

## **ROLE OF GREEN ACCOUNTING IN ENHANCING CORPORATE TRANSPARENCY AND STAKEHOLDER'S TRUST**

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### **Abstract:**

In an era where environmental sustainability is increasingly critical, green accounting has emerged as a strategic tool for integrating ecological considerations into corporate financial systems. This research investigates how green accounting enhances corporate transparency and fosters stakeholder trust. Using a mixed-method approach with both primary data from organizational surveys and secondary sources like sustainability reports and academic literature, the study highlights the role of environmental disclosure in building corporate credibility. It identifies challenges in implementation—such as inconsistent standards and high costs—while showcasing the benefits of improved reputation, compliance, and stakeholder engagement. The findings emphasize that green accounting not only strengthens stakeholder relationships but also supports long-term sustainability and responsible governance. The research contributes to both theoretical knowledge and practical applications by suggesting frameworks that align environmental reporting with corporate strategy and stakeholder expectations..

**Keywords:** Green Accounting, Corporate Transparency, Stakeholders Trust, Environmental Disclosure, Sustainability, Financial Reporting, Corporate Governance.

### **Introduction:**

The 21st century has witnessed a paradigm shift in corporate priorities, with environmental sustainability becoming a core concern for businesses, governments, and stakeholders alike. Climate change, environmental degradation, and resource scarcity have compelled organizations to reconsider their impact on the natural world. In this context, green accounting, also known as environmental accounting, has emerged as an essential approach to integrate ecological dimensions into traditional financial reporting frameworks. Green accounting provides a comprehensive mechanism for recording, analysing, and reporting environmental costs and benefits associated with corporate activities. It extends beyond conventional financial metrics to include data on pollution, resource consumption, and environmental restoration, offering stakeholders a more holistic view of corporate performance. By promoting transparency in sustainability practices, green accounting plays a pivotal role in building stakeholder trust, improving corporate reputation, and facilitating alignment with global sustainability frameworks like the United Nations Sustainable Development Goals (SDGs). Green accounting, being an environmental accounting, was introduced in 1980 by an economist and Professor Peter Wood. It plays a vital role in today's corporate social responsibility. It integrates environmental sources and resources into the records of the company. In India, growing regulatory pressures, societal expectations, and investor demand for sustainability disclosures have further amplified the relevance of green accounting. Yet, its adoption remains inconsistent, marred by challenges like data availability, lack of standardization, and limited awareness

among businesses. This study seeks to explore how green accounting enhances transparency and trust, investigates the barriers to its implementation, and examines its impact on corporate sustainability.

### **Goals of Green Accounting**

Green Accounting is popular term for environmental and natural resource accounting, which incorporates environmental assets and their source and sink functions into national and corporate accounts (Barthelme's, 2008). It is aimed at achieving the following goals:

1. Green accounting aims to separate all flows and stocks of assets related to environment so that information regarding expenditure for the protection of the environment can be gathered.
2. Green accounting is aims to find out defensive expenditures that is, costs required to be incurred in order to compensate for the negative impacts of economic growth.
3. Green accounting aims at joining or linking Monetary Environmental Accounts with Physical Resource Accounts.
4. Green accounting primarily aims at assessing environmental costs and benefits arising out of the use of environmental resources or the changes in the environment, resulting from economic growth.
5. Green accountings aims at facilitating accounting for maintenance of natural wealth and make entity more.

### **Elements of Green Accounting**

Several elements of environmental accounting are essential for understanding and implementing this process.

#### **Environmental Costs and Benefits**

Environmental accounting is all about understanding and calculating the costs and benefits of nature. This means knowing how a company's actions are, like how they use up resources, create waste, and release harmful substances which affect the environment.

#### **Environmental Management Accounting**

Environmental management accounting (EMA) combines environmental issues into management accounting systems. EMA simplifies measuring and reporting of environment-related costs and benefits.

#### **Life Cycle Assessment**

Life cycle assessment, or LCA, is a comprehensive and systematic technique to appraise a product's or service's ecological repercussions across its entire life cycle. It encompasses identifying and quantifying the environmental impacts emanating from all phases of a product or service, commencing from the inception of raw materials extraction to the ultimate disposal phase, and gauging their subsequent impact on the surrounding environment.

#### **Carbon Foot printing**

Carbon footprint analysis is a specialized form of Life Cycle Assessment (LCA) that quantifies the greenhouse gas discharges connected with a particular commodity or provision. It allows scrutinizing and distinguishing approaches for minimizing emissions and encourages more ecologically responsible methodologies.

#### **Environmental Performance Indicators**

Evaluating and reporting environmental performance relies on environmental performance indicators (EPIS). These indicators are crucial in monitoring and measuring advancements towards environmental objectives, evaluating the effectiveness of environmental management

systems, and conveying the environmental performance to all stakeholders involved.

