

**THE EFFECT OF GREEN ACCOUNTING AND
ENVIRONMENTAL COST IMPLEMENTATION ON
FINANCIAL PERFORMANCE IN FOOD AND
BEVERAGE COMPANIES**

FINAL PROJECT

**To Fullfill the Requirements
To Obtain a Bachelor Degree**



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THE EFFECT OF GREEN ACCOUNTING AND ENVIRONMENTAL COST IMPLEMENTATION ON FINANCIAL PERFORMANCE IN FOOD AND BEVERAGE COMPANIES

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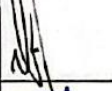
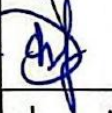


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Pontianak, 18 December 2024

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ABSTRACT

The purpose of this study is to determine whether green accounting and environmental costs affect the financial performance of food and beverage companies listed on the Indonesia Stock Exchange from 2021 to 2023. This research uses a purposive sampling technique, thus the secondary data utilized is based on specific criteria obtained from the annual reports and sustainability reports. A total of 66 samples (consisting of 22 companies) over three (3) years were used and analyzed using the Statistical Program for Social Science version 29 software. The data analysis employed includes descriptive statistical analysis, classical assumption tests, multiple linear regression analysis, and hypothesis testing. The independent variables include green accounting, measured using the dummy variable PROPER, and environmental cost, measured by the allocation of funds for community development programs against profit. The dependent variable is financial performance, measured by return on assets. The results indicate that green accounting does not significantly affect financial performance, whereas environmental cost has a negative impact on financial performance.

Keywords: Annual report; sustainability report; green accounting; environmental cost; financial performance

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SUMMARY

1. Introduction

This research discusses the importance of implementing Green Accounting (GA) and Environmental Costs (EC) in the food and beverage sector in Indonesia, in line with the growing global awareness of the impact of climate change. Although this sector contributes significantly to the economy, it also produces considerable environmental impacts. Environmental management and reporting environmental costs in annual reports and financial statements are key indicators in green accounting. In Indonesia, regulations related to green accounting are outlined in PSAK, the Environmental Management Law, and the PROPER program, which evaluates corporate environmental performance.

Previous studies have shown varied results regarding the impact of GA and EC on financial performance. This research aims to fill the literature gap by assessing the impact of GA and EC on financial performance in the Indonesian capital market, while broadening the understanding of green accounting implementation. The research findings are expected to provide benefits for the development of knowledge and corporate financial and environmental strategies, as well as encourage the broader adoption of green accounting policies in Indonesia's food and beverage sector.

2. Research Methodology

Secondary data is sourced from the annual reports and sustainability reports of 22 food and beverage companies listed on the Indonesia Stock Exchange (IDX) from 2021-2023, totaling 66 observations. The independent variables are Green Accounting and Environmental Cost, while the dependent variable is

financial performance. The sample selection used purposive sampling based on specific criteria.

Data analysis involves descriptive statistics, classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), multiple linear regression, and hypothesis testing, using SPSS version 29. Green Accounting is measured using a PROPER rating, with dummy variables for ratings from 1 (black) to 5 (gold). Environmental Costs are calculated using the ratio of environmental cost to net profit after tax, while financial performance is measured using the Return on Assets (ROA) ratio.

3. Result and Discussions

The research focuses on the impact of Green Accounting (GA) and Environmental Costs (EC) on financial performance, specifically in the food and beverage sub-sector companies listed on the Indonesia Stock Exchange during 2021-2023.

a. Descriptive Statistics

Descriptive statistics show that Green Accounting (GA) has a mean of 0.8178, indicating that the data is fairly well-distributed, with values ranging from 0 to 1.39. Environmental Costs (EC) have a mean of -3.8411, with a more varied distribution, ranging from -8.81 to 0.07, indicating significant differences in the data. Financial performance, measured by Return on Assets (ROA), has a mean of -3.5555, with a negative distribution, spanning from -8.87 to -0.05, reflecting significant variation in performance.

