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EXPLORATORY STUDY ON CHALLENGES FACED IN GREEN
ACCOUNTING

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Keywords

NVIVO,
Word Cloud,
Text Mining,
Exploratory,
Green Accounting.

Abstract

Green accounting practices entail recognition, quantification and reporting of environmental costs and impact in addition to financial data to assist in making sustainable decisions in organizations. The aim of these practices is to incorporate environmental considerations in the normal accounting systems instead of looking at them as distinct disclosures. The work is prompted by increasing significance of environmental responsibility and realistic challenges involved in utilizing green accounting by organizations. These challenges need to be known in order to provide effective adoption and significant incorporation of green accounting in the mainstream accounting practices. The purpose of conducting this study is to explore the challenges faced in Green Accounting. The technique used in this study is Text mining using the qualitative tool NVIVO 12. The findings of the study indicated The major challenges include the absence of clear rules, difficulty in measuring environmental costs, lack of reliable data, and high implementation costs. These issues indicate that green accounting suffers primarily from structural and methodological weaknesses, where unclear regulatory frameworks and data constraints make accurate measurement and reporting difficult, thereby discouraging organizations from adopting such practices. The moderate challenges relate more to organizational and human factors, such as lack of knowledge, non-supportive management, difficulty in integrating green accounting into existing accounting systems, and reliance on personal judgement in reporting. These suggest that even when frameworks exist,



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	internal resistance, skill gaps, and system limitations hinder effective implementation. The minor challenges, including focus on short-term profit, fear of sharing information, false green claims, and changing government rules, reflect contextual and behavioural concerns that, while present, exert relatively less influence compared to structural and organizational barriers.
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1. INTRODUCTION

The increasing international fear in relation to the climatic changes, depletion of resources and environmental degradation has essentially transformed the expectation of business organizations in terms of their accountability and reporting practices. The conventional financial accounting frameworks, though useful in the measurement of economic performance, are still deficient in their capacity to adequately measure environmental effects like resource use, pollution and environmental degradation. Green accounting has, in this respect, become a major issue, and it aims at bringing environmental costs and benefits to the organizational processes of accounting and decision-making (Swalih, Ram, and Tew, 2024). Green accounting is expected to help in sustainable business practice by expanding the interest of accounting beyond financial transactions by providing support to transparency and proper alignment of corporate performance and environmental objectives. Green accounting is especially important in the epoch when the environmental responsibility is no longer considered either voluntary or peripheral. Governments, investors, regulators and consumers are increasingly becoming very demanding of credible environmental reporting and evidence-based sustainability strategies. Environmental, Social, and Governance (ESG) models and sustainability reporting codes have also exerted pressure on companies to ensure that they identify and measure the environmental impacts in a structured manner (Bebbington, Russell, & Thomson, 2021). Nevertheless, there is still no easy way of converting the environmental considerations into the quantifiable accounting data because the environmental impacts usually imply the long-term and indirect effects as well as non-market effects that are not typical of the conventional accounting frameworks.

Although it is a conceptually appealing approach, green accounting can be very difficult to implement on the ground. Environmental costs are often incorporated into overheads and therefore their real size cannot be seen and this hinders management awareness. The fact that there are no universal approaches to valuation of environmental resources, emissions, and ecological damage, makes it difficult to measure them (Larrinaga & Garcia-Torea, 2022). Moreover, the lack of integration between environmental metrics and financial accounting systems, fragmented environmental data systems, and uneven boundaries of reporting is a common problem facing organizations. These raise the question of the reliability, comparability and decision-usefulness of the green accounting information. Organizational and behavioral limitations also support the necessity of conducting profound research on the challenges of green accounting. Green accounting involves specialization, coordination of functions and high level of commitment by the managers who may not have it especially in resource strained companies. The barriers to change, their perceived high costs, and uncertainty about real benefits may hinder the adoption and



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successful usage of environmental accounting instruments (Huy and Phuc, 2024). Furthermore, environmental measurement and sustainability analysis skill gaps can be a hindrance to the accounting professionals as they can have reduced ability to operationalize the concept of green accounting to the current systems.

Green accounting adoption is complex also because of institutional and regulatory factors. Although, in recent years, the guidelines of sustainability reporting and environmental regulations have been broadened, they are not always clear about measurement methods and accounting treatment, which leads to a variety of practices across companies and industries, which are sometimes inconsistent (de Villiers, Rinaldi, and Unerman, 2021). Lack of compulsory, harmonized standards of green accounting brings about confusion on the requirement of compliance, and discourages companies in undertaking strong environmental accounting systems. As a result, there is the danger that the practice of green accounting could be symbolic and not substantive and therefore, will not play a significant role in improving the environment.