### **Environmental Auditing**

Environmental auditing is an intricate procedure of scrutinizing an establishment's ecological execution vis-à-vis established laws or guidelines. This systematic evaluation is instrumental in identifying potential areas for amelioration, assessing the effectiveness of environmental management systems, and gauging compliance with ecological protocols.

### **Approaches of green accounting**

There are two approaches adopted in green accounting or environmental accounting.

- 1.physical approach
- 2.monetary approach

#### **Physical Approach**

The Physical Approach was suggested by the United Nations where a complete guide to be prepared indicating the available resources within a country classified according to its state and uses (for instance, agriculture, desert land etc). Depending on its approach the environmental operations are presented in a physical terms the current balance of the resources and the additions and deductions from that resource. No monetary value is assigned according to this approach.

#### **Monetary approach**

The monetary approach emerged due to the fact that the Physical Approach does not fulfil the requirements of the Environmental Accounting. Nevertheless, the physical approach is a very important to get physical information about the resources which enables to prepare the environmental statistics and is considered the first step in the Monetary Approach. Despite of the difficulties associated with the monetary approach, it gained a lot of interest as such data will enable to know the profit and loss associated with the environmental operations and to get environmentally adjusted economic indicators.

### **Advantages of Implementing Green Accounting**

Green Accounting is useful as a link between the environment and the economy, and it explains the environmental costs, environmental liabilities and environmental performance.

- Green Accounting is meant to be used for both internal and external users.
- Green Accounting provides useful information regarding decision making for level and structure of production, value of investment and environmental costs.
- It identifies and analyses the environmental costs and an afferent debt identifies and manages the ratio between the environmental expenses and its afferent debt.
- It identifies collects and analysis data about raw materials energy and other information's about environmental impact of the business that will lead to more informed decision making with consequent implications for improved profitability and environmental protection.
- It manages the acquisitions, consumption and sales of material including waste.
- It contributes to a better management of energy and water costs.
- It provides information regarding the performance of an economy entity which leads to a better relationship between partners and the external environment being new clients and better image of the society.

### **Literature Review**

Existing literature emphasizes the transformative potential of green accounting in sustainable corporate governance. Fraser and Glen (1999) emphasized its necessity for environmental performance assessment. Bhawana and Gour (2014) noted its importance in embedding

environmental consciousness into business strategy. Gabriela et al. (2016) argued that green accounting offers a comprehensive evaluation of natural resource usage and degradation. Research by Deva et al. (2020) and Justita and Riyanto (2022) highlighted its positive impact on financial performance and sustainable development, particularly in developing economies. Meanwhile, Hery and Vinola (2024) questioned its influence on reporting quality, pointing out voluntary compliance and inconsistent metrics as barriers.

**Matthew N.O.Sadiku** (2021) discussed that, Green accounting is a new accounting branch that accounts for the environmental impact, focusing on the well-being of the environment and its costs. It factors these costs into financial results and considers the long-term effects of economic activity on the environment. A consistent theme in the literature is the lack of standardized frameworks and the gap between green accounting theory and implementation. Most studies agree that while stakeholder engagement and environmental transparency improve with green accounting, adoption is still uneven across industries and regions.

**Objectives**

- 1.To examine how green accounting practices, enhance corporate transparency.
- 2.To assess the impact of green accounting on stakeholders’ trust in organizations.
3. To identify the challenges faced by companies in implementing green accounting.

**Research Methodology**

This study adopts a mixed-method approach, combining both primary and secondary data sources.

**Primary Data:** Collected through a structured questionnaire distributed to 30 respondents, including managers, accountants, and sustainability officers in firms practicing green accounting.

**Secondary Data:** Derived from Articles Analysis Tools: Data were analysed using percentage analysis and frequency distribution tables to draw correlations between green accounting practices and corporate performance indicators.

**Analysis and Interpretation**

The primary data collected with the help of a questionnaire and analysis and interpretation was done with the help of final results.

