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PROMOTING THE APPLICATION OF GREEN ACCOUNTING IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT AT ENTERPRISES IN VIETNAM

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Abstract

In the context of increasingly serious global climate change and environmental degradation, research on green accounting linked to sustainable development is becoming an urgent issue for Vietnam. This is not only a requirement to achieve international commitments on reducing greenhouse gas emissions, but also an important step to ensure sustainable and environmentally-friendly economic development for the country. This research paper examines the issues related to green accounting and sustainable development, including reviewing the current status of implementation, challenges faced, and proposing some solutions to promote the application of green accounting in enterprises in Vietnam towards sustainable development.

Keywords: Green accounting, businesses, sustainable development

1. INTRODUCTION

In the context of globalization and increasing concerns about climate change, research on green accounting linked to sustainable development is becoming more important than ever. Vietnam is one of the leading countries in making strong commitments to the international community in achieving sustainable development goals. At the United Nations Climate Change Conference (COP26) in 2021, Vietnam committed to achieving net zero emissions by 2050. This is an important step, reflecting the Vietnamese Government's determination to transition to a green economy and renewable energy. In Vietnam, the green accounting trend is gradually being paid attention to and applied by businesses and state management agencies. In recent years, the Ministry of Finance has issued several circulars guiding the presentation of environmental-related information in enterprises' financial reports. This reflects the Government's efforts to encourage enterprises to publicly disclose information about environmental impacts and environmental protection activities. In addition, some large enterprises in sectors such as oil and gas, energy, and construction have begun to apply green accounting in their operations. This helps them to more accurately assess environmental-related costs, while enhancing their environmentally-friendly image, contributing to improving customer and partner trust and reputation. In that context, promoting research and application of green accounting will help enterprises better understand environmental impacts, enhance transparency, support, and promote behavioral

changes in the business community. Only when there is a harmonious combination of green accounting and sustainable development can we achieve sustainable economic development and effective environmental protection.

2. Green accounting

Green accounting is becoming an increasingly important trend in today's age when the world is facing severe challenges related to climate change and environmental degradation. Green accounting focuses on measuring, reporting, and managing the environmental and social impacts of business activities, in order to promote sustainable development and environmental protection. The term "green accounting" was first mentioned in 1971 by Parker. Subsequently, the concept of green accounting emerged and developed since 1972 in the United States, after the Stockholm Environmental Summit (Sweden). Authors Fleischmann and Paudke (1977) and Verein Deutscher (1979) were pioneers in researching green accounting, focusing on calculating the costs and profits associated with anti-pollution measures. In addition, there are also other views on green accounting, such as Peter Wood (1980), who believed that green accounting is a modern and comprehensive accounting system to record, synthesize, and report for an organization, in order to fully reflect the contents of assets, liabilities, capital investment, revenues and environmental costs of the country. According to S. Sudhamathi and S. Kaliyamoorthy (2014), the main objectives of Green Accounting include three different tasks. These tasks include: (i) identifying, collecting, calculating, and analyzing



the impacts of production activities and costs related to environmental resources; (ii) preparing internal reports and using environmental cost information effectively; (iii) providing relevant cost information in the decision-making process, with the aim of making effective decisions and contributing to environmental protection. From the perspectives mentioned, green accounting can be understood as a type of accounting that records, synthesizes, and reports for an organization, in order to fully reflect the contents of assets, liabilities, revenues, and costs for the green environment of a country and an enterprise. The main purpose of green accounting is to help businesses understand and better manage the relationship between traditional economic goals and environmental goals, thereby achieving the ultimate goal of sustainable growth. Green accounting is divided into different perspectives including environmental financial accounting, environmental management accounting, environmental finance, environmental law, and ethics with the community. Green accounting is seen as a new and long-term approach, in line with the global economic development trend towards a "green economy". Research shows that green accounting is often widely applied in the energy production sector, greenhouse gas emissions accounting, and supporting companies' sustainable development strategies. Green accounting can be applied to both large and small companies in many different industries.

