GREEN ACCOUNTING IN ACHIEVING HIGHER CORPORATE PROFITABILITY AND SUSTAINABILITY IN READY MADE GARMENT INDUSTRY IN BANGLADESH. A CONCEPTUAL ANALYSIS

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Abstract: The purpose of this study is to reveal the conceptual analysis on how green accounting helps to improve the environmental performance, control cost, and invest in safe technologies in terms of product mix, product retention, and product pricing within the ready made industry in Bangladesh. This conceptual paper also reveals the importance of green accounting field which is to communicate actual or potential costs of a company or the national economy impact on the environment. In addition, it offer a base for future research in green accounting practice to help create awareness among people in the corporate sector for achieving long-term benefits for companies who are environmentally involved. Thus, this study attempted to link the gap between the Green accounting issues related to corporate profitability and sustainability and come up with the conceptual framework. On the other hand, it fosters social interest and establish the contribution of developing countries towards global environmental commitment and protection for sustaining green global environment.

Keywords: Green Accounting, Sustainability, profitability

1. Introduction

Green accounting is relatively new and a developing field. However, in Bangladesh the green accounting is considered new issues because, the implementation of green accounting in organization such as garments Industry been ignore. Not only that, the accelerating the task of green accounting and corporate sustainability in developing countries is not only a problem but also a challenge for South East Asia and other developing countries and is critical and limited (Hahn & Lülfs, 2013). The green accounting deals with accounting and management issues relating to environmental and social impacts, regulations and restrictions, safety, environmentally sound, and economically viable energy production and supply. The amount of experts in this field and in financial subjects in these countries needs to be supported with a planned budget and good decisions of policy makers however the numbers of experts in green accounting are minimal in Bangladesh making it a concern to have adequate expert opinion on the subject matter (Hezri & Ghazali, 2011).
2. Problems Statement

A survey of a group of polish companies taken 60 entities from 5 sector of industry which was reported before Management, Knowledge and Learning Conference in 2013, the practical problem was that organizations are prioritizing for profits leaving corporate responsibilities and social interest unattended (Sachs & Warner, 1995). This problem was similarly identified in Malaysia as the reporting of sustainability practices and steps are still not done. Whereas green GDP is a substantial factor not only in Malaysia but also in the whole World; which when related to sustainable development in current world environment focuses on a robust environment accounting system, which is a new concept that will take time to have active attention and participation in Malaysia and around the world (Wu, 2015). A related study introduced sustainability accounting, going beyond green accounting and its methods and procedures for practical application to achieve corporate sustainability (Bettina, et al., 2012). Consequently, the gap found here hopes to foster sustainability goals for green accounting and to create a career pathway for the next generation workforce. This study cannot ignore traditional accounting, hence the study intents to investigate how to combine traditional accounting and sustainable green accounting to match with corporate sustainability in developing countries for successful accomplishment of green environmental goals; which in turn requires modern research methods, evaluation, and overall research support.

3. Objective

1. To identify the dimensions of green accounting related to readymade garments industry.
2. To identify the conceptual framework of green accounting toward profitably and sustainability

4. Review of Literature

To understand the importance of green accounting towards corporate responsibility and sustainability situation is equally significant. The critical literature reviews which drawn by several authors plays the vital in developing the conceptual framework.

4.1 Implementing Accounting Practices

There standards on accounting do not have absolute measures for cost which makes it difficult in assigning financial figures to some environmental activities making it a challenge. The problem with the quantification of cost is that it also prevent comparisons and analysis of cost allocated for different accounting years as the conditions and factors considered for each year’s quantification may be different from the previous years or the years ahead (CEA, 2013). Companies whose operations are directly involved in the environments have greater challenge as they can be faced with natural disasters which directly affects their operations such as the natural resource mining companies. There is a massive investment involved in solving environmental pollutions caused by natural disasters which puts pressure on the company’s resources (Peter, 2012). These type of risk must be considered as uncontrollable by the company therefore, in environmental responsibility accountability, it is necessary to define the pollution as either controllable or uncontrollable by the company involved (Roussey, 1992).
4.2 Environmental Responsibility

The concept of environmental responsibility in accounting focuses ensuring that the accounting practice is conducted in a way that ensures sustainability and compliance to the standards of accounting as well as keeping the stakeholders aware and up to date on the operations of the company through environmental disclosures. Also studies have supported the concept of designing the environment which become the integral part of preventing environmental degradation and pollution issues by the process of proactive environmental management which focuses on planning and designing products with upgradeability and recyclability which is a proactive approach to dealing with any disposal issues at the end of the product life cycle (Chowdhury, et al., 2016).