b. Classical Assumption Test

The classical assumption tests confirm the validity of the regression model. The Kolmogorov-Smirnov test for normality shows a p-value of 0.200, indicating that the data is normally distributed. The multicollinearity test, using the Variance Inflation Factor (VIF), reveals no significant correlation between the independent variables, as both GA

and EC have a VIF of 1.027. The heteroscedasticity test, performed using the scatterplot and Glejser test, also shows no issues, with the significance value greater than 0.05. Additionally, the Durbin-Watson statistic of 1.880 confirms the absence of autocorrelation, as the value meets the required threshold.

c. Multiple Linear Regression Analysis

The multiple linear regression analysis yields the equation: $Y = -5.568 - 0.580(X1) - 0.647(X2) + 0.600$.

d. Hypothesis Testing

The hypothesis test shows that the R^2 value of 0.288 (28.8%) indicates the contribution of Green Accounting and Environmental Cost to company performance, while the remaining 71.2% is influenced by other factors. The simultaneous significance test, with a significance value of $0.001 < 0.05$, shows that these two variables significantly affect financial performance simultaneously.

In the partial significance test, the t-test result for Green Accounting shows that the t-count (-1.170) does not exceed the t-table (1.29451) with a significance value of $0.246 > 0.05$, meaning that Green Accounting does not significantly affect financial performance. In contrast, for Environmental Cost, the t-count (-5.309) exceeds the t-table (1.29451) with a significance value of $0.001 < 0.05$, indicating that Environmental Cost significantly affects financial performance, albeit in a negative direction.

4. Conclusion and Suggestions

This study concludes that Green Accounting does not affect financial performance, while Environmental Cost negatively impacts it. Despite this, environmental accounting is still a strategic investment for improving a company's social image and business reputation. Effective environmental cost management is key to optimizing long-term financial performance and attracting

environmentally-conscious investors. The researcher recommends using additional variables, such as profitability and CSR, and expanding the research to include other sectors.

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CHAPTER I

INTRODUCTION

1.1. Background

As global awareness of the negative impacts of climate change and the importance of environmental conservation increases, the world is increasingly faced with the need to consider environmental aspects in corporate operations. In this context, food and beverage companies have a significant impact on the environment due to their waste-generating production processes. Therefore, companies are not only expected to achieve financial goals but also contribute to environmental protection (Melawati & Rahmawati, 2022). The necessary action to ensure that the company, society, and the environment are mutually beneficial is to manage the surrounding environment, it will definitely create a reciprocal relationship.

An important indicator in measuring green accounting is the reporting of environmental information and even the inclusion of environmental costs in the company's annual report and financial statements (Nianty et al., 2023). In Indonesia, the Indonesian Institute of Accountants or usually abbreviated as (IAI) compiled PSAK Number 1 and PSAK Number 57, which regulates the exposure of environmental accounting and instructs companies to present financial statements that include the effects of environmental damage. In addition, regulations related to green accounting are contained in Law No. 23 of 1997 concerning Environmental Management and Law No. 32 of 2009 concerning Environmental Protection and Management.

Public Disclosure Program for Environmental Compliance (PROPER) or known as the Company Performance Assessment Program in Environmental Management developed by KLHK (Ministry of Environment and Forestry) is used by the government to assess the company's environmental management performance. According to KLHK data, the evaluation of the effectiveness of

corporate environmental management for the 2021-2023 period involves 3,694 companies from 299 types of industries, with a company compliance rate of 75%. PROPER assessment of companies in Indonesia uses color categories ranging from gold (best) to black (worst).

The food and beverage industry plays an important role in the Indonesian economy. The basic needs of society are not only fulfilled by the food and beverage sub-sector, but also fulfilled by a significant contribution of the Gross Domestic Product (GDP) and even employment is also created. However, the sector also faces major challenges regarding its environmental impact. Food and beverage production processes often make intensive use of natural resources and generate significant solid and liquid waste. Therefore, ensuring the long-term sustainability of companies through the implementation of green accounting in this sector is crucial.

