Business and Investment Review (BIREV) Vol. 2 No. 3 2024
ISSN 2986-7347 (Online)
https://lgdpublishing.org/index.php/birev

The Effect of Implementing Green Accounting on Company Financial Performance

1st Ayu Lus Wulandari *[a]

2nd Yoel Rastafael[a]

3rd Hwihanus[a]

Accounting Study Program, Faculty Of Economics and Business

University 17 August 1945 Surabaya

Abstract

In industrial competition, obtaining maximum profits is a company goal, so that in this increasingly hot competition all companies are competing and fighting to be able to improve their company's performance, increasing company performance can help maintain making industry players try to improve their performance in order to maintain the company's life in the future as well as able to compete optimally. However, companies sometimes do not think about the consequences of the company's production process on the environment. This research uses the Meta Analysis method which was carried out on several international articles and journals. This meta-analysis research is a method used to analyze and combine several existing studies to obtain new findings and obtain general conclusions from these studies. Based on research on several existing studies, it can be concluded that green accounting can be useful, because it can improve company performance. Green accounting used in companies can help achieve business goals, because green accounting can help management find out whether the company is able to carry out its obligations or responsibilities towards sustainable development.

Keywords: *Green Accounting, environment, financial performance*

Correspondece: 1222200078@surel.untag-sby.ac.id

1. Introduction

In industrial competition, obtaining maximum profits is a company goal, so that in this increasingly hot competition all companies are competing and fighting to be able to improve their company's performance, increasing company performance can help maintain making industry players try to improve their performance in order to maintain the company's life in the future as well as able to compete optimally. However, companies sometimes do not think about the consequences of the company's production process on the environment. This can be proven by existing issues, such as pollution due to waste or production waste from companies which makes the environment worse. thus proving that there are still many companies that do not yet have an awareness of the importance of protecting the environment.

Environmental problems that occur due to a lack of sensitivity within the company, resulting in polluted environmental impacts, both directly and indirectly, have resulted in environmental damage. Ultimately, in this case, environmental imbalance and helplessness disrupt human and natural life. This may be a concern for companies to be able to see the impacts that occur and are expected to be able to contribute to environmental resources which are also used as an accountability process for business stakeholders. An environment that is not maintained has quite serious consequences, directly or indirectly an environment that is not maintained can cause damage to the environment.

Damage to the environment also has an influence on living things, which can result in gaps and uselessness in the environment, so that life can be disrupted. From an accounting perspective, social and environmental responsibility is a responsibility that can be related to disclosure and reporting related to the company's performance in cases of environmental pollution. This creates conflict in that good companies will not only pursue economic profits but are also required to care about environmental sustainability and the welfare of the surrounding community.

As the years go by, developments in the industrial world increase and continue to grow. The development of the industrial world is in line with increasing problems and damage to the environment, the influence of this development can no longer be avoided. Through this statement, awareness can be made that the consequences of the company's activities must be addressed immediately. One effort to resolve and provide a solution to environmental problems caused by companies is to use green accounting.

In industrial activities, it cannot be denied that the influence on environmental pollution is the behavior of industries or companies that sometimes ignore social and environmental impacts. This awareness has given rise to various efforts from various fields to also seek appropriate solutions and actions to overcome these environmental problems. This is related to the Green Accounting relationship which concerns information about the environment which takes into account the company's sensitivity to environmental problems that occur in the surrounding environment.

Green accounting is also called environmentally friendly accounting, according to the definition of (Jasch & Stasiskiene, 2005). Environmentally friendly accounting is an accounting tool that is used to assist management in making internal company decisions. This accounting contains information about the environment (environmental costs) which contains total waste or waste produced, total radiation emitted, and others. Green accounting is an accounting science that is used as a communication tool between companies and society. Green accounting relates to costs incurred for the environment, for company environmental preservation activities. Environmental costs themselves are costs borne and incurred by a company due to the impact of the company's production activities.

Green Accounting is accounting that calculates and includes preventive costs and those incurred as a result of company operational activities that affect the environment and society. Green accounting is the first step in solving environmental problems. Implementing green accounting can help boost a company's ability to minimize the environmental problems it faces. Environmental accounting has the main objective of creating a budget containing environmental cost data for each production process and separating it from costs that are not environmental costs (Jepkogei, 2015).

Green accounting is also called environmentally friendly accounting, according to the definition of (Jasch & Stasiskiene, 2005). Environmentally friendly accounting is an accounting tool that is used to assist management in making internal company decisions. This accounting contains information about the environment (environmental costs) which contains total waste or waste produced, total radiation emitted, and others.