This approach focuses on cohesive and environmentally responsible product development which showcases proactive future developments yet to be dominant in these recent times. The Bangladesh’s government passed several laws on the disposal of discarded electronic consumer products as well as air borne chemicals emitted into the air by the manufacturing companies (Chowdhury, et al., 2016). These laws put pressure on the manufacturers and importers by holding them responsible when consumers discard their products. It can therefore be observed that most of the manufacturers in the RMG industry have recently considered reusing and recycling their products and there is less burning of waste products as there used to be some years ago. A researcher mentioned some time ago there is no air borne waste product in the Ready Made Garments Industry as the waste product of one process in the raw material for another process (McKinsey & Company, Inc, 2011). The relevance of this for accountants is that when the company abides by the environmental regulation and laws prescribed within the industry in which the business operates, they are not obliged to hide any activity by the company which might put them in a compromising position between the legal authorities and the management (Jabed & Rahman, 2013).

There is also less management interference with the corporate and environmental disclosures in regards to what must be published in the financial accounts to the stakeholders and shareholders or not as there is nothing to hide when the company comply with all the relevant rules regarding their business operations (McKinsey & Company, Inc, 2011). Environmental researchers have also recommended adopting clean technology in manufacturing industries as an approach to achieving environmental and corporate sustainability (Goyal, et al., 2013). This approach to sustainable environmental was initiated by Japan’s Research Institute for Innovative Technology for the Earth (RITE) which is a consortium that financed and provided employees for the Japanese government and other companies. Their work was focused on a proactive development and commercialization of clean technologies for the developing world spanning a 100 year plan. They are known the next generation power and technology house which have worked over the years to neutralize and eliminate all greenhouse gas emissions and ensuring that there is zero or near zero effect of environmental pollution from manufacturing (Samuel-Quigley, et al., 2013; Pol & Lim, 2013). Several countries have attempted to copy and adopt from Japan, developing countries like Bangladesh have mentioned these intentions and challenges of adopting these technologies as being due to lack of financial stability.
4.3 Green Alliances

Some researchers have recommended green alliance as a way forward for solving environmental degradation and green environmental responsibility (Butt, et al., 2015; Otutei, 2014). The green alliance approach focuses on making partnerships between businesses and environmental groups by integrating corporate environmental responsibility, aligning market goals and sharing cost involved in implementing environmental goals. This approach also focuses on encouraging business allies especially for companies dealing in similar products or dealing in the same industry. This facilitates allying in order to solve the ecological and environmental problems that might arise due the business operations, and this has become an integral part of business and promotes eco-tactics. The dominant factor in this is the shared responsibility and sharing environmental liability associated with the operation. This approach has worked in Germany, Europe and other developed countries where the accountants and managements of those companies involved collaborated in the corporate disclosures (Vincent, 2012).

There has no proven case in developing countries therefore it is difficult to prove whether a developing country like Bangladesh can adopt and practice this approach. However the green alliance for disposing environmental waste is a clear and visual and proactive approach to handling environmental pollution issues a part of fulfilling the environmental responsibility (Walker, et al., 2014). In practicing this, the management must also figure out a way to account for the shared responsibility in the corporate disclosures as this cannot be simple added to additional notes in the final account and the standards of accounting clearly do not describe an accounting procedure handling transactions involving sharing environmental loss by allying businesses. Some successful international companies that have undergone these green strategies include The Body Shop International and World Wildlife Fund, General Motors and McDonalds. This strategy is also recommended for companies who do not possess the expertise or public trust to handle their environmental problems adequately (Lion, et al., 2013). Bangladesh RMG has a questionable reputation for handling environmental pollution evidenced in the several cases of environmental pollution by the RMG companies well described in the problem statement.

Though the authorities in Bangladesh have admitted to the need of upgrading their commitment to ensuring there is maximum compliance to the environmental laws and regulation especially by the companies in manufacturing industry including the Ready-Made Garments Industry (Hahn & Lülfes, 2013). Other researchers added that the companies in the RMG hardly emits harmful substances into the air because their operations use moderate chemicals in the fabric design, however their major environmental problem in the lack of safety in the workplace thereby endangering the lives of the laborers operating in the factories (Chowdhury, et al., 2016). The major problem yet less considered by the management is the inadequate work and safety supplies for the workers in the factories. The green alliance can be adopted by the companies in the Bangladesh RMG industry and a next generation approach to handling environmental degradation through shared business cost (Khalifa & Hammad, 2014; Anupr & Kartik, 2013)
4.4 Environmental Awareness

Environmental awareness has been identified as the ultimate goal for environmental education which creates awareness among citizens which was mentioned in the environmental education workshop held at Belgrade, Yugoslavia (Tanner, 1980). Sarker, et al.(2018) mentioned in their study investigating the environmental awareness among the industrial workers in Bangladesh 91% of the respondents including workers in the garments and textiles industry have ideas about environmental issues however most of these workers do not know the health impact associated with the environmental problems. The remaining percentage have no adequate knowledge on the environmental issues and what their employers are supposed to do to ensure environmental safety. The present study focuses on the RMG industry which has been recorded to have contributed to several atmospheric pollutions and severe cases of global warming making Bangladesh one of the most vulnerable countries in the world (Banglapedia, 2008; Ullah, et al., 2018). Pillai (2012) reported that Bangladesh has all types of environmental disasters, some of which have been scientifically established to be irreversible, some of which results in unavoidable negative impacts and some are reported to be unmanageable.