There is thus a need of an exploratory study in the obstacles of green accounting. In contrast to the confirmatory research, an exploratory design makes it possible to explore the technical, organizational, and institutional obstacles as they manifest in practice in a subtle way. This is best suited to the changing nature of sustainability policies, technological change in terms of environmental data gathering and the growing stakeholder involvement. Exploratory research can foster grounded knowledge that informs the development of theories, policy-making, and management practice by identifying the problem and classifying this problem without making assumptions about its outcomes. What is more, these issues need to be comprehended to make sure that green accounting does not remain on the level of compliance-based reporting but is rather integrated into the system of strategic and operational decision-making. Green accounting is in danger of being a mere dream without resolving underlying challenges in the areas of measurement, data quality, skills, and governance, which are considered to be the building blocks of green accounting instead of a practical management instrument (Hanif, Ahmed, and Younas, 2023). The deeper investigation shall assist in making the interventions areas where they are most required- being it in conventional growth, expert training, technology assistance, or policy structure. This paper aims to analyze these issues in more detail and offer some insights that would help to make green accounting practices more reliable, decision-supportive, and context-specific. In this way, the study helps in the current endeavors to empower the role of accounting in enhancing sustainable development.

2. REVIEW OF LITERATURE

Khatib, J. (2025) discussed in their research study about the issue that was covered by the qualitative phenomenological research was low use of green accounting practices in manufacturing companies in the US despite their high contribution to environmental problems such as pollution, environmental degradation, as well as resource depletion. Some of the recommendations put



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forward are the use of rolled out implementation strategies, formation of cross functional teams, investments in consolidated technology and formulation of transparent cost allocation strategies.

Ewis, H. & Ghanem, S. (2025) analyzed in the research study presenting a discussion over the economic consequences to integrate practices of green accounting in financial institutions among the regions of Middle East. The results derived from the research indicates providing useful insights for the financial institutions, sustainability experts, and policymakers on how the concept of green accounting could aid in attaining sustainability and economic growth in the region.

Marota, R. (2024) Although faced with the challenges with regard to the complexity of measuring and reporting the environmental impacts, implementation costs, and resource limitations, efforts to overcome them can bring long-term benefits, such as improved reputation, business sustainability, and positive contributions to the preservation of the natural environment. Therefore, companies need to take strategic steps to overcome these challenges, strengthen their commitment to sustainable practices, and make environmentally friendly accounting an integral part of the company's sustainability vision.

Dunakhir, S., Idrus, M., et al. (2024) investigated in their research study that the researcher intends to examine how green accounting is applied in one of the Indonesian state owned enterprises. Nonetheless, some phases of the green accounting implementation (identification and disclosure of accounting policies) were not followed by the existing standards. This study is timely in that it acts as a source of information on the use of green accounting, which can help companies improve their capacity to abate the environmental problems.

Abubakr, A., Sahal, M., et al. (2024) mentioned in their research study about identifying effect of challenges of environmental accounting disclosure on sustainable development and supply chains in firms. The research makes various recommendations, and the most significant of which are: firms need to be encouraged in disclosing environmental accounting performance as strategic necessity, promoting more sustainable management of supply chain, improving financial performance, as well as contributing effectively to achieve Sustainable Development Goals, and thus enhance sustainability among firms and across supply chains.

Setiawati, L., Diyanti, F., et al. (2021) investigated in their research study about interpreting the literacy level of the students so as to define green accounting and finding out the challenges in improving the same. The results derived from the research indicates three aspects: (1) higher literacy to define qualitative characteristic information generated; (2) lower literacy to define underlying principles of green accounting; and, (3) awful literacy to define green accounting report components.

Hossain, M. (2019) analyzed in the research study that was prepared based on a topic called Challenges of Environmental Accounting Practices in Bangladesh on most polluted 16 out of all the enterprises of Chittagong in the year 2018. The sense of respondent regarding the Challenges are: involvement of cost, man-power un-skilled, absence of set regulations regarding



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environmental accounting, poor environmental accounting standard, poor implementation of environmental accounting, absence of particular tenets of environmental accounting etc.

3. OBJECTIVES OF THE STUDY:

1. To explore the challenges faced in Green Accounting
2. To give suggestive measures towards eradication of these challenges

4. RESEARCH METHODOLOGY

Table No: 1 Research Methodology

Research Design	Qualitative and Exploratory
Research Approach	Inductive Approach
Data Collection Method	Face-to-face interviews
Sample Size	40 Accounts Managers
Sampling Technique	Non-random Convenience Sampling
Analysis Tool	NVIVO 12
Analysis Technique	Text Mining (Mind Map, Word Frequency, and Word Cloud)

The study has strictly followed established ethical guidelines for data collection and analysis as suggested by Pirani (2024).