**Table no 1: Demographic Profile**

	<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>	Male	19	63.3
	Female	11	36.7
	Total	30	100
<b>Education level</b>	Bachelor’s degree	18	60.0
	Master’s degree	12	40.0
	Others	0	0
	Total	30	100
<b>Occupation</b>	Accountant	1	3.3
	Employee	29	96.7
	Manager	0	0
	Executive	0	0
	Total	30	100
<b>Age</b>	25-30	3	10.0

	30-35	14	46.7
	35-40	10	33.3
	40-45	2	6.7
	45 and Above	1	3.3
	Total	30	100

Source: Primary Data

The demographic profile reveals that out of 30 respondents, 19 (63.3%) are male and 11 (36.7%) are female, indicating a male-dominant participation. In terms of educational background, 18 respondents (60.0%) hold a Bachelor's degree, while 12 (40.0%) have a Master's, showing a well-educated sample. Regarding occupation, the majority 29 (96.7%) are employees, with only 1 (3.3%) being an accountant, and no managers or executives, reflecting a working-class demographic. The age distribution shows that 14 respondents (46.7%) fall in the 30–35 age group, followed by 10 (33.3%) aged 35–40, suggesting middle-aged individuals dominate the sample. A smaller number 3 (10.0%) are aged 25–30, while the remaining are Particulars Frequency Percentage Gender Male 19 63.3 Female 11 36.7 Total 30 100 Education Level Bachelor's degree 18 60.0 Master degree 12 40.0 Others 0 0 Total 30 100 Occupation Accountant 1 3.3 Employee 29 96.7 Manager 0 0 Executive 0 0 Total 30 100 Age 25-30 3 10.0 30-35 14 46.7 35-40 10 33.3 40-45 2 6.7 45 and Above 1 3.3 Total 30 100 above 40 years. Overall, the sample represents educated, working professionals mainly in the age range of 30–40 years.

**Table No 2: Effectiveness of organization communication on Environmental Performance to stakeholders**

	Particulars	Frequency	Percentage
<b>Effectiveness of organization communication on Environmental Performance to stakeholders</b>	Moderately effective	28	93.3
	Ineffective	2	6.7
	Very effective	0	0
	Total	30	100

Source: Primary Data

A significant 93.3% of respondents believe the communication of environmental performance is moderately effective, while 6.7% consider it ineffective. No respondent finds the communication very effective, which suggests that while some level of effort exists, it is not fully satisfactory. This moderate score indicates partial stakeholder engagement and limited influence of current communication practices.

**Table No 3: Respondents Rating on the Importance of Green Accounting in Building Long Term Stakeholders Relationship**

	Particulars	Frequency	Percentage
<b>Importance of Green Accounting in building long term stakeholders' relationship</b>	Critical	1	3.3
	Moderately important	22	73.3
	Not important	7	23.3
	Total	30	100

Source: Primary Data 100

The data describes that 73.3% of respondents find green accounting moderately important for long-term stakeholder relations, while 23.3% believe it's not important. Only one respondent (3.3%) considers it critical. This suggests a general acceptance of green accounting's relevance, but not a strong conviction of its strategic value. The moderate rating could reflect a lack of awareness on how environmental practices shape stakeholder loyalty. Low

**Table No 4: Respondents Opinion in Availability of Guidance for Implementing Green Accounting**

	Particulars	Frequency	Percentage
<b>Respondents Option In Availability of Guidance for Implementing Green Accounting</b>	Low	10	33.3
	Very Low	0	0
	Moderate	20	66.7
	High	0	0
	Total	30	100

Source: Primary Data

The data set indicates that 66.7% of respondents find guidance for implementing green accounting to be moderate, while 33.3% consider it low. No respondents rated the guidance as high or very low. This reveals a general lack of strong or clear guidance available for practitioners.

### Findings

1. The results indicate that 46.7% of respondents were aged between 26–35 years. It was noted that only 3.3% belonged to the above 55 age group. It was observed that 63.3% of the participants were male. In contrast, 36.7% of respondents identified as female. According to the responses, 60% of individuals held a bachelor's degree. Only 40% had a master's degree, and none reported other qualifications. The analysis shows that 96.7% of respondents were employees. A small portion (3.3%) worked as accountants, with no managers or executives represented.

2. The data reveals that 93.3% rated communication as moderately effective. Only 6.7% found it ineffective, with no one considering it very effective.

3. It was noted that 73.3% considered green accounting moderately important in building relationships. Just 3.3% viewed it as critical, and 23.3% found it not important. 4. According to the findings, 66.7% believed guidance was moderately available. About 33.3% rated availability as low.

### Suggestions

- Organizations should conduct regular training programs to improve green accounting knowledge among employees.
- Companies must ensure diversity in environmental teams by including more women, managers, and finance professionals.
- Government bodies should enforce standardized formats for periodic environmental disclosures.
- Offer tax incentives for green accounting adoption.
- Use AI and analytics for real-time tracking.

### Conclusion

Green accounting plays a pivotal role in aligning corporate operations with environmental sustainability. It enhances transparency by disclosing the true ecological cost of business activities, thereby enabling stakeholders to make informed decisions. While its implementation faces hurdles such as lack of standardization and training, its long-term benefits in improving public trust, regulatory compliance, and operational efficiency are undeniable. This research confirms that integrating green accounting into mainstream financial practices can bridge the gap between economic performance and environmental responsibility.

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