

# Green Accounting in Achieving Higher Corporate Profitability and Sustainability in Ready Made Garment Industry in Bangladesh: A Conceptual Analysis

Tapash Kumar Dutta<sup>a\*</sup>, Valliappan Raju<sup>b</sup>, Rezia-Na Muhammed Kassim<sup>c</sup>, <sup>a,b</sup>Limkokwing University of Creative and Innovation, Malaysia, <sup>c</sup>Universiti Teknologi MARA, Selangor, Malaysia, Email: <sup>a\*</sup>[duttatanni@yahoo.com](mailto:duttatanni@yahoo.com)

The purpose of this study is to reveal the conceptual analysis on how green accounting helps to improve the environmental performance, control cost, and provide a motivation to invest in safe technologies in terms of product mix, product retention, and product pricing within the readymade industry in Bangladesh. This conceptual paper also reveals the importance of the green accounting field which is to communicate actual or potential costs of a company or the national economy due to impact on the environment. In addition, it offers 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 to develop a conceptual framework. On the other hand, it fosters social interest and establishes the contribution of developing countries towards global environmental commitment and protection for sustaining green global environment.

**Key words:** *Green Accounting, Sustainability, profitability.*



## **Introduction**

Green accounting is a relatively new and a developing field. However, in Bangladesh green accounting is considered a new issue because its the implementation in organisations in the garments industry has previously been ignored. Not only that, accelerating the implementation of green accounting and corporate sustainability in developing countries is a critical and limited problem for South East Asia (Hahn & Lülfs, 2013). Green accounting deals with the accounting and management issues related to environmental and social impacts, regulations and restrictions, safety, environmentally sound, and economically viable energy production and supply. The experts in this field in developing countries need to be supported with a planned budget and good decisions of policy makers, however the number of experts in green accounting in Bangladesh are minimal making it difficult to have an adequate expert opinion on the subject matter (Hezri & Ghazali, 2011).

## **Problem of the Study**

A survey of a group of polish companies was taken from 60 entities from 5 industries which was reported before Management, Knowledge and Learning Conference in 2013. The practical problem at hand was that organisations are prioritising profits and 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 common practice. Whereas green GDP is a substantial factor not only in Malaysia but also in the rest of the world. When it is related to sustainable development in the current world environment, it focuses on a robust green accounting system that 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 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 why the study intends to investigate how to combine traditional accounting and sustainable green accounting to match corporate sustainability in developing countries. This combination should be successful in accomplishing green environmental goals which in turn requires modern research methods, evaluation, and overall research support.

### **Objective**

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

### **Review of Literature**

The importance of green accounting in regards to corporate responsibility and sustainability situation is equally significant. The critical literature reviews plays a vital role in developing the conceptual framework.

### ***Implementing Accounting Practices***

The standards on accounting do not have absolute measures for cost and this makes it difficult in assigning financial figures to some environmental activities. The problem with the quantification of cost is that it prevents 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 environment have greater challenges as they can be faced with natural disasters which directly effects 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). This type of risk must be considered as uncontrollable by the company and therefore, in environmental responsibility accountability, it is necessary to define the pollution as either controllable or uncontrollable by the company involved (Roussey, 1992).

### ***Environmental Responsibility***

The concept of environmental responsibility in accounting focuses on ensuring the accounting practice is conducted in a way that ensures sustainability and compliance of the standards of accounting, as well as keeping the stakeholders aware and up to date on the operations of the company through environmental disclosures. Studies have supported the concept of designing the environment. This has become an integral part of preventing environmental degradation and pollution by proactive environmental management that 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. 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 accountable 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 also that there is less burning of waste products as there was years ago.

A researcher mentioned there was no air borne waste products in the Ready Made Garments Industry in the past as the waste product of one process was then used as 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 it operates, they are not obliged to hide any activity 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 as there is nothing to hide when the company complies 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 commercialisation of clean technologies for the developing world spanning over a 100 year plan. They are known as the next generation power and technology house which have worked over the years to neutralise 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 model from Japan and developing countries like Bangladesh have mentioned these intentions and the challenges of adopting these technologies as being due to lack of financial stability.

### *Green Alliances*

Some researchers have recommended the 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, for example those companies dealing in similar products or dealing in the same industry. This facilitates the development of solutions for the ecological and environmental problems that might arrive 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 have been 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 and this is 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 simply added to additional notes in the final account. Further, 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 degradation as evidenced in the several cases of environmental pollution by the RMG companies. The authorities in Bangladesh have admitted there is a need to upgrade 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 & Lülfs, 2013). Other researchers added that companies in RMG hardly emits harmful substances into the air because their operations use moderate chemicals in the fabric design, however their major environmental problem is the lack of safety in the workplace which endangers the lives of the laborers operating in the factories (Chowdhury, et al., 2016). The

major problem less considered by 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).