3. Green accounting and sustainable development

Green accounting and sustainable development are important issues in today's age when environmental and sustainability issues are becoming more urgent than ever. There is a close and mutually supportive relationship between green accounting and sustainable development. Green accounting is an important tool that supports the implementation of sustainable development, while sustainable development in turn creates the need and direction for the application of green accounting. Green accounting refers to the incorporation of environmental and sustainability factors into the traditional accounting system, in order to provide detailed and transparent information on the environmental impacts of business activities and provide solutions to mitigate those impacts. Meanwhile, sustainable development is a broader concept that includes economic, social, and environmental aspects. It aims to ensure that current development activities do not harm the ability of future generations to meet their needs. Green accounting is an important tool to support the sustainable development process by providing information and measurement methods to monitor and manage the environmental impacts of business activities. Within the framework of green accounting, businesses are required to calculate and report environmental costs related to their activities, including waste treatment costs, energy costs, costs of complying with environmental regulations, and other costs related to mitigating environmental impacts. This helps businesses gain a more comprehensive view of the actual costs of their business activities and provides a basis for them to make smarter, more sustainable business decisions.

Additionally, green accounting also requires businesses to disclose information about their environmental activities and impacts, helping to enhance transparency and accountability to stakeholders such as shareholders, investors, customers, and the community. This encourages businesses to engage in more sustainable business practices and contributes to the sustainable development of society. An important aspect of green accounting is the development of methods to assess and value environmental assets, such as forests, land, water, and clean air. Recognizing the value of these assets in the accounting system helps businesses and policymakers recognize their importance to economic and social development. Furthermore, green accounting also plays an important role in supporting businesses to achieve the United Nations Sustainable Development Goals (UN SDGs). These goals include areas such as combating climate change, protecting the ocean and terrestrial ecosystems, sustainable production and consumption, and many other areas. Green accounting provides tools and methods to monitor, measure, and report progress in achieving these goals.

Thus, it can be seen that green accounting and sustainable development are closely linked concepts that require commitment and coordinated efforts from all stakeholders. Only through close cooperation and determination to achieve common goals can we build a greener, more sustainable economy that ensures long-term development for current and future generations.

4. Current situation of green accounting application in enterprises in Vietnam

Green accounting is becoming an undeniable trend in the business community in Vietnam. Green accounting is gradually becoming an important trend in the field of accounting in Vietnam. Through research, the application of green accounting in Vietnamese enterprises can be summarized as follows:

Prioritized areas for green accounting application:

In Vietnam, the prioritized areas for green accounting application are mainly those with major environmental impacts, including (i) Industrial manufacturing sector: This is the sector receiving the most attention in the application of green accounting, especially industries such as cement production, metallurgy, chemicals, textiles, footwear, due to their high level of energy and resource consumption, as well as significant waste generation; (ii) Mining sector: Mining activities have a direct impact on the environment and natural landscape, so the application of green accounting to measure and manage these impacts is very necessary; (iii) Construction and real estate sector: Construction activities consume a lot of raw materials and energy while generating a lot of construction waste. Therefore, the application of green accounting in this sector is very important to ensure sustainable development; (iv) Agriculture and forestry sector: Agricultural and forestry activities directly impact land, water resources, and biodiversity. The application of green

accounting will help businesses in this sector better manage these impacts.

Green accounting application methods

In Vietnam, businesses have applied the environmental cost accounting method and resource accounting. Firstly, for the environmental cost accounting method: This is the most common method, in which environmental-related costs such as waste treatment costs, environmental compliance costs, energy and material costs are separated from overall production costs and tracked separately. Secondly, for the resource accounting method: This method focuses on measuring and tracking the use of natural resources such as water, energy, and raw materials in the production process. Environmental reporting: Some large companies have begun to publish annual environmental reports, providing information on the environmental impacts of their business activities and measures to mitigate these impacts. Product life cycle assessment: This method assesses the environmental impacts of a product throughout its life cycle, from raw material extraction, production, transportation, use to waste disposal after use. However, the application of these green accounting methods is still very limited and mainly only applied in large companies with high resources and environmental awareness. Most small and medium-sized enterprises are still not concerned about green accounting.

