Indonesian Journal of Business Analytics (IJBA)
Vol.4, No.2 2024: 643-652

# The Role of Green Accounting, Good Corporate Governance, and Environmental Performance Corporate Social Responsibility

Abd. Rohman Taufiq[1*], Anwar Sanusi[2], Prihat Assih[3]
[1] Faculty of Economics and Business Univercity PGRI Madiun
[2,3]Postgraduate Program Universitas Merdeka Malang
**Corresponding Author:** Abd. Rohman Taufiq abdrohman.taufiq@gmail.com

A R T I C L E I N F O

*Keywords:* Green Accounting, Good Corporate Governance, Environmental Performance

*Received : 08, February*
*Revised : 15, March*
*Accepted: 21, April*



A B S T R A C T

The goal of the research is to find out how environmental performance is affected in industrial businesses listed on the IDX between 2017 and 2020 by sustainable accounting and good corporate governance. A manufacturing company with managerial ownership shares for the yearly report and continual involvement in the PROPER program makes up the study's population. Using the SPSS 22 analytic tool, the multiple line regression technique was used to 66 yearly reports as a sample and data processing procedures. The results of this research indicate that, while green accounting is voluntary and has not been fully implemented in the nation of Indonesia, it does have an impact on the nation's environmental performance. Second, environmental performance is affected by the implementation of sound corporate governance.



DOI: https://doi.org/10.55927/ijba.v4i2.8763
ISSN-E: 2808-0718
https://journal.formosapublisher.org/index.php/ijba

## INTRODUCTION

Environmental performance is a study of company performance to create a good environment (Refqi, 2018). As stated in the Law of the Republic of Indonesia No. 32 of 2009 concerning environmental protection and management article 68 everyone conducting business and/or activities is obliged to a) provide information related to environmental protection and management in a correct, accurate, open and timely manner, b) maintain the sustainability of environmental functions, and c) comply with the provisions regarding environmental quality standards.

Indonesia is ranked fourth as the country that contributes the most to environmental destruction (Kristanti, 2010). The activities carried out by humans towards the natural environment are more numerous and varied. The impacts that arise in the environment occur because humans tend to be exploitative in taking natural resources. Not just a necessity of life, but also to take excessive advantage. As a result of these human activities the environment has suffered serious damage. Over time, the rapid development of the manufacturing industry can have an impact on unavoidable environmental damage and have a negative impact on human survival.

The Ministry of Environment and Forestry created a Corporate Rating Assessment Program in Environmental Management (PROPER) aimed at improving company performance in environmental conservation efforts. The performance rating based on the PROPER assessment consists of five color criteria, including: gold, green, blue, red and black (Suratno, 2016). There were 1,819 companies participating in PROPER in 2017, 1,906 companies in 2018, and 2,045 companies in 2019 (www.menlhk.go.id).

The increase in PROPER registration every year has experienced a significant increase based on company awareness to participate in the program. The following PROPER acquisition based on color criteria, can be seen in table 1 below.

**Table 1. PROPER Color Acquisition**

| **Color** | Gold | Green | Blue | Red | Black |
|---|---|---|---|---|---|
| Year | | | | | |
| 2017 | 19 | 150 | 1.486 | 130 | 1 |
| 2018 | 20 | 155 | 1.454 | 241 | 2 |
| 2019 | 26 | 174 | 1.507 | 303 | 15 |

Source Date: www.menlhk.go.id

Table 1 above shows that there has been an increase in gold, green and blue colors for three years from 2017 - 2019. This increase was influenced by the company's concern to register as PROPER to support environmental sustainability. PROPER also supports green accounting activities which cover the costs and benefits of environmental conservation activities, providing the means to achieve sustainable development. Environmental aspects are sensitive because they can affect company sustainability (Panggabean & Deviarti, 2019). Environmental aspects play an important role in green accounting which has a positive value in company activities.

Green accounting as one of the environmental performance achievements that has a significant impact on company conflicts with other groups. The positive impact of implementing green accounting on corporate conflicts is in the form of increasing public trust in companies and increasing cooperation between the two parties. The link between environmental performance and companies requires manufacturing companies to apply green accounting and good corporate governance.

The Indonesian Institute for Corporate Governance (IICG) in the book The Power Good Corporate Governance states that the company is not a profit-making machine for the owner, but an entity to create value for those who have an interest. Good GCG can improve the company's image and increase investor confidence (Rini, 2021). In addition, GCG is included in the enforcement of business and work ethics in the company.