➤ Data Analysis and Interpretation:

Table No: 2 Summary of challenges faced in Green Accounting

Word	Length	Count	Weighted Percentage (%)
No clear rules	5	38	16.52
Hard to measure costs	5	30	13.04
Lack of data	4	25	10.87
High cost	4	25	10.87
Lack of knowledge	9	21	9.13
Management not supportive	10	20	8.70
Difficult to add in accounting system	10	17	7.39
Personal judgement in reporting	9	16	6.96
Focus on short-term profit	6	14	6.09
False green claims	5	10	4.35



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Fear of sharing information	11	8	3.48
Changing government rules	5	6	2.61

The findings of the exploratory study indicate that major (high-level) challenges dominate the implementation of Green Accounting. The absence of clear rules and standardized guidelines emerges as the most serious issue, creating uncertainty in recognition, measurement, and reporting of environmental costs. This is closely followed by the difficulty in measuring environmental costs, lack of reliable data, and high implementation costs. Together, these challenges highlight that Green Accounting is constrained primarily by regulatory ambiguity, methodological limitations, and financial burden, which discourage organizations from systematically adopting green accounting practices.

Overall, the dominance of high-level challenges suggests that without strong regulatory frameworks, standardized measurement methods, and accessible environmental data, Green Accounting cannot be effectively integrated into mainstream accounting systems. Addressing these major barriers is therefore essential for improving transparency, comparability, and wider acceptance of Green Accounting across organisation.



Figure No: 1 Word cloud

The visual expression of the word cloud brings out the main issues that relate to the implementation of Green Accounting. The fact that the terms like clear rules and costs are the most dominant one means that the inability to formulate clear guidelines and the high price of adoption is the most predominant issue. Such terms as data and information imply that there are constant challenges in gathering sound and stable environmental information to use in accounting. The existence of knowledge and judgement indicates the lack of expert knowledge and at the same time, on the use of personal judgement in reporting data on the environment, which may compromise accuracy and comparability. Further, the use of words that mean supportive and profit suggests that the lack of management support and almost a total concentration on profit-driven



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decision-making further limit the successful application of the Green Accounting within the traditional accounting practices. All in all, the word cloud supports the fact that the challenges in Green Accounting are formed with the help of structural, informational, and organizational barriers.

