensure consistency across organizations. Second, greater emphasis should be placed on professional training and awareness programs so that accountants, managers, and policy makers can better understand and apply environmental accounting practices. Third, stronger regulatory support and monitoring mechanisms may encourage companies to provide more transparent environmental disclosures. In addition, small and medium enterprises may require simplified frameworks and institutional support to adopt these practices effectively. Finally, the use of modern technological tools and improved data management systems can help organizations monitor environmental impacts more efficiently and reduce the cost of implementation.



Overall, the wider adoption of Green Accounting can play a significant role in promoting sustainable development in India by improving transparency, encouraging responsible resource use, and balancing economic growth with environmental protection.

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