

## Research Article

## Implementation of Green Accounting and Disclosure of Corporate Social Responsibility on Company Performance

Novalia Herlina Bleskadi<sup>1</sup>, Sara Marlyn Paru<sup>2</sup>

Universitas Cenderawasih, Indonesia <sup>1,2</sup>

Corresponding Author, Email: [novableskadi.uncen@gmail.com](mailto:novableskadi.uncen@gmail.com)

### Abstract

This study will use a sample of manufacturing companies listed on the Indonesia Stock Exchange (IDX) as well as industrial companies that have received the Green Industry Award from the Ministry of Industry, with an observation period of three years, namely 2020, 2021, and 2022. The Green Industry Award is a program that recognizes industrial companies implementing green industry principles in their production processes, with the aim of motivating companies to adopt and apply these principles. The purpose of this research is to examine the effect of green accounting implementation and corporate social responsibility (CSR) disclosure on company performance, specifically financial performance and environmental performance. Financial performance will be measured using profitability ratios, while environmental performance will be measured using the PROPER index. The research population consists of manufacturing companies listed on the IDX. The sampling technique applied is purposive sampling, namely manufacturing companies that publish annual reports, CSR disclosures, sustainability reports, and Global Reporting Initiative (GRI) index disclosures, as well as those participating in the PROPER program. The type of data used in this research is secondary data.

**Keywords:** Green Accounting; Corporate Social Responsibility; Financial Performance; Environmental Performance.

### INTRODUCTION



One of the key factors driving the success of an industry in winning tight business competition is the ability to produce quality products at the most economical price. Along with the development of the times and growing public awareness of the importance of environmental preservation, industries today are increasingly required to conduct business in an environmentally friendly manner.

Environmentally friendly industrial practices are implemented through the application of eco-efficiency in management practices or green accounting in accounting practices. Accounting itself is defined as a subsystem of the economic and business system that plays a strategic role for corporations, namely as a tool to calculate the profits earned and the ability of a business to generate economic added value for the owner's capital within a given period (Lako, 2015:106).

Green accounting is the activity of collecting, analyzing, estimating, and preparing reports on both environmental and financial data with the aim of reducing environmental impacts and costs (Cohen & Robbins, 2011:190 in Aniela, 2012). The concept of green accounting began to develop in Europe in the 1970s. Green accounting is an approach that records and includes prevention costs as well as costs resulting from company operational activities that affect the environment and society.

Green accounting is an application of accounting in which companies also incorporate costs for environmental preservation or community welfare—referred to as environmental costs—into company expenses. The application of green accounting encourages the ability to minimize environmental problems faced by companies. Its implementation aims to improve the efficiency of environmental management by assessing environmental activities from a cost-benefit or effect perspective (Santi, 2016).

The application of green accounting in industry can also attract consumers. Currently, consumers tend to use products produced by companies that have implemented green industry or green accounting practices. This creates positive industrial development, such as increased sales followed by profit growth, enhanced business sustainability, improved industry value in the eyes of investors, and stronger alignment with government policies. Hilton & Platt in *Managerial Accounting: Creating Value in a Global Business Environment* state that the application of eco-efficiency in industry drives increased production of goods or services and provides benefits for companies, including higher employee satisfaction and productivity, encouragement of innovation and new business opportunities, enhancement of corporate image, and

reductions in the cost of capital and insurance expenses.

Forms of green accounting practices include: (1) the use of environmentally friendly raw materials; (2) waste management that does not harm the environment; and (3) CSR—concern for the welfare of the community and environment surrounding the company's operations. According to the Limited Liability Company Law No. 40 of 2007, Article 74, companies engaged in business activities related to natural resources are required to implement CSR programs. The implementation of CSR can be identified through disclosures in the company's sustainability reports. CSR assessments can be guided by the Global Reporting Initiative (GRI), which focuses on economic performance indicators, environmental performance indicators, and social performance indicators. A good relationship between companies and their surrounding environment will have a positive impact on corporate sustainability.

