



The Effect of Environmental Accounting Implementation on Company Performance

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ABSTRACT

The method used in this study is library research. From this study, it could be concluded that environmental accounting had an impact on company performance. This study aims to determine the effect of the implementation of environmental accounting on company performance through analysis of various impacts on company performance, such as increasing costs and decreasing corporate profits, improving company performance, reducing performance damage that often resembles precision and even the impact that shows habits on company performance. The research implication of this study for the development of science is as a material consideration for companies in implementing environmental accounting as a solution to overcome environmental problems

INTRODUCTION

Environmental accounting is considered the best solution in overcoming the problem of environmental damage. Environmental accounting is a form of corporate responsibility for managing the impact of environmental damage caused by company operations. However, the implementation of environmental accounting is not without problems, there are still many things that need to be addressed in its implementation. Lack of individual and community awareness, in this case, is considered to be the cause of less than optimal implementation of environmental accounting. As is the case in Indonesia, the discharge of waste water from an industry or deviant deforestation is always a sharp focus. Environmental problems with waste pollution, for example, many companies have stopped operating due to environmental problems polluted by these companies. For example, the issue of waste pollution by PT Indorayon several years ago in Porsea, North Sumatra, resulted in the government stopping the company's operations due to environmental problems and community problems around the industry. Another issue relates to several paper companies in Riau which received protests from the local community regarding industrial waste and environmental pollution. Not to mention the problem of PT Lapindo Brantas in Sidoarjo with endless mud causing environmental damage and abandoning thousands of local people, which to this day has not been resolved (Riyadi, 2018).

Human activity is recognized as a major driver of global environmental change (Russell, Milne, & Dey, 2017). Meanwhile, according to other opinions, environmental accounting and reporting is very important,

Environmental accounting needs to work as a tool to measure the economic efficiency of environmental conservation activities and the environmental efficiency of a company's overall business activities. The adverse environmental impacts of economic development have become a matter of great public concern throughout the world. It appears that this greater attention may lead to increased costs and therefore lower profits (Magara et al., 2015). Apart from that, accounting also has a positive impact such as improving company performance in the development of a well-articulated environmental costing system to guarantee a conflict-free corporate atmosphere needed by managers and workers for maximum productivity (Cna et al., 2013).

Negative impacts from human activities on the environment were also found, such as global impacts (climate change, ozone depletion, sea and river pollution, and forest spoliation), regional (results from industrial accidents, water pollution, and air pollution), as well as local impacts. which results in major social and environmental impacts, but this local imbalance can be addressed properly and recognized by the authorities, can be limited, analyzed and eliminated by decisions integrated with environmental policy (Dascalu et al., 2010).

However, in other journals it is also stated that when viewed from the perspective of social accounting and environmental performance, the conventional profit concept shows bias in performance measurement (Iqbal et al., 2013). In addition, (Mcnellis, 2013) said that performance damage which often resembles precision is reduced. As clients note less skepticism, less conservatism,

and greater reliance on previous work this certainly becomes the case great attention is related to professionalism in work. So, with this phenomenon researchers feel related to conducting research and studying the performance impacts caused by environmental accounting.

Awareness or the ability to act thoroughly and appropriately is one of the five broadest performance enhancers and can be considered a personality trait. Additionally, a disposition that has been shown to reduce the effects of job burnout and withdrawal intentions in accounting environments is hardiness. This is evident in individuals who have an innate ability to understand and manage situations under pressure. Additionally, the constructs of conscientiousness and resilience have substantial relevance in agreement with accurate effective task performance towards completion (i.e. the degree of effectiveness and accuracy in completing tasks) in the accounting environment, yet examination of these shared traits is an avenue that is relatively absent from the literature latest accounting. Thus, the current study extends the investigation of resilience in environmental accounting by considering its influence, when juxtaposed with conscientiousness, on accounting task performance. In this research it is also explained that while studies put forward conscientiousness as a consistent positive predictor of performance, several studies document a negative relationship between conscientiousness and performance. By highlighting improved task performance and error detection, which have implications for fraud and risk investigations, the results provide further evidence of the suitability of a strong personality in managing public accounting situational stressors (Mcnellis, 2013).