The way forward has also been stated by several scholars as raising and increasing environmental awareness. Shobeiri, et al. (2017) added in their literature that no single government can achieve goals of environmental conservation on its own except if there is an involvement of the public participatory role in it. Therefore is it crucial to protect and preserve the environment by increasing the level of awareness towards the environment. The study by Ullah, et al. (2018) also suggested that a large number of students (69% of the study sample) would like to volunteer for work in relation to preventing and preserving the environment. A percentage of the study sample (45.5%) who are not part of any environmental organization are willing to support environmental activities through donation and compliance through extra taxes (Talay, et al., 2004). This is a promising result for Bangladesh should this result be replicated in the other parts of Bangladesh resulting to high environmental awareness.

Due to the several reported environmental hazards, most corporations turn to be part of environmental organizations which visually should imply their compliance to the environmental roles and responsibilities. However, the statistics show with the production industries show that most of these companies use their environmental organisations as a cover up to avoid environmental compliance. The important implication of these behaviours in the weak governmental regulation on environmental issues. Therefore the most important contributory factor is the government of Bangladesh must ensure that it strengthens its laws and regulations on environmental issues and policies (Thapa, 2001). s. The improvement in the environmental literacy of the Bangladeshi community especially in the Ready Made Garments industry will serve as a fundamental solution to a long standing problem which will also help ensure more safety and healthy environment to all human alive and alive. This will also help avoid several environmental sanctions suffered by the country due to environmental issues (Shobeiri, et al., 2007).
4.5 Environmental Involvement

The ecological values of various corporations involve engaging all members in environmental activities with the objective of building responsible and sustainable policy and practice within the corporate environmental. This is important as it also determines the level of determination or the motivation of stakeholders when processing information of environmental issues (Petty & Cacioppo, 1990). Schultz, et al. (2004) defined environmental involvement as the affection or the emotion associated with the beliefs about environmental protection. The concept of environmental involvement is not only applicable in green accounting but also on other fields and industries (Schultz, et al., 2004). Bang, et al (2000) discovered in their study that investigated how consumers who were emotionally involved with the issues within the environment were willing to pay higher prices for goods and services received provided the corporation have shown greater commitment to for renewable energy and practices that prevent or minimize environmental hazards or effects of their production activities. Kaman (2011) mentioned in his study that the individual’s involvement in local environmental issues also motivates them to adopt green purchase behavior; this study also associated environmental involvements as part of a three stage process in the implementing green behavior of consumers. Environmental involvement is achieved when there is a positive environmental behavior of individuals who, groups or institutions who see the importance of adopting safe environmental practices for environmental safety (Kaman, 2011).

4.6 Corporate profitability and sustainability

Corporate strategy hopes to address the issues that impact a company’s ability to achieve its objectives in order that the goods and services produced meets the needs of the market it is intended to serve for corporate profitability and sustainability of competitive advantage (Galbreath, 2009; Porter, 1980). In doing so, the report Lange (2003) recommended the company must revisit its commitment to green governance and green policy. Valentine & Savage (2010) categorized these commitment as deep and shallow; deep commitment indicating the company’s determination to disclose quantitatively its environmental performance, system and structural changes to adopt green accounting, and any policy amendments adopted and implemented by the company. The shallow commitment of firms include company’s providing vague information and lack of substance in the environmental disclosure in addition to the absence of environmental initiative or intentions to make any policy amendments to integrate green accounting and reporting.
5. Conceptual Framework

Thus, by incorporating the framework ideas from the previous literature and discussions earlier, the study develops a new conceptual Framework that incorporates green accounting dimensions and its implications on the overall corporate organizational performance and sustainability with the focus on the Bangladesh RMG industry.

![Conceptual Framework of green accounting](image)

Figure 1: Conceptual Framework of green accounting

6. Conclusion

The present study attempts to develop the conceptual framework based on the existing literature reviews of green accounting and corporate responsibility and sustainability. The model of this study is yet to be tested by using quantitative method and Smart-PLS analysis. The study therefore also aims to recommend the policy maker to practice good green accounting model in ensures the profitability and sustainability especially the garment industry.

References


