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THE INFLUENCE OF GREEN ACCOUNTING IMPLEMENTATION AND ENVIRONMENTAL PERFORMANCE ON FINANCIAL PERFORMANCE

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ABSTRACT
This research aims to analyze the influence of green accounting and environmental performance on the financial performance of industrial companies in Indonesia. The research population comprises industrial companies listed on the Indonesia Stock Exchange, and a sample of 6 industrial companies is selected from 2020 to 2021. The study employs multiple regression analysis conducted using the SPSS program. Green accounting is evaluated using the dummy method, environmental performance is assessed based on the PROPER evaluation, and Financial performance is assessed through Return on Assets (ROA). The analysis findings suggest that green accounting and environmental performance do not significantly impact financial performance.

Keywords: Green Accounting, Environmental Performance, Financial Performance

INTRODUCTION

The main goal of any company is to attain the highest level of profitability. However, many industrial companies in Indonesia still need to pay more attention to the negative impacts of their production processes. The serious consequence of these activities is environmental pollution, which can produce toxic chemicals due to chemical contamination. The waste generated by these factories causes damage and depletion of natural resources, posing a threat to the future of human life. Therefore, companies are required to implement Green Accounting for environmental conservation (Ratusasi, 2021). Green Accounting is a specific form of accounting that considers environmental preservation costs. Implementing Green Accounting includes using environmentally friendly raw materials, ecologically beneficial waste management, and corporate social responsibility towards the environment (CSR). However, it is known that from 2010 to 2014, only 160 companies participated in the assessment of the Green Industry. This is a positive step towards environmental awareness in Indonesia (Hamidi, 2019).

Green accounting considers emissions, natural resources, The value of environmental services and goods not exchanged in the market, the green gross domestic product measurement, and the analysis of traditional national accounts (Raju, 2018). Companies risk facing fines or penalties if they fail to meet the legal obligations related to managing pollution. Companies need to consider certain yearly expenses linked to the natural environment, like energy costs, within the context of environmental values. This is especially crucial due to the reliance on fossil fuels, which can result in pollution and carbon dioxide emissions (Riyadh et al., 2020).

According to (Eni, 2020), Green Accounting’s method encompasses the indirect costs and benefits related to economic activities' environmental and health impacts. Through business design and agreements, Green Accounting can enhance environmental protection through load and cost control, investment in Green Technology, and promotion of sustainable production processes based on this definition, From the findings. However, although it benefits the industry, it also increases the possibility of cost escalation through burdens and expenses. Therefore, many industrial companies have yet to implement Green Accounting (Angelina & Nursasi, 2021). The company should consider external factors to ensure the careful and efficient utilisation of scarce resources. Green accounting can serve as a tool for the company to monitor its activities, assess its environmental gains, record its efforts to contribute to the environment and evaluate the necessary measures to preserve the depleting environment (Agarwal, 2018).

If industrial processes cause environmental damage, a company's environmental performance will be affected, and vice versa. When evaluating a company's financial performance, it is crucial to consider that a positive corporate image can generate public interest in purchasing its products, ultimately enhancing financial performance through increased company profits and overall financial performance. The price and value of the company's shares also play a significant role in attracting investor interest to invest in the company (Faizah, 2020). Green accounting has been proven to positively affect a company's financial performance, especially regarding favourable consumer perceptions, leading to higher sales and profits. Moreover, green accounting enhances environmental performance, encompassing environmental health and resilience and achieving financial success (Justice et al., 2022).

Research Objectives

To examine the influence of implementing Green Accounting on the Financial Performance of industrial companies in Indonesia.To examine the impact of Environmental Performance on the Financial Performance of industrial companies in Indonesia.

LITERATURE REVIEW

Green Accounting specialises in identifying, measuring, assessing, and presenting various costs associated with a company's environmental initiatives. It goes beyond conventional financial accounting by incorporating financial aspects and the costs incurred for environmental activities and initiatives. (Prena, 2021) Green Accounting has five fundamental characteristics, which are as follows:

Relevant: Provides accurate information about the burden of conservation that can influence stakeholder decision-making.

Reliable: We should eliminate inefficient systems as they would erode stakeholder trust.

Easily understandable: Contains easily comprehensible information about protecting the surrounding environment.

Comparable: Green Accounting can be compared from one period to the next.

Requires objective verification of verifiable data.