5. Benefits of green accounting

In the current context where environmental and sustainable development issues are becoming increasingly urgent, green accounting has gradually taken shape and played an important role in promoting the development of a green economy. Green accounting is a new approach in the field of accounting, focusing on measuring, reporting, and controlling the environmental impacts of business activities. Some of the main benefits that green accounting brings can be mentioned as follows:

First, green accounting helps raise awareness of the importance of environmental protection in business activities. By measuring and reporting environmental impacts, businesses can better understand the extent of their impact on the environment and thereby make appropriate decisions to mitigate negative impacts.

Second, green accounting provides businesses with a comprehensive picture of the environmental risks associated with their activities. This helps businesses to identify and manage these risks more effectively while avoiding potential adverse consequences due to uncontrolled environmental impacts. In addition, in the context of customers and communities becoming increasingly concerned about environmental protection, the application of green accounting helps businesses demonstrate their commitment to the environment and sustainable development, enhancing their reputation and competitive advantage over other competitors.

Third, green accounting not only helps reduce environmental impacts but can also help businesses save costs and increase operational efficiency. By measuring and controlling resource

use and emissions, businesses can optimize production processes, reduce waste, and save energy and raw materials. In the context that many countries have enacted environmental protection regulations and standards that businesses must comply with, green accounting helps businesses monitor and meet these legal requirements effectively, avoiding fines or other penalties.

Fourth, green accounting will help increase access to capital and investment. Investors and financial institutions are increasingly concerned about environmental and sustainable development issues when making investment decisions. The application of green accounting helps businesses demonstrate their commitment to the environment, thereby increasing the ability to access green capital and investment sources. Additionally, the application of green accounting will help promote innovation. Green accounting encourages businesses to seek and apply innovative solutions to reduce environmental impacts. This can lead to the emergence of new, more environmentally friendly products, services, and production processes, helping to enhance the competitive advantage of businesses.

Fifth, green accounting supports businesses in making sustainable business decisions. Based on data and information provided by green accounting, managers have a basis for making sustainable business decisions that balance traditional economic goals and environmental responsibilities. This helps businesses maintain long-term and sustainable development. The application of green accounting not only benefits the business itself but also contributes to global efforts in environmental protection and sustainable development. Every business has a responsibility to the environment, and the application of green accounting is an important step in fulfilling that responsibility.

Thus, it can be seen that green accounting brings significant benefits to businesses, from raising environmental awareness, effective risk management, improving reputation and competitive advantage, to cost savings and increased operational efficiency. At the same time, green accounting also contributes to promoting innovation, enhancing employee commitment and participation, supporting sustainable business decision-making, and contributing to global environmental protection efforts. With these enormous benefits, green accounting will certainly become an important trend in the future.

6. Barriers and challenges in applying green accounting in enterprises in Vietnam

The application of green accounting in Vietnam is facing various challenges, in terms of legal framework, awareness, resources, and implementation capacity. A number of key challenges that need to be addressed to effectively and sustainably promote the application of green accounting in Vietnam include:

Legal framework and guidance: Currently, Vietnam does not yet have a comprehensive and specific legal framework for

green accounting. Although there are some legal documents related to the Law on Environmental Protection and guiding decrees and circulars, they do not directly address the concept and requirements of green accounting. This makes it difficult for businesses to understand and apply green accounting properly. In addition, Vietnam also lacks a specific and detailed system of green accounting standards to guide businesses in recognizing, measuring, and reporting environmental factors. This lack of guidance leads to a situation where each business applies green accounting in its own way, making it difficult to compare and evaluate effectiveness.

Awareness and comprehensive understanding of green accounting: Many businesses, especially small and medium-sized enterprises, still do not fully recognize the importance and benefits of applying green accounting. They still view green accounting as a cost burden, rather than a management tool and a means to improve operational efficiency. This lack of awareness leads to businesses being unwilling to invest resources in green accounting. In addition, the knowledge and skills in green accounting of the accounting, auditing, and management teams in Vietnamese enterprises are still very limited. This is due to the lack of full integration of green accounting knowledge into university and college training programs. Moreover, specialized training courses on green accounting for practitioners in businesses are also lacking and do not meet the practical needs.

Financial and Technological Resources: Applying green accounting requires businesses to invest considerable resources in finance, technology, and human resources. This reality has become a major challenge for many businesses, especially small and medium-sized enterprises with limited resources. The costs of building systems to collect, process, and report environmental data, invest in green technology, and train human resources are very high. Many businesses are concerned about the direct economic benefits of applying green accounting, making them unwilling to invest resources in this area. In addition, accessing and applying new technologies in green accounting is also a challenge, especially for small businesses in rural and remote areas.

