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IMPLEMENTATION OF GREEN ACCOUNTING ON COMPANY PERFORMANCE

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ABSTRACT

Green accounting is accounting related to environmental information which is the company's concern in paying attention to the environment as a result of the company's operations. With green accounting, companies are considered to care about the environment. This research aims to conduct a literature review related to the implementation of green accounting on company performance with the company performance indicator being profitability. The research method used is SLR (Systematic Literature Review). Data collection was carried out by identifying or reviewing all articles that had the same research topic in this study. The articles used in this research were 25 national articles. From this research, it was found that the implementation of green accounting had a positive effect on company performance using the probability calculation indicator (ROA).

INTRODUCTION

Technological developments are an important indicator in improving company performance. According to Moerdihayanti (2010), company performance is the result of a series of business processes that involve the sacrifice of various kinds of resources. The increase in company performance can be seen from the increase in the company's production volume. The remainder of this production waste becomes waste for the environment if it is not processed properly and thrown away anywhere.

As the amount of production increases, there will be an increase in the remaining production waste, which is an indicator of problems for the environment if the waste is not processed properly and is thrown anywhere by the company. Many companies do not care about the environment, one of which is the case at PT. Kimu Sukses Abadi is a company that operates in the manufacturing sector with products in the form of Corrugated Carton Boxes and Plastic Box Industry. 6 violations committed by KSA, the six violations include, not being able to have environmental documents and environmental approval, disposing of waste water that merges with the rainwater drainage channel to the water section, not having technical approval to fulfill wastewater quality standards, storing B3 waste in the form of packaging B321-4 ink waste in an open area in the company's yard, does not yet have a B3 waste storage area. However, this was quickly resolved by providing direction to PT. Kimu Sukses Abadi (KSA) by Plt. Environmental Service (Newsroom Diskominfosiksantik, 2022).

In connection with environmental issues, public awareness of participating in preventing global warming is increasing. Therefore, the public wants companies to also participate in preventing environmental damage and global warming resulting from the company's operational activities. Green accounting is one of the actions taken by companies to participate in improving the environment. Green accounting is identifying, measuring the value, recording, summarizing, reporting and disclosing objects, transactions, events related to the company's economic, social and environmental activities to society, the environment and the company itself in a reporting package. Accounting information is integrated, making it useful for users for evaluating economic and non-economic decision making (Lako, 2018). Meanwhile, according to Cohen and Robbins (2019), this type of accounting includes costs and indirect benefits from economic activities, such as environmental impacts and health consequences from business planning and decisions. Green accounting is supported by all parties such as the government, investors, creditors and can increase consumers' purchasing power to buy goods at the company.

The government supports the implementation of green accounting with the Company Performance Rating Assessment program or what is called PROPER. Ministry of Environment and Forestry (KLHK). This program is expected to encourage the Company's restructuring of environmental management. The implementation of the Company Performance Rating Assessment Program (PROPER) by the Ministry of Environment and Forestry is used to evaluate company environmental management, including waste management (Hamidi, 2019). The performance rating given by the Ministry of Environment and Forestry consists of 5 criteria which include: gold, green, blue, red and black. Company sacrifices in spending on the environment can reduce the potential for larger costs in the future, such as the costs of public demands for environmental damage by industry, the risk of business closure due to sanctions from the government and so on.

In efforts to implement green accounting, companies will increase costs, namely environmental costs, so that companies must have large profitability so that they can continue to carry out their social responsibilities to society and the environment (Ningtyas and Triyanto, 2019). Profitability is important for companies or investors because high profitability will have an influence on companies and investors to invest their capital. In this research, the indicator used to measure profitability is return on assets (ROA) because this ratio can assess the company's ability to earn profits.

Based on research conducted by Novita, et al (2021), it shows that green accounting uses managerial ownership, and Good Corporate Governance has no effect on company performance. In contrast to research conducted by Silviani, et al (2020) shows that green accounting has an effect on company performance. Based on the background above, analyzing the influence of green accounting on company performance determines the existence of a research gap. And next, the author wants to analyze again with the title "Implementation of Green Accounting on Company Performance". Researchers hope that this research will provide information and benefits so that companies can pay attention to environmental problems and the consequences of waste from company operational activities.

LITERATURE REVIEW

Company performance

Company Performance is a general term used for some or all of the actions or activities of an organization in a period concerning standard amounts such as past or projected costs, based on efficiency, accountability or management accountability and the like (Srimindarti, 2016).

Company performance is a result that can be measured or determined by showing an empirical condition of the company from various applied measures (Puspanindyah, 2016).

Profitability Ratios are ratios that show how much the Company's ability to earn profits. Long-term investors use profitability ratios as a basis for viewing a company's ability to pay dividends (Mithas et al. 2012). Company profitability is the most important aspect in assessing the Company's financial performance. Because profitability reflects profit and is also an indicator of the company's ability to pay the company's liabilities. Profitability can also measure the creation of company value and also provide the company's prospects for the future.