### ***Environmental Awareness***

Environmental awareness has been identified as the ultimate goal for environmental education that creates awareness among citizens, as 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 that 91% of the respondents including workers in the garments and textiles industry are aware of the 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, have unavoidable negative impacts and are reported to be unmanageable. The way forward is suggested by several scholars as raising and increasing environmental awareness. Shobeiri, et al. (2017) added in their literature that no single government can achieve the goals of environmental conservation on its own except if there is an involvement of the public participatory role in it. Therefore it is crucial to protect and preserve the environment by increasing the level of environmental awareness.

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 environmental degradation and preserving the environment. A percentage of the study sample (45.5%) are not part of any environmental organisation but are willing to support environmental activities through donation and compliance through extra taxes (Talay, et al., 2004). This is a promising result for Bangladesh and it could be replicated in other parts of environmental awareness in Bangladesh.

Due to the several reported environmental hazards, most corporations opt to imply their compliance to their environmental roles and responsibly. However, the statistics most of the companies in the production industries use their environmental organisations as a cover up to

avoid environmental compliance. The weak governmental regulation on environmental issues make regulation these behaviours challenging. 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). 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 ensure a safe and healthy environment to all human alive. This will also help avoid several environmental sanctions suffered by the country due to environmental issues (Shobeiri, et al., 2007).

### ***Environmental Involvement***

Corporations engaging members in environmental activities have the objective of building responsible and sustainable policies and practices within the corporate environment. This is important as it also determines the level of 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 in other fields and industries (Schultz, et al., 2004). Bang, et al (2000) investigated how consumers who were emotionally involved with the issues within the environment were willing to pay higher prices for goods and services received and found that this was provided the corporation has shown greater commitment to renewable energy and practices that prevent or minimise 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 behaviour. This study also associated environmental involvements as part of a three stage process in the implementing green behaviour of consumers. Environmental involvement is achieved when there is a positive environmental behaviour of individuals, groups or institutions who see the importance of adopting safe environmental practices for environmental safety (Kaman, 2011).

### ***Corporate Profitability and Sustainability***

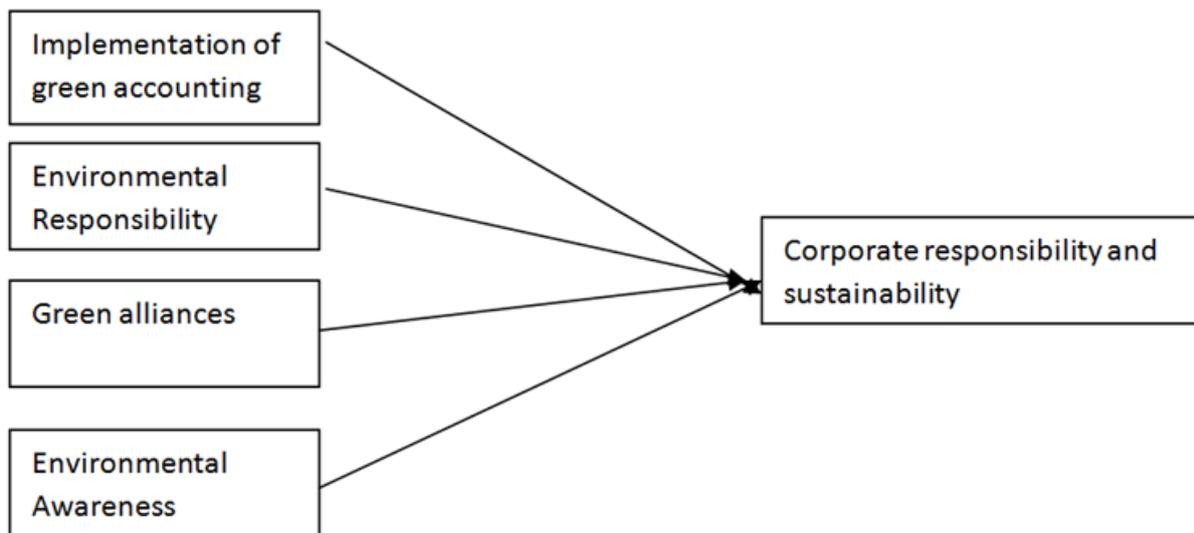
Corporate strategy hopes to address the issues that impact a company's ability to achieve its objectives in ensuring that the goods and services produced meet the needs of the market it is intended to serve for corporate profitability and sustainability (Galbreath, 2009; Porter, 1980). In doing so, the report Lange (2003) recommended the company must revisit its commitment to green governance and green policy. Valentine & Savage (2010) categorised these commitments as deep and shallow. The 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 companies providing vague information and lack of substance in the environmental disclosure, in addition to the absence of environmental initiatives or intentions to make policy amendments to integrate green accounting and reporting.

### Conceptual Framework

By incorporating the framework ideas from the previous literature and discussions, the study develops a new conceptual framework that incorporates green accounting dimensions. It also develops the implications on the overall corporate organisational performance and sustainability with the focus on the Bangladesh RMG industry.

**Figure 1.** Conceptual Framework of green accounting  
Green Accounting Dimensions



### 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 recommends the policy maker to practice good green accounting practices in ensure profitability and sustainability, especially in the garment industry.

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