Environmental performance is influenced by GCG, one of which is the proportion of independent commissioners (Nina & Anis (2018). The implementation of green accounting and GCG is expected to improve environmental performance to improve the company's image and reputation. One of the company's image and reputation is influenced by economic, social, and the environment to increase corporate value (Bhunia at el., 2011). Company value refers to image and reputation supported by social, economic and environmental aspects. Therefore, these three aspects support each other in company activities.

## THEORETICAL REVIEW

### *Agency Theory*

Agency relationship is a form of contract, in which one or several principals and employing agents delegate authority (Andina, 2016). Agency relationship as a contract between the agent and the principal of the company. One or more principals give authority and authority to agents to carry out interests in one corporation. Agency theory arises based on the phenomenon of separation between investors and company managers**.**

Agency relationships can cause problems when the parties concerned have different goals. The development of agency theory has received a wider response to reflect existing conditions. Corporate Governance develops with the growth of an agency to manage companies in full compliance with applicable regulations (Solohin, 2019). Therefore, Good Corporate Governance (GCG) is expected to give investors confidence to invest in the company. Apart from that, GCG also provides benefits for investing in the company.

To regulate the relationship between the principal and the agent is based on three assumptions (Andini, 2019), namely:humans have self-interest, bounded rationality, and risk aversion, organization is conflict between members and efficiency as a criterion of productivity, and information as a traded commodity.

### *Environmental Performance*

Environmental performance is creating an environment related to 3P to encourage CSR programs (Suratno, 2016). Indonesia itself is given facilities for environmental performance in the form of an Environmental Performance Rating Program (PROPER) developed by the Ministry of Environment and Forestry (KLHK). PROPER has the aim of encouraging companies in environmental management and increasing their role in the environment (Solohin, 2019). PROPER is a form of government policy to improve environmental performance in accordance with laws and regulations.

PROPER has a transparent and democratized form of environmental management in Indonesia. PROPER has the goal of complying with environmental laws and regulations through reputation incentives and disincentives (Rini, 2021). In addition, environmental management systems, waste utilization, resource conservation and CSR implementation are assessed. Companies must implement an environmental management system based on ISO 14001:2015, and an energy management system based on ISO 50001:2018 (Andini, 2019).

The ISO is used to establish, implement, maintain and improve energy management systems in achieving continuous improvement (Bhunia at el., 2011). To increase the company's energy efficiency and reduce energy consumption, ISO standards are needed to support company activities in CSR activities.

### *Green Accounting*

Green accounting is a type of environmental accounting that describes efforts to combine environmental benefits and costs for economic decision makers (Bhunia at el., 2011). In addition, green accounting is used to identify, measure, assess and disclose costs associated with company activities related to the environment. According to Cohen & Robbins (2011) Environmental accounting collects, analyzes, assesses, and prepares reports of both environmental and financial data with a view toward reducing environmental effects and costs. This form of accounting is central to many aspects of government policy as well. Consequently, environmental accounting has become a key aspect of green business and responsible economic development. With the application of green accounting, it is hoped that the environment will be more sustainable with the aim of complying with government policies and caring for the 3P principles with a company orientation (Panggabean & Deviarti, 2019). Legislation on the environment has been discussed related to social and environmental responsibility. Mowen's (2009) indicators are needed to measure green accounting, including: cost of environmental prevention, cost of environmental detection, environmental internal failure costs, and environmental external failure costs.

### *Good Corporate Govermance*

The Indonesian Institute for Corporate Governance (IICG) Good Corporate Governance (GCG) implicitly states that a company is not a profit-making machine, but an entity to create value that interests Nina & Anis (2018).

In addition, companies are not machines that turn inputs into outputs, but are human institutions with values, aspirations, identity and social responsibility. Law No. 40 of 2007 regulates comprehensive coverage and provisions, both in the form of adding new provisions, improving improvements, and maintaining relevant provisions. In addition, GCG principles need to be maintained to support these activities. GCG principles according to the National Committee on Governance Policy (KNKG), include: transparency, accountability, responsibility, independence, and fairness and equality. In addition, it is driven by GCG indicators which include managerial ownership, institutional ownership, and an independent board of commissioners.

*The Effect of Green Accounting on Environmental Performance*

Green Accounting has a function to identify, measure, assess, and disclose costs regarding company activities related to the environment (Aniela, 2012). According to Burhany's research (2014), the implementation of green accounting has a positive effect on environmental performance. Environmental performance can be improved by companies through the application of green accounting by calculating and recording the inputs and outputs of the company's operational activities.

Green accounting in Indonesia is still voluntary and has not been specifically regulated in accounting standards, reporting environmental information in company annual reports is still voluntary (Ningsih & Rachmawati, 2017). There are still many companies that have not implemented green accounting optimally. Based on the explanation above, the formulation of the hypothesis is as follows:

Ho1: Green Accounting has no effect on Environmental Performance.
Ha1: Green Accounting influences Environmental Performance.