The content and context of environmental accounting and academic accounting practitioners have a relationship twinning and coexistence as a basis for innovation capacity against the rationale for assessing innovative capacity on organizational environmental performance and related accountability (Burrirt, 2012). Local governments have also been encouraged to create appropriate management systems to support environmental planning and policy making and involve all sectors of local society to meet environmental goals, because mechanisms in implementing sustainable development at the local level and local governments have an important role (Qian, Burrirt, & Monroe, 2011). The increasing importance of environmental data can exacerbate concerns about appropriate accounting presentations and disclosures used to achieve success in implementing environmental strategies in companies (Alewine & Stone, 2011). Apart from that, companies and governments are starting to worry about the impact of company operations on the environment and society, and individuals are becoming more aware. It is a fact that every operational process has the potential to produce negative impacts on ecological and social systems (Settasakko, 2010). Apart from that, there are international environmental problems such as emission standards, waste management, air and water pollution, climate change, extraction of exhaustible resources, biofuels, energy saving, biodiversity, desertification, forestry, agriculture, use of land, livestock, food security, population, poverty, urbanization, transportation, carbon security, El Nino, environmentally friendly technology, and production systems (Negash,

2012). This strengthens the reason for researchers to examine more deeply whether environmental accounting plays an effective role in the performance of every problem that exists in each region or country.

LITERATURE REVIEW

1. Voluntary/Discretionary Disclosure Theory

Voluntary/discretionary disclosure theory explains that companies have an incentive to reveal more good things about the company (good news) to differentiate it from other companies that have bad things (bad news), with the aim of providing benefits for the company itself. Good environmental performance is good news for a company so that companies with good environmental performance will be encouraged to publish it to investors and other stakeholders.

2. Theory of the Company - Adam Smith In Adam's theory of the company

Smith stated that companies have one goal, namely to fulfill the wishes of shareholders by generating profits. However, company profits may not be achieved if the environment business companies in operation are ignored.

3. Conservatism Theory

This theory defines conservatism as the principle of prudence in financial reporting and companies are not in a hurry to recognize and measure assets and profits and immediately recognize losses and debts that have the possibility of occurring. The application of this principle results in the choice of accounting method being aimed at methods that report lower profits or assets and report higher debt.

4. Environmental Accounting

Environmental accounting emerged in the 1970s as a result of increased environmental awareness and concerns about social and environmental welfare (Khalid, Lord, & Dixon, 2012).

The AICPA defines environmental accounting as accounting in which there is identification, measurement and allocation of environmental costs, where these environmental costs are integrated into business decision making, and then communicated to stakeholders.

Environmental Accounting is a type of accounting that includes indirect costs and benefits from economic activities, such as environmental impacts and health consequences from business planning and decisions (Cohen & Robbins, 2011: 190).

Environmental accounting, when handled well can provide great benefits to individuals and companies.

2. Performance

a. Financial performance

Financial performance is generally used as an indicator of a company's financial health over a certain period of time. The financial performance of a company can be measured in a variety of different ways including profit, measure returns, market share growth, return on investment, return on equity and liquidity (Magara et al., 2015).

b. Environmental Performance

Environmental performance is one of many important measures of business success and environmental costs are one of many types of costs incurred by businesses for providing goods and services to their customers.

METHODOLOGY

In this paper, researchers use a type of library research, namely a series of activities related to library data collection methods. Library study (library research) is a series of activities related to methods of collecting library data, reading and recording and processing research materials.

In this research, researchers use a content analysis approach model. This research is an in-depth discussion of the content of written or printed information in the mass media. This analysis is usually used in qualitative research. Content analysis is generally defined as a method that includes all analysis of the content of a text, but on the other hand, content analysis is also used to describe specific analytical approaches.