Measuring and valuing environmental factors: One of the biggest challenges in applying green accounting is accurately and objectively measuring and valuing environmental factors. The environmental impacts of production and business activities are very diverse and complex, including indirect and long-term impacts on the environment. Determining the costs for these environmental impacts is very difficult due to a lack of data and appropriate valuation methodologies. Many businesses struggle to choose and apply appropriate measurement and valuation methods, leading to inconsistencies in reporting and managing environmental factors.

Information transparency: Green accounting requires close coordination between different departments within the enterprise, such as accounting, production, environment, human resources, and training. However, in many Vietnamese

enterprises, this coordination is still very limited due to a lack of coherent understanding and awareness of green accounting. In addition, the disclosure of information and transparency of environmental data is also a challenge. Many businesses are still reluctant to publicly disclose this information for fear of affecting their image and business operations. This reduces transparency and accountability to the community on environmental issues.

To overcome these challenges, coordinated efforts are needed from the government, businesses, and other stakeholders, including building a legal framework, providing financial support and training, raising awareness, and increasing information transparency. Only when these challenges are addressed can green accounting be effectively and comprehensively applied in Vietnamese businesses and contribute to the country's sustainable development.

7. Recommendations to promote the application of green accounting in enterprises in Vietnam

To effectively and sustainably promote the application of green accounting in Vietnam, coordinated efforts are needed from many stakeholders, including the government, businesses, social organizations, and the community. Based on the current situation of green accounting application, some specific recommendations are proposed as follows:

For State Management Agencies: It is necessary to develop a comprehensive and specific legal framework for green accounting, including regulations, guidelines, and detailed standards. This will create a clear legal framework to help businesses easily apply green accounting. In addition, it is necessary to issue preferential policies, financial, tax, and human resource training support to encourage and promote businesses to apply green accounting. These policies may include tax exemptions, subsidies, preferential loans, or training sponsorships for accounting teams. Strengthen inspection, examination, and strict handling of environmental violations by businesses. This will require businesses to apply green accounting to ensure compliance with environmental regulations. Finally, it is necessary to implement communication programs to raise awareness about the importance of green accounting in the business community and society as a whole. This will help create consensus and support from stakeholders.

For Businesses: Businesses need to develop specific strategies and action plans to apply green accounting in their business operations. This strategy should be consistent with the characteristics of their operations, resources, and sustainable development goals. Based on the developed plans and strategies, businesses need to invest adequate resources, including finance, human resources, and technology to effectively implement green accounting. This may require restructuring existing resources or mobilizing additional new resources. In addition, businesses need to strengthen training and raise awareness and knowledge about green accounting for their management and accounting teams through in-depth

training courses. Finally, there needs to be coordination between different departments within the enterprise to apply green accounting in a comprehensive and effective manner. This requires close coordination between departments such as accounting, production, environment, human resources, and training.

For Social Organizations and Communities: Social organizations, industry associations, and non-governmental organizations need to strengthen their role in monitoring and promoting businesses in applying green accounting. Organize awareness-raising activities on green accounting and sustainable development for the community, especially in localities with large industrial production activities. Build forums, networks, and cooperation between social organizations, businesses, and management agencies to effectively and comprehensively promote the application of green accounting. Encourage and support businesses in disclosing information and reporting on the situation of green accounting application, in order to enhance transparency and accountability to the community.

For Training and Research Institutions: Universities, colleges, and training institutions need to incorporate green accounting knowledge into accounting, auditing, and environmental management training programs. Strengthen scientific research on green accounting, develop new models, methodologies, and tools to support the practical application of green accounting. Establish specialized training programs on green accounting for accounting, auditing, and environmental professionals working in businesses. Cooperate and exchange experiences with international organizations, training, and research institutions on green accounting to enhance capacity and update the latest knowledge. With coordinated efforts and strong determination from all stakeholders, green accounting will become an important tool to help Vietnamese businesses better measure and manage environmental impacts, contributing to the sustainable development of the country.

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