Environmental performance, environmental costs, and environmental disclosure are measurement tools used in this research. The Environmental Management Evaluation Program (PROPER) supports implementing a company's environmental performance. PROPER is a type of government policy aimed at promoting the environmental management performance of companies with legal requirements and regulations (Wangi & Lestari, 2020).

According to (Sapulette & Limba, 2021), the classification of environmental costs is as follows:

Costs of environmental prevention: Expenditures arising from actions taken to prevent production waste from causing environmental pollution.Costs of environmental detection: Expenses incurred during the process of manufacturing a product.Internal costs of environmental failure: Expenditures incurred as a result of activities conducted when waste is generated but has yet to be released into the company's immediate environment.External costs of environmental failure: Expenditures incurred due to waste disposal into the company's surrounding environment. These costs can be divided into two categories:Realised external failure costs: Costs incurred by the company and unrealised external failure costs Costs incurred and paid by third parties.

In this study, Green Accounting measurement is measured through the method that has been carried out by (Hartiah & Pratiwi, 2022), that is, if the company has one of the environmental costs, environmental, operational costs, recycling costs, and environmental research and development costs in the annual report and sustainability report then it is given a score of 1 if it does not have one of the components it is given a score of 0.

Green Accounting in Islam is explained in the Koran through the word of God, namely in the letter Al-Ahzab verse 72. The verse explains that Allah has created the heavens, the earth, and the mountains as a form of His power. Therefore, we must care for and protect what Allah has bestowed on us as best as possible. Every Muslim is obligated to protect the earth and its surroundings. Any intentional actions that have an impact on the environment and natural resources are highly discouraged in Islam. Humans are created on this earth to be stewards with a great responsibility to preserve and care for the environment (Firmansyah et al., 2019). Suppose the relationship between human rights and the company's responsibilities in that setting needs to be in sync. In that case, two groups will coexist: the company as a beneficiary and society as those who suffer the consequences (Putra et al., 2015).

Environmental Performance

Environmental performance is performance in environmental aspects related to the environment. The purpose of environmental performance is to create a safe and healthy environment. Environmental performance refers to the results of the environment. Companies must manage their operations to create a product with less negative impact on the environment. (Sapulette & Limba, 2021) In Indonesia, environmental performance assessment is determined through the company's involvement in the Environmental Performance Rating Program (PROPER) initiated by the Ministry of Environment of the Republic of Indonesia. The PROPER rating score is assigned based on the company's ranking in various categories: Five: Gold; Four: Green; Three: Blue; Two: Red; One: Black.

Financial performance

Activities conducted by the company to precisely evaluate the company's operational activities conducted during a specific period. Financial Performance analysis to assess how far the company rules effectively and efficiently and describes how the company benefits. Financial performance is very important in achieving what the company wants because it is considered capable of inspiring employees to comply with predetermined standards of behaviour. Financial performance is assessed based on information data on a company's financial statements, which estimate the company's finances in the previous and future periods. (Hamidi, 2019b) The purpose of evaluating financial performance, namely:
Paying attention to the company's achievement in managing its financial activities, particularly the state of liquidity, capital, and profits attained within a specific period.I concentrated on the company's capacity to maximise profits by leveraging its assets. Consequently, it is essential to conceal the financial system that will be revealed in financial report outcomes to gain an overview and information regarding the progression of the company's financial performance.
The measurement of Financial Performance utilises the Return On Assets (ROA) formula, as stated by (Lestari et al., 2020). ROA is a widely used indicator for assessing financial performance, as it is common and straightforward to calculate. Many companies have adopted this indicator in their evaluations. The ROA formula is as follows: **ROA = Net Profit / Assets.**

METHODS

Research Type

The study conducted in this research is categorised as quantitative research. This research approach entails gathering and analysing numerical data or data that can be objectively measured. Statistical techniques are utilised to draw conclusions that can be generalised from a sample to a larger population.

Research Data

Research Population and Sample

This study focuses on the population of industrial companies publicly listed on the Indonesia Stock Exchange (BEI), totalling 60 companies. However, only six industrial companies from 2020-2021 were selected as the sample. The six companies analysed are:Astra International Tbk.,Sumi Indo Kabel Tbk.,KMI Wire & Cable Tbk.Asahimas Flat Glass Tbk. Surya Toto Indonesia Tbk. Kabelindo Murni Tbk.