Dr.C.Sengottuvel (2018) Environmental accounting is able to communicate the information obtained to interested parties in the company, this information concerns the identification, measurement, allocation of environmental costs, as well as the integration of costs into the company's business. In general, green accounting is recording and reporting through calculations by including the number of preventive costs or those that have occurred from the impact of the company's operational activities that affect the environment and people's lives.

Through the long explanation above, this research was created with existing problems in mind. So this research explains the influence and importance of implementing green accounting for companies. In this research, several studies were used that relate to the influence and importance of implementing green accounting on company performance.

2. Methods

This research uses the Meta Analysis method which was carried out on several articles and international journals. This meta-analysis research is a method used to analyze and combine several existing studies to obtain new findings and obtain general conclusions from these studies. This research can also be called ex post facto research in the form of surveys and literature analysis or taking the essence of previous research. From the data of several studies, it was then identified that the suitability of the relevance of the research topic to the research objectives was identified. By identifying studies, a relevant object will be found and selected as reference material to be concluded as a discussion of the issues raised in the creation of this article.

In this research, researchers began the process of identifying studies related to the importance of implementing green accounting on company performance by searching for several studies via Google Scholar. Researchers carry out meta-analysis by determining study inclusion criteria, searching and selecting studies, and making interpretations from the analysis. The inclusion criteria used are research that measures the influence of green accounting on a company's financial performance.

Apart from being a finding of the application of green accounting to company financial performance, this method also understands the problems that occur in several issues that arise, and provides insight into other factors that may influence the development of the green economy. The data analysis used is qualitative descriptive data analysis by referring to data from narrative studies of several studies found.

3. Results and Discussion

Based on several studies that have been studied and carefully studied to determine the effect of Green Accounting on company financial performance. Dr. Bishawjit Chandra Deb, Shuvabrata Saha, Md Mominur

Rahman (2020) examined the impact of implementing green accounting on the performance of all banks that have been listed on the Dhaka Stock Exchange in Bangladesh, examining financial reports from 2009 to 2020. According to this research, the implementation of green accounting has a positive influence on bank performance. Implementing green accounting or investing heavily in green accounting can create more opportunities for optimal company or bank performance.

This is shown in green accounting practices carried out in three schools of thought from guidelines for banks in Bangladesh, namely green investment, green initiatives and green activity management. While the accounting research conducted also has managerial implications for policy makers in companies and governments, Bangladesh Bank also provides environmentally friendly accounting guidelines that must be implemented by organizations; it is important to monitor eco-friendly activities through formal sessions. In risk management, a committee or board is required to ensure and supervise how green accounting is implemented. The interested party is the management committee or management at the company.

Additionally, more green project initiatives also improve bank performance as a green atmosphere is likely to result in more return on assets and market performance. This research has contributed to the realization of green accounting on bank performance, but there are still weaknesses in this research, namely that the researcher only used secondary data and the research was only aimed at banking.

NDL Meshani Nisansala Liyanage's research (2023) regarding the effect of implementing green accounting on the financial performance of companies in the materials, food and beverage and tobacco sectors on the Colombo Stock Exchange. The results of this research show that there is an influence between the implementation of green accounting and company profitability, which influences ROA or Return On Assets. This research focuses on the period between 2019 and 2022, where the company's annual financial report data has analyzed the data and assessed the impact of environmentally friendly accounting practices on the company's finances.

Considering a company's performance and not taking into account non-financial factors such as social and environmental impacts, within the scope of stakeholders they tend to apply environmental accounting practices to justify their profits and invest in the organization, so that organizations will be able to use disclosures to form society's perception of the company and seeing that there is a mismatch between the company's values and society's environmental values, this results in this being considered a violation of the social contract, which can threaten the survival of the company. The financial impact on the company's environment is a concern and benchmark for companies to be able to adopt cleaner energy sources and see other financial impacts caused by the environment.

The research suggests that companies that prioritize sustainability and implement environmentally friendly accounting practices may experience improved financial performance, as measured by ROA. The weakness of this research is that the research only emphasizes financial performance, the discussion about green accounting is not explained enough, the research should be able to provide a more complete picture of the company's environmental disclosure practices.

Research by Nandini ES, Sudharani R, Dr. Suresh N, (2020) to determine the impact of environmental accounting on company profitability. This research suggests that there is or is an influence of green accounting which uses environmental conservation costs and profits from capital used or utilized through company profitability. Environmental accounting disclosures are important in carrying out corporate accountability, by helping companies or other organizations to increase public trust and confidence by accepting fair assessments.