The Ministry of Environment has established the Company Performance Rating Program, known as PROPER. This program is intended to encourage companies to improve environmental management through information-based instruments and various activities aimed at promoting compliance with environmental regulations, using both reputational incentives and disincentives. It also encourages companies with strong environmental performance to adopt cleaner production practices. Another objective is to motivate other companies to recognize the environmental impacts of their operational activities, often with guidance from environmental consultants who help steer businesses toward environmentally friendly practices to prevent pollution around industrial areas. Industrial waste is transported by licensed waste carriers to other companies authorized to process and recycle the disposed waste.

This study will use samples from manufacturing companies listed on the Indonesia Stock Exchange and industrial companies that have received the Green Industry Award from the Ministry of Industry, with an observation period covering three years: 2020, 2021, and 2022. The Green Industry Award is a program that recognizes industrial companies implementing green industry principles in their production processes, with the aim of motivating more industries to adopt such practices.

The objective of this study is to examine and determine the effect of implementing green accounting and the disclosure of corporate social responsibility on company performance. In line with these objectives, the research is expected to provide both theoretical and practical benefits. Theoretically, it is intended to contribute to the

development of academic knowledge and serve as a reference or additional evidence for future research. Practically, the study is expected to encourage companies to strengthen their understanding and focus on green accounting and corporate social responsibility, thereby improving both their financial and non-financial performance.

## **METHOD**

This study employs a causal associative research design with a quantitative approach to examine the effect of independent variables, namely the implementation of green accounting and corporate social responsibility (CSR) disclosure, on the dependent variable, company performance.

### **Population and Sample**

According to Arikunto (2013), a population refers to the entire subject of research. The population in this study consists of all manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2020–2022, as the IDX provides accessible and publicly available information. The sample was selected using purposive sampling, based on specific criteria such as being listed on the IDX during the study period, publishing annual reports and disclosing social responsibility in those reports, issuing sustainability reports with GRI index disclosures, and participating in the Company Performance Rating Program (PROPER).

### **Data types and data sources**

The data used in this study are quantitative in nature, based on numerical values representing the research variables. The study employs secondary data, obtained indirectly through intermediary sources and recorded by other parties, using time series data collected over the 2020–2022 period. The secondary data include historical records and reports, specifically audited financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX), sourced from the official IDX website

### **Data collection technique**

The data collection technique used in this study is documentation, which involves gathering and reviewing secondary data from relevant regulations, journals, books, records, and annual financial reports of manufacturing companies obtained from

the official IDX website ([www.idx.co.id](http://www.idx.co.id)). This method aims to obtain financial report data of the sampled companies for the 2020–2022 period.

### **Data analysis methods**

The study used multiple linear regression analysis with SPSS version 22. Data were collected from secondary sources, specifically companies' annual financial reports.

## **RESULT AND DISCUSSION**

The study analyzed 28 consumer goods manufacturing companies listed on the Indonesia Stock Exchange (IDX) over the period 2020–2022, resulting in 84 data points. Descriptive statistics showed that green accounting expenditures varied widely among companies, CSR disclosure levels ranged between 12–77 items, and profitability as measured by Net Profit Margin (NPM) remained relatively low, with an average of 0.11.

Classical assumption tests indicated that the data met the requirements for regression analysis. The normality test showed the data were normally distributed, multicollinearity was not detected, and heteroskedasticity was absent, meaning the regression model used was reliable.

Regression analysis revealed different effects between the two independent variables. Green accounting did not have a significant effect on company performance, as indicated by a significance value greater than 0.05 and a t-value lower than the critical value. This means that the allocation of environmental costs did not influence profitability during the observed period.

In contrast, Corporate Social Responsibility (CSR) disclosure showed a significant positive effect on company performance. The statistical results confirmed that CSR activities, when well implemented and disclosed, contributed to increased profitability as measured by NPM.

The coefficient of determination ( $R^2$ ) showed that green accounting and CSR together explained about 8.2% of the variation in company performance, while the remaining 91.8% was influenced by other factors not included in the model.