*The Effect of Good Corporate Governance on Environmental Performance*

The Institute for Corporate Governance (IICG) in the book The Power Good Corporate Governance states that in GCG it is implicitly implied that a company is not a profit-making machine for its owner, but an entity to create value for all interested parties. In addition, a company is not just a machine that converts inputs into outputs, but a human institution, a society that has values, aspirations, identity and social responsibility.

Environmental performance and the company's board of commissioners have a positive influence on company value (Kurnia & Wirasedana, 2018).

In addition, environmental performance is influenced by Good Corporate Governance or good corporate governance and includes several factors, namely the proportion of independent commissioners and the type of industry (Nata at el., 2013). The better the corporate governance, the better the company's environmental performance. Based on the explanation above, the formulation of the hypothesis is as follows:

Ho2: Good Corporate Governance has no effect on Environmental Performance.
Ha2: Good Corporate Governance affects Environmental Performance.

***Effect of Green Accounting and Good Corporate Governance Implementation on Environmental Performance.***

Disclosure of green accounting and Good Corporate Governance has a positive effect on environmental performance (Buhary, 2014; Ramdhaningsih & Racmawati, 2017; Kurnia & Wirasedana, 2018). Based on the explanation above, the formulation of the hypothesis is as follows:

Ho3: Green Accounting and Good Corporate Governance have no effect on Environmental Performance.

Ha3: Green Accounting and Good Corporate Governance influence Environmental Performance.

## METHODOLOGY

The population in this study are 146 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for 2017-2019 and a sample of annual financial reports. The method used is purposive sampling with operational definitions of green accounting, good corporate governance, and financial performance. The data method uses secondary data in the form of financial reports and data analysis uses multiple linear regression analysis.

## RESULTS AND DISCUSSION

### *Environmental Performance*

Environmental performance is performance related to 3P activities to enhance the company's image and reputation. Environmental performance is facilitated by the government through the PROPER program which aims to care for the social sector. The environmental performance of manufacturing companies shows that there are 22 companies participating in PROPER, none of which get the gold color.

Manufacturing companies in 2017 that received the blue color were 18 companies, and there were 4 companies that received the red color. In 2018, 18 companies received the blue color, and 4 companies received the red color. In 2019, there were 20 companies that received the blue color, and 2 companies that received the red color. It can be said that the environmental performance of manufacturing companies is in a stable condition.

The environmental performance of manufacturing companies in 2017 – 2019 showed significant results. In addition, manufacturing companies that have a blue color have a score of 3, this means that the environmental performance conditions of manufacturing companies are in fairly good condition and management is in accordance with the regulations of the ministry of environment. For this reason, the environmental performance of manufacturing companies listed on the IDX needs to be improved so that 3P activities can be maximized.

Based on the statistical test description that the environmental performance variable through the PROPER program has a minimum value of 2.00000, it gets a red color. For the green color with a maximum value of 3.00000 with an average value of 2.848484 and a standard deviation value of 0.36129784. This shows that the data distribution tends to be normal and close to the average value.

### *Green Accounting*

Green accounting is a communication medium to convey information about environmental performance measured using the proportion of environmental costs. Green accounting for manufacturing companies in 2017-2019 is quite stable. This can be seen in the annual report which provides maximum information. Disclosure of manufacturing companies on environmental management activities also shows maximum results.

Manufacturing companies are increasingly providing information about the environment with the aim of creating mutually beneficial relationships between companies, and caring about 3P activities

## CONCLUSIONS AND RECOMMENDATIONS

Green accounting affects environmental performance, this is because green accounting is voluntary and has not been specifically regulated in accounting standards, reporting environmental information in annual reports. The higher the application of green accounting, the environmental performance will decrease. Good Corporate Governance affects environmental performance. This is because the higher the proportion of managerial share ownership, the company's management is increasingly improving the company's performance. In addition, green accounting and good corporate governance have a simultaneous effect on environmental performance variables.

Based on the statistical test description that the green accounting variable measured using the dummy method has a value of 0.00000 does not reveal environmental costs. The maximum green accounting value is 1.00000 by disclosing environmental costs in the annual report. The average value is 0.7121212 and the standard deviation value is 0.45624391 which is smaller than the average value. This shows that the data distribution tends to be normal to detect the average value.

### *Good Corporate Governance*

Good Corporate Governance (GCG) is measured using managerial ownership proxies, institutional elections, and an independent board of commissioners. The average GCG value in manufacturing companies in 2017 was 0.15365, in 2018 it was 0.15352, and in 2019 it was 0.1431. This shows that for 3 consecutive years it has experienced a non-significant decrease.