Apart from that, the method the author uses in this research is descriptive analysis. This method functions to describe or provide an overview of the various impacts resulting from environmental accounting

This research was created by reviewing data sourced from secondary data, namely data obtained through other parties, not directly obtained by researchers from their research subjects. In this study the secondary data is international articles which support the author to complete the content and interpretation of the journal from primary data sources. In this case, secondary data sources are in the form of writings that have tried to discuss several ideas about the influence of environmental accounting implementation on company performance and literature that is relevant to this research.

The data search begins by going to Google, by writing the keyword "environmental accounting" so that 15,400,000 related articles are obtained. Then the articles were narrowed down using international journal keywords and resulted in 939,000 articles. After that, the results were narrowed down again with the theme of related articles which we will take around the various impacts caused by environmental accounting to get a result of 341,000 articles. We didn't finish there, we limited the articles to the year of publication of each journal with a limit of 2009 to 2019 to get a result of 22,300 articles. After these results were obtained, they were then tested on the website beallist.weebly.com (n.d.) to obtain data from reputable international journals. Through this testing, the results obtained were 54 reputable articles. Then in the final step several samples are taken articles that were suitable and in accordance with the theme being studied, so that 30 articles were obtained and taken for research. Of the 30 articles we obtained, all came from several international journals such as: Emerald, Elsevier, Scopus, Taylor and Francis, and Scientific Research.

RESULT AND DISSCUSISION

Based on research conducted, there are several environmental accounting factors that have an impact on company performance, both positive and negative. As in the following source it is said that measures of violence have a positive and significant correlation with task satisfaction, but conversely the relationship between conscience and satisfaction is not significant. These correlations provide evidence of differences between the two personality traits as well as the activation of hardiness traits in the bank reconciliation task. Thus, the results are consistent with the notion that strong subjects are able to find a deeper level of interest in reconciliation activities (Mcnellis, 2013). In other fields, environmental accounting has become an integrated reporting standard targeted at organizations of all sizes in Indonesia, various sectors, private, government and non-government. Through transdisciplinary academic research, namely the essence of the environment, which moves from performance accountability towards environmental sustainability, it has resulted in the conclusion that the strategies for future researchers in environmental performance accounting are many and varied (Burritt, 2012).

This environmental accounting also has an impact in increasing the quantity of information in SBSC five perspectives (financial, customer, process, learning, and society) which can increase information opportunities, an advantage over SBSC four perspectives (financial, customer, process,

and learning), by adding a fifth this scorecard perspective can be considered a higher level of task difficulty, and an increase in difficulty may be enough to reduce performance gains. (Alewine & Stone, 2011).

From other sources it is also found that managerial environmental accounting provides a comprehensive way to incorporate environmental considerations into business decision making. The inclusion of internal environmental costs in its accounting will help a company work to maximize its current profitability. The firm can then be guided in maximizing its long-term profits by taking external environmental costs into account, especially to the extent that it may be necessary to internalize these costs in the future. Adoption of this method can help organizations in a stronger competitive position in relation to a particular company (Dascalu et al., 2010). Apart from that, there are also other factors that influence performance in environmental accounting, such as EMA (Environmental Management Accounting) which acts as a mediator in the relationship between environmental strategy and environmental performance. It is said that there is no significant difference between the PROPER (Company Ranking Assessment Program in Environmental Management) ranking and respondents' perceptions of environmental performance, which means that the main model results have good robustness. These findings confirm that there is no systematic bias interfering with these results for the two environmental performance measures. The more the company's strategy focuses on the environment, the greater this influence on the use of EMA (Environmental Management Accounting).