### **Discussion**

#### **The Effect of Green Accounting on Company Performance**

The results of this study indicate that the implementation of green accounting

has no significant effect on company performance; therefore, the first hypothesis is rejected. Findings show that 28 companies observed during the 2020–2022 period generally allocated funds for environmental costs, but the amounts provided were relatively small.

Green accounting focuses on the accounting treatment and financial reporting of expenditures related to social and environmental responsibilities, aiming to create added value for society and the environment. These expenses are recorded as periodic costs under administrative and general expenses in the income statement.

Legitimacy theory and stakeholder theory suggest that communication among stakeholders is crucial to gaining legitimacy for company operations, often by aligning perceptions without necessarily changing actual performance. Companies tend to perceive the environment as part of their assets, so environmental costs are presented in the income statement as operational expenses affecting profit or loss. At the same time, corporate assets must be optimized to achieve maximum profitability.

Previous studies on the impact of green accounting on company performance provide mixed results. Mike M.S. et al. (2018), in a case study of the top 20 sustainability-ranked companies in Asia, found that green accounting affected net profit margin but was not significant, while it significantly influenced stock prices. Faizah (2020), studying companies listed on the IDX and participating in PROPER, found that green accounting had no significant impact on financial performance measured by net profit margin. Damayanti & Astuti (2022), examining mining and chemical companies on the IDX, concluded that environmental performance did not affect company performance proxied by ROA, while environmental disclosure had a significant effect on performance.

### **The Effect of Corporate Social Responsibility on Company Performance**

The results of this study show that Corporate Social Responsibility (CSR) has a significant effect on company performance; therefore, the second hypothesis is accepted. Findings indicate that the 28 companies observed have generally implemented CSR activities well.

CSR activities can increase public trust in a company's products, thereby enhancing its reputation. Companies that disclose CSR tend to receive greater respect from the community, while those that fail to do so are more likely to face protests or

demonstrations, potentially disrupting operations and causing losses. Conversely, companies with well-implemented CSR can avoid such risks and achieve higher profitability.

Legitimacy theory and stakeholder theory are closely related to CSR disclosure. By disclosing CSR, companies gain legitimacy from society, which stakeholders interpret as a positive signal—investors are encouraged to continue investing, and the government can appreciate the company's performance through CSR reporting. CSR disclosure is therefore tied to stakeholder reactions and corporate reputation. Positive responses contribute to improved profitability, which in turn enhances financial performance.

Several previous studies provide insights into the effect of CSR on company performance. Chandrayanthi & Saputra (2013), in a study of mining companies listed on the IDX, found that CSR had a positive effect on ROA and ROE but a negative effect on NPM. Mustafa & Handayani (2014), studying food and beverage manufacturing companies on the IDX, concluded that CSR had no significant effect on financial performance. Dewi & Narayana (2020) reported that CSR positively influenced firm value. Trida (2022), in a study of manufacturing companies on the IDX, found that CSR positively affected ROE and ROA, though it had no significant effect on ROS (Return on Sales).

## **CONCLUSION**

This study examined the effect of green accounting and corporate social responsibility (CSR) on financial performance. The findings show that the implementation of green accounting does not have a significant impact on company performance, meaning that the amount of environmental costs allocated by a company does not directly influence its financial outcomes. In contrast, CSR activities were found to have a significant positive effect on company performance. The results suggest that the more actively companies engage in CSR programs for the community, the better their overall performance.

## **Suggestions**

Future researchers are encouraged to consider adding or replacing independent variables beyond those examined in this study, as other factors may influence company

performance. It is also recommended to apply this research to different sectors, particularly industries that rely heavily on natural resources and may have stronger links to environmental performance. In addition, future studies could employ alternative measurement tools to test each variable more comprehensively.

### **Research Limitations**

This study has several limitations. The sample was restricted to consumer goods manufacturing companies, which may not fully represent the broader manufacturing sector in relation to corporate performance and tax avoidance. Moreover, the relatively low Adjusted R Square value indicates that many other variables not included in this model could explain variations in company performance.

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