The decline in 2017 and 2018 was due to the fact that several manufacturing companies had not maximized their GCG implementation. The average decrease in 2017 and 2018 is 0.00006. This will later have an impact on increasing the role of management in the decision-making process in realizing GCG.

Based on the statistical test description that the variable good corporate governance has a minimum value of 0.00001 which does not have a managerial stock ownership proxy. The maximum value obtained is 0.87053 and the average value is 0.24480. This shows that there are variations in the data in the implementation of good corporate governance for manufacturing companies.

## FURTHER STUDY

This research can provide information on green accounting, good corporate governance and corporate environmental performance. This research is also expected to be able to add institutional election variables, board of commissioners, audit committees, and choose standard ISO 14001 environmental performance measurements.

## REFERENCES

Andina. (2016). The Effect of Good Corporate Governance Implementation on Financial Distress", Scientific Journal of Accounting Vol 1 No. 2 Pages 133-150, Widyatama University.

Aulliya. (2018). The Effect of Environmental Performance on Company Value with Corporate Social Responsibility as an Intervening Variable (Studying Manufacturing Companies listed on the IDX and Participating in the Corporate Performance Rating Assessment Program (PROPER) of the Ministry of Environment of the Republic of Indonesia)", Unpublished Manuscript, UNY Yogyakarta, Yogyakarta.

Bungin. (2005). Quantitative Research Methodology (second edition)., Surabaya, Kencana.

Burhani. (2014). The Effect of Implementation of Environmental Accounting on Environmental Performance and Disclosure of Environmental Information (Study of General Mining Companies Participating in PROPER for the 2008-2009 Period)", Proceedings SNEB 2014, p. 1-7.

Dewi. (2012). The Influence of Corporate Social Responsibility and Good Corporate Governance on Company Performance", Journal of Business Management Volume 2 No. 1

Dewi. (2016). Understanding and Concern for the Implementation of Green Accounting: A Case Study of UKM Tahu Sidoarjo", Proceedings of the National Seminar on Economics and Business & Call for Paper FEB UMSIDA.

Effendi. (2016). The Power of Good Corporate Governance (2nd edition). Jakarta, Salemba Empat.

Firdausa. (2013). The Effect of Good Corporate Governance (GCG) Mechanisms on Corporate Values, Journal of Management Insights, Vol 1 Number 3, October 2013.

Fuziah. (2018). Pengaruh *Corporate Social Responsibility*, Struktur *Corporate Governance,* Kinerja Lingkungan dan Nilai Perusahaan terhadap Kinerja Keuangan Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2012-2016", Unpublished Manuscript, Universitas Sumatra Utara, Sumatra.

Fuziah. (2018). The Influence of Corporate Social Responsibility, Corporate Governance Structure, Environmental Performance and Corporate Value on the Financial Performance of Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2012-2016 Period", Unpublished Manuscript, University of North Sumatra, Sumatra.

Ghozali. I. (2011). Multivariate Analysis Application with IBM Program. Semarang: Diponegoro University.

Kusumaningtias. (2013). Green Accounting, Why and How. Proceeding National Seminar and Call for Papers Sancall ISBN: 978-979-636-147-2.

National Committee on Governance Policy. (2011). Guidelines for Good Corporate Governance Actuarial Consulting Companies.

Ningsih, F.W. & Rachmawati, R. (2017). Implementation of Green Accounting in Improving Company Performance", Journal of Applied Business and Economics Vol. 4 No. 2 Issue 149-158.

Putri, M.A. Hidayati, M. & Amin, M. (2019). The Impact of Green Accounting Implementation and Environmental Performance on the Profitability of Manufacturing Companies on the Indonesia Stock Exchange, E-JRA Vol. 08 No. 04.

Rifqi. (2018). The Effect of Environmental Performance on Company Value with Corporate Social Responsibility as an Intervening Variable (Case Study of Manufacturing Companies Registered on the IDX and Participating in the PROPER Company Performance Rating Program of the Ministry of Environment of the Republic of Indonesia.

Sari. (2014). The Effect of Company Characteristics on PROPER-Based Environmental Performance in Manufacturing Companies on the Indonesia Stock Exchange", Journal of Scientific Accounting and Business, Vol.9 No. 1.

Slamet, S. (2015). Quantitative Research: Data Processing Methods and Steps, Ponorogo: UMPO Press.

Ulya. (2014). The Effect of Corporate Governance on Company Economic Performance with Environmental Performance as an Intervening Variable", Unpublished Manuscript, Diponegoro University, Semarang.