Research Variable

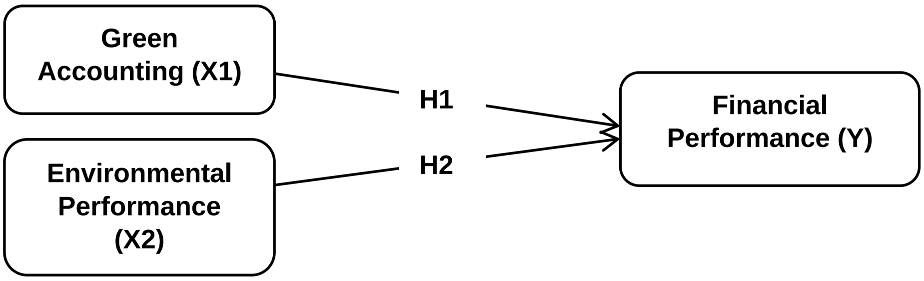

Figure 1. Conceptual Framework
Source: Author Analysis, 2023

Data Type and Source

This research utilises quantitative data in the form of secondary data obtained from the sustainability reports of industrial companies during the years 2020 and 2021.

Data Analysis Technique

The data analysis method employed in this research is the application of SPSS through the Multiple Linear Regression test, which involves more than one independent variable.

RESULTS AND DISCUSSION

Multiple Linear Regression Test

Table 1. Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,107[a]	,011	-,208	88,21405	,853

a. Predictors: (Constant), Environmental Performance (EP) , Green Accounting (GA)
b. Dependent Variable: Financial Performance (FP)

Table 2. ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	811,140	2	405,570	,052	,950[b]
	Residual	70035,469	9	7781,719		
	Total	70846,610	11			

a. Dependent Variable: Financial Performance (FP)
b. Predictors: (Constant), Environmental Performance (EP), Green Accounting (GA)

The results show that the F test value is 0.052 with a Sig of 0.950 because Sig. > 0.05, it is concluded that the two independent variables have no simultaneous effect on financial performance.

Table 3. Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	,459	195,313		,002	,998
	Green Accounting (GA)	22,197	68,824	,108	,323	,754
	Environmental Performance (EP)	,978	41,130	,008	,024	,982

a. Dependent Variable: Financial Performance (FP)

Hypothesis Testing Results

The statistical analysis shows that Green Accounting has a coefficient of 0.754 in the coefficient table (GA). It can be observed that (0.754 > 0.05). Based on these results, the findings suggest no substantial correlation between the implementation of Green Accounting and the Financial Performance of industrial companies in Indonesia.

From the test results, it can be inferred that companies are primarily focused on increasing profits because when companies increase expenditures on the environment, it reduces the amount of profits obtained. This is because some companies typically record environmental costs as expenses.

Results of the Second Hypothesis Testing

The second independent variable, Environmental Performance, statistically shows a coefficient of 0.982 in the coefficient table (EP). It can be observed that (0.982 > 0.05). Based on these results, the analysis shows that the results of the second hypothesis reveal that Environmental Performance similarly lacks a significant influence on the Financial Performance of Indonesian industrial companies.

The test results indicate that financial performance does not influence environmental performance. The measurement through the PROPER assessment still cannot affect financial performance, even though the company has made efforts to meet the requirements in managing the environment according to PROPER criteria. A positive reputation can positively influence the company's financial performance since it is crucial. Companies need to strive to obtain a positive reputation in the eyes of the public.

CONCLUSION

Results of Hypothesis Testing

The statistical analysis reveals that Green Accounting, as indicated by the coefficient of 0.754 in the coefficient table (GA), does not exhibit statistical significance (0.754 > 0.05). Based on these findings, the findings suggest no substantial correlation between the implementation of Green Accounting and the Financial Performance of industrial companies in Indonesia. Based on the test results, we can infer that companies in the Indonesian industrial sector prioritise profit growth. Allocating more resources to environmental initiatives tends to reduce profitability. This can be attributed to certain companies categorising environmental costs as expenses directly affecting overall profits.

Results of the Second Hypothesis Testing

The second independent variable, Environmental Performance, demonstrates a coefficient of 0.982 in the coefficient table (KL), which is not statistically significant (0.982 > 0.05). Therefore, Based on these findings, the findings suggest no substantial correlation between the implementation of Green Accounting and the Financial Performance of industrial companies in Indonesia. The test results suggest that financial performance does not influence environmental performance. Even though companies strive to meet environmental management requirements based on the PROPER assessment criteria, it does not significantly impact financial performance.

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