Policies are carried out to reduce issues regarding the availability of natural resources and environmental pollution which have become a matter of social, economic and political debate throughout the world. Especially in the scope of manufacturing companies, the majority of which produce finished and raw materials, we are still thinking about finding a solution in the industrial world on how to protect, reduce and prevent activities that become environmental problems.

It is hoped that environmental accounting, which plays a major role in environmental conservation solutions, has significant potential and provides better insight into the utilization of company investments related to conservation, so that companies can not only increase the efficiency of their activities. This disclosure is also a benchmark for the company, because it can show its performance in profitability efficiency which also cares about environmental resources and green accounting information in the accountability process. Therefore Green accounting will be very helpful in improving their performance. The weakness of this research is the lack of a complete discussion of how environmental accounting influences the dependent variables (return on capital, return on net income, net profit margin, return on assets and dividends per share), so that readers still do not understand this impact.

Eze Emmanuel's research (2021) reveals the influence of green accounting on financial performance in manufacturing companies in Nigeria. The research results show that green accounting has a positive relationship with Return On Assets (ROA) and Return On Equity (ROE). However, there is a negative effect between green accounting disclosure and stock prices in manufacturing companies in Nigeria. Manufacturing companies in Nigeria to increase the scope of their environmentally friendly accounting activities and that there is a need for effective regulation of environmentally friendly accounting practices in Nigeria to eliminate the unbalanced system of free market spirit of individualism.

Through indicators and investigations carried out on the influence of environmentally friendly accounting on company profitability using canonical correlation and the results show that green accounting has a significant influence on the profitability of goods that do not include food. Environmentally friendly accounting reporting is not very popular among companies, which may be due to the low level of awareness of the benefits for companies and society. Environmental activities that are less visible and implemented take into account development factors that are considered ineffective in company profitability, so that environmentally friendly accounting has developed voluntarily and decides what will be reported for benchmarking practices, as valid and balanced decision making.

The government can enforce uniformity in environmentally friendly accounting reporting by making GRI a mandatory requirement for companies wishing to go public. The weakness in this research explains that the application of green accounting cannot work equally in the accounting system and only functions on ROA and ROE, but does not function positively on share prices in the company, so that in decision making there is a lack of effectiveness and ease of assessment by accounting disclosure practices. green.

Amaechi Patrick Egbunike and Hari Dewa Edesiri Okoro, (2018) on the need to assess whether green accounting affects the profitability of companies in Nigeria globally. This research found that green accounting does not have a significant relationship with company profitability, so if companies implement green accounting, their level of profitability is not affected. For stakeholders in several companies, it can be seen that the stakeholder group concentrates on maximizing profits through resources and environmental responsibility, management of resources involves accounting practices that demonstrate sustainable business and performance in the company correlates with resolving corporate conflicts such as reducing penalties, fines, and compensation paid to the host community.

This explanation shows that there is a relationship between company size and corporate social responsibility disclosure, which is not significantly related to profits, leverage, type of audit, and social responsibility. This problem is also related to the surrounding community who are also affected by the company's environmental effects. This requires consideration of an investigation into the influence of environmentally friendly accounting which is immediately implemented as a preparation for preparing the company for Green Accounting. Companies that may have had a good start are ultimately affected by negative impacts on performance that continues to be carried out without considering the state of the surrounding environment. This consideration compares how to manage finances more effectively and have an impact on environmental implementation, making companies develop their performance results based on the environment in which they are located. .

This research assumes that company performance or company profitability can be influenced by the company's image through society. Companies in Nigeria aim to get people involved in the company by spending more resources than they would on environmental protection. The weakness in this research is the explanation of ineffective company management in implementing green accounting carried out by companies, so that companies realize that there is a need to disclose environmentally friendly costs resulting from the combined impact of social and environmental damage in their reports and annual reports.

Discussion

Green accounting is accounting for recording or reporting a budget that estimates costs related to environmental expenditure in the company's financial records. Green accounting used in companies can help achieve business goals, because green accounting can help management find out whether the company is able to carry out its obligations or responsibilities towards sustainable development. According to (Rewadikar, 2014).

Green accounting has the task of complying with existing regulations, running the company well so as not to cause damage or other problems to the environment, promoting orderly and safe behavior among employees or workers in protecting the environment in the company, reporting to interested parties regarding total costs. issued for the environment and appropriate steps for management in making decisions, as well as monitoring, maintaining and confirming the correct handling of hazardous waste disposal so that it remains safe.