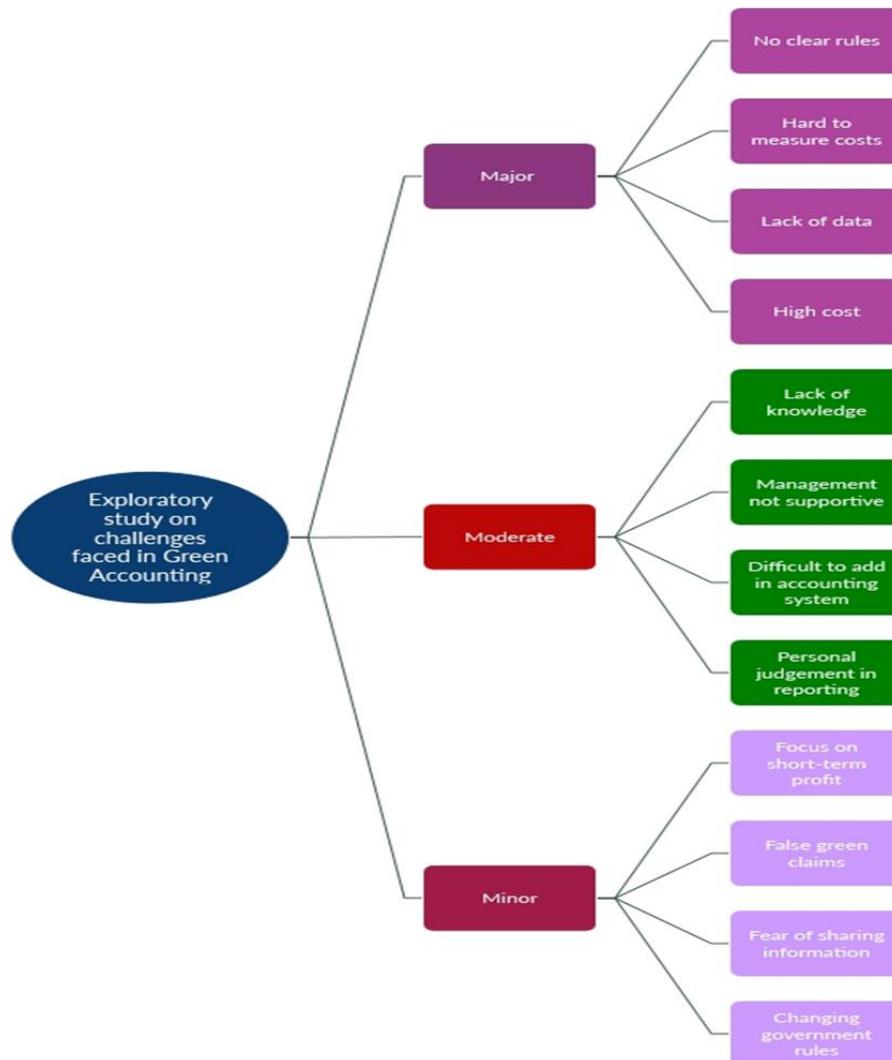


Figure No: 2 Mind map

The diagram describes the results of an exploratory research on the issues encountered in Green Accounting that have been classified into major, moderate and minor issues according to their severity. The key issues are that there are no clear rules, environmental costs cannot be easily measured, there is not a reliable type of data, and the implementation costs are high. These problems explain that green accounting is mainly associated with structural and methodological weakness as there is no clear regulatory framework and data limitation that make proper measurement and reporting very challenging thus, putting off and deterring organizations to adopt such practices. The moderate challenges have more to do with organisational and human aspects,

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like knowledge shortage, non-supportive management, inability to incorporate the green accounting to the current accounting systems as well as the burden of relying meanwhile on individual judgements in reporting. These indicate that despite having frameworks in place, there is internal resistance, lack of skills and system constraints that impede successful implementation. The issues such as emphasis on short-term profit, risk of information sharing, fake green claims, and alterations in the government regulations are minor challenges and reflect more of a contextual and behavioural concern, and as such, have a comparatively low influence in contrast to structural and organisational issues. In general, the interpretation shows that to expand the application of green accounting practices, improvement in regulatory clarity, data accessibility, and cost-measuring mechanisms is essential.

5. CONCLUSION

The results make it evident that structural and systemic challenges are the limiting factors to the adoption of Green Accounting rather than independent operation-related problems. Even the fact that the issues of lack of clear rules and standardized guidelines are in the limelight is a manifestation of a lack of regulatory direction, and the uncertainty in terms of ensuring that the environmental costs are to be identified, quantified, and advocated. Without the standards of uniformity, organisations are forced to depend on arbitrariness of interpretation leading to unequal practices and lower comparability of green accounting information. The challenges related to the quantification of environmental costs and the unavailability of credible data also contribute to the methodological complication of Green Accounting. The environmental impacts are normally indirect, long term and are not easily quantifiable on the conventional accounting methods and this restricts their inclusion on the current accounting systems. This difficulty is further exacerbated by the poor information systems and low availability of data, and thus, it is specifically challenging to have proper tracking and verification of environmental costs. Through this, issues of the environment are often marginal to the mainstream financial decision-making. The results also present the fact that financial and organizational limitations are a major factor that inhibits adoption. The existence of high implementation costs, limited technical knowledge and inadequate managerial support of the organization is a weakness to Green Accounting organizational preparedness. These factors together with a high emphasis on short term profitability deter firms investing in environmental accounting systems whose benefits might not be demonstrably obvious in the short term. Also, the information sensitivity and disclosure fear are also subject to concerns that affect transparency, strengthening the reluctant and conservative reporting behavior. All in all, high-level challenges domination indicates that the successful institutionalization of Green Accounting is impossible without considering underlying concerns pertaining to regulation, measurement, and data infrastructure. The absence of integrity among policy, accounting systems and organisational priorities restricts the feasibility of Green Accounting and what role it can play in sustainable decision making.



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6. SUGGESTIONS

- Easy and consistent principles of Green Accounting could be worked out in order to eliminate confusion in the recognition and reporting of environmental costs.
- The measurement of environmental costs can be brought to the standard practices to reduce subjectivity and personal bias.
- Better collection of data and information system within organizations may be invested to enhance reliability of environmental data.
- It can be promoted by training programs to enhance the knowledge and awareness of Green Accounting by accounting professionals.
- The management support can be enhanced since the environmental accounting information should be connected to the long term business benefits and not a short term profit only.
- Phased implementation strategies and tools that are cost-effective could be encouraged to minimize the cost of adopting Green Accounting.
- Transparent reporting practices can be promoted to curb fabricated green claims and earn the trust of the stakeholders.

7. AUTHOR(S) CONTRIBUTION

The writers affirm that they have no connections to, or engagement with, any group or body That provides financial or non-financial assistance for the topics or resources covered in this Manuscript.

8. CONFLICTS OF INTEREST

The authors declared no potential conflicts of interest with respect to the research, authorship, And/or publication of this article.

9. PLAGIARISM POLICY

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