In disclosing information, the use of EMA (Environmental Management Accounting) as intangible assets have benefited companies by providing information on their operational activities, especially those related to the environment and the results of good environmental performance. And environmental strategies can influence environmental performance both directly and indirectly through the use of EMA (Environmental Management Accounting). Empirical evidence shows that there is a positive and significant influence between environmental strategy and the use of EMA (Environmental Management Accounting), which, in turn, can improve company quality (Solovida & Latan, 2017). It is also said that accounting is successful in revealing the efficiency of economic units in their social responsibilities, especially in controlling environmental pollution, as happened previously in disclosing appropriate and sufficient information about the efficiency of economic or financial performance, which will certainly play an important role in changing the behavior of decision makers and people. -people who are interested in economic unity and increasing their profits when they make the right decisions (Alqtish & Qatawneh, 2017). In addition, because voluntary disclosure of environmental information means that large companies tend to report more environmental information in their annual reports than medium-sized businesses; and disclosures, tend to be more qualitative than quantitative despite the fact that there is a significant relationship between environmental accounting and company performance (Adediran & Alade, 2013).

However, other opinions state that environmental performance has an insignificant positive influence on environmental information disclosure. This insignificant relationship is related to information disclosure an environment that is not monitored so that company management is free to use discretionary information reports (Iqbal et al., 2013). Environmental accounting still faces a number of problems, regarding the lack of information support, specialized personnel and the absence of a proportional international accounting model. In recent years, efforts for the growth of environmental information systems have led to the creation of proportional administration systems (Environmental Management Systems) that face problems related to the maintenance of complex environmental data (Moorthy & Yacob, 2013).

Based on other previous research, (Cna et al., 2013) stated that there is an impact of environmental costs on the performance of oil companies in the Niger Delta countries in Nigeria. Following detailed time series analysis, the findings reveal that environmental costs in the Nigerian oil sector have a significant impact on firm performance. Thus, this explains the very high level of change in company performance. So community development costs, waste management costs, as well as employee health and safety costs have significantly affected company performance in the Nigerian oil sector. Meanwhile, according to (Adediran & Alade, 2013), their research shows that there is a significant negative relationship between environmental accounting and Return on Capital Employed (ROCE) and Earnings Per Share (EPS) and a significant positive relationship between environmental accounting and net profit margin and dividend per share. Based on this it is recommended that the government should

provide tax credits to organizations that comply with its environmental laws and that environmental reporting should be made mandatory in Nigeria for improve the performance of the organization and the country as a whole.

The application of environmental accounting researched by Iqbal et al., (2013) shows that environmental accounting has not been able to influence company value because in several companies, the application of environmental accounting is implemented because it is required by the government, which proves the low awareness of management. Meanwhile, environmental performance in this study was able to influence company value. And from the overall findings of the review researched by Hussain, Halim, & Bhuiyan (2016) stated that environmental accounting is a vital issue for sustainable development, especially to concentrate on environmental taxes, environmental costs, assessing ecosystem services, carbon dioxide costs, water pollution costs, and ensuring the sustainability of income from leading the way of sustainable development.

CONCLUSION AND RECOMMENDATION

From the results and discussion in this research, it can be concluded that environmental accounting has positive and negative impacts. Positively, environmental accounting can have a good impact on performance. Having a good impact on performance also has a good impact on environmental performance and is significantly positively related to the company's organizational finances. So the role of accountants becomes the main role in assessing environmental accounting performance.

In some cases, companies that implement environmental accounting have a positive impact on environmental performance so that the company gains a competitive advantage and increases added value. Apart from that, by applying one of the environmental accounting concepts, namely accounting

Environmental management (EMA) will assist companies in working to maximize profitability and long-term profits and assist management in decision making.

However, it cannot be denied that environmental accounting also has a negative impact on companies. This can be seen in the phenomenon studied, it is known that it still cannot change performance related to the environment. In some companies, the application of environmental accounting has not been able to influence company value because the application of environmental accounting is something that is required by regulations (compulsion), proving a lack of awareness on the part of management, resulting in the implementation of environmental accounting not being optimal. In other cases, environmental accounting has a negative impact because information regarding environmental accounting is not monitored so that environmental accounting has a negative impact.

FURTHER STUDY

This research still has limitations, so it is necessary to carry out further research related to the topic The Effect of Environmental accounting Implementation on company performance in order to perfect this research and increase the reader's insight.

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