Green accounting is increasingly important and recognized as a result of increasing environmental challenges related to economic, social and technical development. Therefore environmental accounting is very important for long-term growth. Environmental costs incurred due to the impact of environmental problems and social damage make entrepreneurs aware of protecting and preserving the environment. These costs will also be explained in the company's annual report, so they will affect the company's image or reputation if the environment is too bad.

The Effect of the Application of Green Accounting on Company Profitability

According to (Kan & Meng, 2015)the main objective of Green Accounting, it is to realize the combination and integration of economic development and environmental protection through effective value management of the company's financial results. Based on the results of several studies studied, research by Nandini ES, Sudharani R, Dr.Suresh N, (2020) Environmental accounting disclosure is important in carrying out corporate accountability, by helping companies or other organizations to increase public trust and confidence by accepting fair assessments. Therefore Green accounting will be very helpful in improving their performance.

The results of the study in Dr. Bishawjit Chandra Deb, Shuvabrata Saha, Md Mominur Rahman (2020) to be able to create more opportunities to optimize company performance requires investment in a larger environment, and the possibility of generating more profits. Green accounting, which links environmental and financial performance, can be used to predict future environmental consequences on an industry's financial performance, thereby enabling more informed investment decisions.

Green accounting or environmental accounting, can influence business success and the credibility of a company. Green accounting explains how many costs are allocated to repair environmental damage caused by the company's production process. These environmental cost allocations can make environmental conditions better, and can provide long-term benefits to the environment. It is hoped that in the future or in the future, green accounting will be able to generate potential investment in companies.

4. Conclusion

Based on research on several existing studies, it can be concluded that green accounting can be useful, because it can improve company performance. Green accounting used in companies can help achieve business goals, because green accounting can help management find out whether the company is able to carry out its obligations or responsibilities towards sustainable development . Environmental costs incurred due to the impact of environmental problems and social damage make entrepreneurs aware of protecting and preserving the environment. These costs will also be explained in the company's annual report, so they will affect the company's image or reputation if the environment is too bad.

Environmental accounting disclosures are important in carrying out corporate accountability, by helping companies or other organizations to increase public trust and confidence by accepting fair assessments. Therefore Green accounting will be very helpful in improving their performance. Green accounting, which links environmental and financial performance, can be used to predict future environmental consequences on an industry's financial performance, thereby enabling more informed investment decisions.

Bibliography

Budi, Erliana Cahyaing; Zuhrohtun;. (2023). The Influence of Green Accounting, Environmental Performance and Environmental Costs on Financial Performance. *Udayana University Economics and Business E-Journal* , 1942-1953.

Chairia; Ginting, Jenni Veronika Br; Ramles, Polin; Ginting, Felik;. (2022). Implementation of Green Accounting (Environmental Accounting) in Indonesia: Literature Study. *Journal of Accounting* , 40-49.

Deb, Dr. Bishawjit Chandra; Saha, Shuvabrata; Rahman, Md Mominur;. (2020). Do Green Accounting Practices Affect Bank Performance? Study on Banks listed on Dhaka Stock Exchange in Bangladesh. *International Journal* , 7225 - 7247.

Dr. C. Sengottuvel. (2018). Environmental Accounting and Company Profitability. *International Journal of Innovative Research in Management Studies* , 22-27. Volume 3.

Egbunike, Amaechi Patrick; Okoro, Day of God Edesiri;. (2018). Is Green Accounting Important for Company Profitability? Canonical Assessment. *International Journal of Horizontal Economics* , Volume 20, Sveska 1, 17 - 26.

Emmanuel, Eze;. (2021). Green Accounting and Financial Reporting on Manufacturing Company Performance at PT Nigeria. *American Journal of Humanities and Social Sciences Research (AJHSSR)* , Volume-5, Issue-7, pp-179-187.

ES, Nandini; R, Sudharani; N, Dr. Suresh;. (2020). Study of the Impact of Environmental Accounting on the Profitability of Companies Listed on the Bombay Stock Exchange. *MONUMENTAL BULLETIN* , 46 - 51.

Jasch, C; Stasiskiene, Z;. (2005). From Environmental Management Accounting to Sustainability Management Accounting. *Environmental Research, Engineering & Management* , 34(4), 77-88.

Kan, X., & Meng, Q. (2015). Green Accounting Confusion and Countermeasures in China. *Technology and Investment* , 127-131.

Liyanage, NDL Meshani Nisansala;. (2023). The Impact of Green Accounting on Company Profitability: A Comparative Study of Materials and Food, Beverage & Tobacco Sector Companies on the Colombo Stock Exchange. *International Journal* .

Rewadikar, D. (2014). Benefits of Implementing Green Accounting. *IRJA-Indian Research Journal* .