Profitability ratios have many types, including Gross Profit Margin (GPM), Net Profit Margin (NPM), Return of Assets (ROA), Return of Equity (ROE) and others. In this research, the type used is Return of Assets (ROA). Return of Assets is a ratio that measures how a company can generate profits by utilizing the assets it owns.

Green Accounting

*Green Accounting*is accounting that calculates and covers prevention costs as well as those that occur as a result of company operational activities that affect the environment and society (Hamidi, 2019).

*Green Accounting*is accounting related to environmental information as well as environmental audit systems and has been defined as the identification, tracking, analysis and reporting as well as cost information related to the environmental aspects of an organization (Hati, 2018)

According to Lako (2018) Green Accounting is an integrated process of recognizing, measuring value, recording, summarizing, reporting and disclosing financial, social and environmental objects, transactions or events that are complete, integrated and relevant which is beneficial for users in economic and non-economic decision making and management.

Environmental Costs

Environmental costs are defined as costs that occur because poor environmental quality exists or poor environmental quality will occur, which consists of costs incurred for environmental damage prevention activities, environmental monitoring activities, and waste processing activities (internal failures).), and recovery activities for environmental damage around the company caused by the company's business activities (external failure) (DR Hansen & M/M. Mowen, 2018).

Then according to Ikhsan in Hidayati, 2016 in environmental accounting there are financing components that must be calculated, for example:

1. Business operational costs consist of depreciation costs for environmental facilities, costs for repairing environmental facilities, costs or contract services for carrying out environmental management recommendations, labor costs for running environmental management facilities and contract costs for managing waste (recycling).
2. Recycling costs sold.
3. Research and development (R&D) costs consist of total costs for materials and expert personnel, other labor for the development of environmentally friendly materials, products and factory facilities.

RESEARCH METHODS

The method used in this research is a Systematic Literature Review (SLR). Using this method, the researcher will conduct research by identifying, reviewing, evaluating, and interpreting all the research that the researcher has obtained. Researchers will later review by identifying articles well and systematically

In collecting data, researchers used 25 articles about the implementation of green accounting on company performance and company profitability. Articles were obtained from national journals, namely from Google Scholar and Scoups. The articles reviewed range from 2018 to 2023 and are in accordance with the topic that the researchers studied, namely the implementation of green accounting on company performance. The articles used are then analyzed and tabulated in a table in the form of title, name of researcher, publishing journal, and results of the research. This article is a discussion of several articles that were reviewed and compared, then conclusions were drawn from all the results of the articles.

RESEARCH RESULTS AND DISCUSSION

Initially, companies tended to be more profit-oriented. Companies that only aim at increasing profits will consider every cost charged, including for environmental activities that are considered to reduce the company's income. This causes management to be more interested in focusing on disclosing financial information rather than disclosing informant activities. Then, disclosure of environmental activities is implemented in annual reports or sustainability reports, which indirectly provides a good image for disclosure of environmental activities because the public thinks the company cares about the environment.

Green accounting is a form of company concern for environmental damage caused by the company's business operations and the waste produced by the company. If the public has assessed the company as good and is interested in buying the company's products, this will indirectly involve the company's sales and affect the profits generated by the company. Supported by research conducted by Silvani, et al (2020) shows that the implementation of green accounting has an effect on company performance. Likewise, research conducted by Zalukhi, et al (2022) also found that green accounting had an effect on company performance with the profitability calculation indicator, namely ROA.

Based on the results of the identification and review of the articles that have been collected, it can be seen that measuring the implementation of green accounting in companies can be measured using PROPER and profitability. Of the 25 articles that have been reviewed, it is known that 17 articles have research results which state that green accounting has an effect on company performance, and 8 articles have research results which state that green accounting has no effect on company performance. All articles studied in this research use the profitability method with the indicator used is ROA (Return On Assets).

Implementing green accounting through implementing environmental activities, producing environmentally friendly products that are consumed by the public, as well as obtaining a PROPER rating requires an allocation of environmental costs. The existence of environmental costs will attract investors because the company is considered to care about the environment. In line with research by Alim and Puji (2021) that the implementation of green accounting has an effect on profitability which increases investor interest in investing capital. Likewise, research conducted by Putri, et al (2019) shows that the implementation of green accounting has an effect on company profitability with indicators for calculating ROA and ROE.

CONCLUSION

Based on the results of the analyzed literature review, it is proven that the application of green accounting affects performance. Companies that implement green accounting will have environmental costs. The implementation of green accounting will help companies or organizations make decisions by considering environmental aspects and environmental costs and in addition to increasing long-term profitability, will improve company performance.

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