Green accounting, which involves reporting environmental information and managing environmental costs, is an important tool to help companies understand and manage the environmental impacts of their operations. By incorporating environmental aspects into financial accounting and reporting, companies can make better decisions that are both financially beneficial and environmentally friendly. It also helps improve the company's transparency and accountability to its stakeholders.

Previous research results provide mixed results. Statement Budi & Zuhrohtun (2023) is that green accounting has no effect on financial performance, while environmental costs are considered to have a negative effect. Research Setiadi (2021) revealed the statement that environmental costs do not affect financial performance. However, other studies show that green accounting is considered to have a positive effect on financial performance. Himmah (2020) and Putri (2023) revealed that the application of environmental costs is considered to have a positive effect on financial performance.

This research aims to determine whether green accounting and

environmental costs affect financial performance and to fill the gap in the literature by evaluating the extent to which financial performance is affected by the application of green accounting and environmental costs. This research is expected to expand the theoretical and practical understanding of the relationship of green accounting and environmental costs to financial performance, as well as contribute to the academic literature on the application of green accounting and environmental costs in the Indonesian capital market.

Thus, this research is expected to provide broad usefulness, which not only focuses on science but also focuses on the progress of companies in financial and environmental strategies. The results of the study are also expected to encourage wider implementation of green accounting policies in the food and beverage subsector in Indonesia, as well as inspire other sectors to follow suit.

1.2. Problem Formulation

1. Does the implementation of green accounting have an effect on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange?
2. Do environmental costs have an impact on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange?
3. To what extent do green accounting and environmental costs simultaneously affect the financial performance of food and beverage companies listed on the Indonesia Stock Exchange?

1.3. Research Objectives

1. To evaluate the impact of green accounting on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange.
2. To analyze the effect of environmental costs on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange.
3. To examine the simultaneous influence of green accounting and environmental costs on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange.

1.4. Research Contributions

1.4.1. Theoretical Research Contributions

Completing the theoretical understanding of the relationship between the implementation of green accounting and environmental costs with the financial performance of companies, particularly in the food and beverage sector, and contributing new knowledge to the academic literature on the application of green accounting and environmental costs in the Indonesian capital market, serving as a foundation for further research in this field.

1.4.2. Practical Contributions

1. For Companies

This research provides practical recommendations for food and beverage companies to develop sustainable financial strategies that integrate environmental aspects. By effectively implementing green accounting and environmental cost practices, companies can enhance their environmental responsibility while improving financial performance. These efforts also help build a positive corporate image, meet stakeholder expectations, and contribute to long-term business sustainability. Additionally, companies are encouraged to prioritize transparency and accountability in environmental and financial reporting to gain trust from stakeholders and ensure compliance with evolving regulations.

2. For Investor

This research offers valuable insights for investors in making more informed and sustainable investment decisions. By understanding the importance of implementing green accounting and environmental costs, stakeholders can assess a company's commitment to sustainability and its impact on long-term financial performance. The findings also aim to encourage the business community to increase social and environmental responsibility, thereby contributing positively to sustainability and ecosystem balance, in alignment with global sustainability goals.

1.5. Contextual Overview of the Research

This research explores the impact of green accounting and environmental costs on the financial performance of food and beverage companies listed on the Indonesia Stock Exchange (IDX) during 2021–2023. The study is particularly relevant given the global shift toward sustainable business practices and the growing awareness of environmental preservation. The food and beverage industry, which significantly affects the environment through its supply chain, production, and distribution processes, is under increasing pressure to adopt eco-friendly practices and minimize its negative environmental impact.

The Indonesia Stock Exchange serves as a platform where companies showcase their financial performance, with growing emphasis on sustainable development and corporate social responsibility. Changes in environmental regulations, both domestically and internationally, along with rising stakeholder demands for transparency and accountability, underscore the need to integrate environmental aspects into financial reporting. This research focuses on understanding how food and beverage companies respond to these sustainability requirements, offering insights into the role of green accounting and environmental costs in shaping financial performance in a dynamic global market.