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Green accounting: Developing versus developed economies

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Abstract. Businesses and corporates have started to formulate strategies to opt for environment-friendly and green operations. The same has also conceived the idea of green accounting that emphasizes taking environmental factors into account of corporate financial consideration and reports. Less to date, have made a comparative review for those progresses of green accounting in the developed versus developing economies, and to offer insights for academics and practitioners. This article offered a compact discussion of this issue and provides suggestions to theory and practices.
Keywords. Green accounting, Developing economies, Developed economies.
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1. Introduction

The 21st century has proved to be the era of prosperity and progress. However, the environment is at stake because of varying range of developments. After all, the human beings have already caused a havoc amount of damage to the environment, which is actually beyond the range of repair. As a result, various governmental agencies, organizations, and NGOs are trying to recognize such damages and roll out awareness campaigns so as to preserve the nature and natural resources that are still there. Similarly, businesses and corporates have started to formulate strategies to opt for environment-friendly and green operations in different ways. The same has also conceived the idea of green or environmental accounting (Schaltegger & Burritt, 2017). Hence, the green accounting's acceptance shows the organizational commitment towards the natural resources. Alternatively, the three main aspects of the green accounting are the planet, profitability, and people. In fact, both the benefits and costs of green accounting are analyzedto understand its impact on the firms. The economy, as a whole is getting affected by the global climatic change.Thus, its reflection is visible in the Gross Domestic Product. On the other hand, the surging consciousness and awareness of the people regarding the environmental issues is leading to the growing importance of the

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appropriate corporate disclosures, in different organizations. The design of the green accounting has not been embraced globally, as of now. Therefore, the wide adoption is quite less, across the globe. The nations that have successfully adopted and promoted green accounting are the Japan, European countries, UN, and U.S. They believe that there are some tried and tested methods of deploying environmental accounting such as the clean manufacturing, corporate social responsibility expansion, and 3R policy. On the contrary, the nations such as U.A.E. and Jordan are still at their very early stage of adopting environmental accounting.

2. Green accounting in developing economies

The developing economy such as China has started to take initiative in green accounting only after facing a broad range of environmental issues like U.S. There are many projects that were conducted on the state-level, in China; one of them was carried out by the National Statistics Bureau, while the other was taken care of the Environmental Protection Administration of the States along with the World Bank. Alternatively, India has adopted an approach that is top-down in nature. It has some advantage's as well. The unaccounted state and national production and wealth are taken into consideration. In green accounting, all the estimated prices of human capital and natural assets are considered with the other national assets. While calculating the GDP, natural capital cannot be solely focused upon. As a result, the categories which must be selected at every cost are existing statistical databases' measurement, material from every context, realistically manageable components related to the state or national government's policies. However, in India, data quality is a major issue for researches and green accounting. National accounts are not complete without the sequence of monetary and physical accounts. The format includes opening and closing stock; under the prior one, other aspects such as the effect of the economic activities also remain involved. On the other hand, monetary accounts are largely based on the adjustments of depreciation. In case of the Indian Project for States related to Green Accounting, all the three steps are necessary from evaluating. A similar stance is possibly observable for China as well.

Alternatively, the income and cost-based approaches are enough justified for the positive externalities. The later one estimates the specific human capital. ISO 14001 certification is not widely used in the developing countries, for environmental accounting. It is because the same is quite expensive for the medium and small-scale organizations. The financial statements of the countriesinclude the same. In todays' world, national accounting also evaluates the income distribution, productivity, resource allocation, and growth instead of only the aggregate output, as stated by Bennett & James (2017). Green Security Policy of China is also quite popular.

The developing economies are more proactive in the case of green accounting. However, China is one of the Asian countries to adopt the same. The financial statements of these nations include productivity, allocation of resources, and wealth distribution to find out the limitations of environmentalaccounting. GSP of China has forces the companies to take up green accounting.

3. Green Accounting in developed economies

One of the main approaches introduced by the UN is SEEA.It was just a response against the Brudtland Commission Report. The same tried to integrate both the conventional economical accounts and environmental information together. However, it was not successful in explanation the need to omit the services pertaining to the critical ecosystem. The approach initially explains the assets such as forestry, water, fisheries, and many more before preparing the physical accounts. Later, on, the same is monetized in the altering stock, for a certain time period. The European Union has also familiarized the public with another environment standard such as the Audit and Management Scheme.

The U.S.' companies are quite active for incorporating environmental costs in their accounts. In fact, the implementation of various environmental expenses in the internal planning purpose can increase the overall quality of the nature and operationalefficiency, as mentioned by Cho & Patten (2013). U.S. companies try to save the environmental costs from burying under the overhead accounts. The guidelines for preparing the same have been provided by the IFAC. On the other hand, the three core areas to be concentrated upon are eco-efficiency, compliance effectiveness, and strategies position.

On the contrary, the developed nation such as U.S. perceives the total cost assessment procedure as an effective technique. Even EPA approved the same. Several costs manifests from the non-adoption of a plethora of preventive measures. Conventional systems of accounting mostly measure the Tier 1 indirect costs. Alternatively, they are not allocated properly. The experts have also raised a few controversial aspects regarding the TCA methodology. For instance, the horizon for time should be extended so as to capture the crucial benefits and costs of the future liabilities. The stipulated nations are mostly involved in the making of citizenship or accounting file report, by the firms.

It can be seen how the developed nations are prone to follow other methodology such as TCA. The difference between the conventional and TCA methods is completely different. SEEA brought the concept of environmental accounting, for every stakeholder's development. The critical ecosystem has already been left back. Other scheme which would facilitate the same in IEU is the MAS. 14001-standardof ISO is not possible for the developing nations to adopt green accounting. It is truer in the case of medium-scale companies that are freshly entering the market.

Table 1. *Comparison*

G.A. in developing	And developed countries
The practice of G.A. in still not much in the countries that are merely developing.	Many companies, states and other entities have started green accounting.
There is hardly such rules and laws framed to compel both the organizations and the nation to practice G.A., except China.	Several policies and laws, especially and U.S., and EU.
Top-down approach is more prominent.	TCA methodology is used profoundly.
Sometimes the companies cannot afford the costs of G.A.	The organizations are pretty muchaffluent.

4. Possibility for future research

There is a vast scope for researching in Green Accounting, in the upcoming days. For instance, it is crucial to find how the companies, states or countries can gain competitive advantage in the markets or economies for sustainable development.Many countries are lagging behind in regard to the Environment or Green Accounting. Therefore, it is necessary to research on the loopholes that exist on the society itself or the government. The economic conditions of the developed, underdeveloped, and developing countries are same (Halberg, Verschuur & Goodlass, 2005). Hence, single most procedure or policy will never work out for environmental accounting. Thus, further studies will indicate the appropriateness of a sole policy for all the countries. Finally, the business concerns must also indulge in research activities, in order to find out their possibility to contribute in the economy of a nation. On the other hand, the decision-makers should be aware enough so that incorporating any new information becomes easier (Booth, Luckett & Mladenovic, 1999). Future researches will also assist in identifying the methods of improving various ways of environmental accounting so that they can be fitted for the product markets, industrial processes, firms, and other special needs scenario.

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