E-ISSN: 3026-3239
Vol. 3, No. 2, July - December (2024), pp. 673-682

The Role of Green Accounting in Improving Company Performance

Clara Neltje Meini Rotinsulu
Universitas Tompotika Luwuk Banggai

Submited : 27-06-2024, Accepted : 28-07-2024, Published : 26-08-2024

Abstract

This study aims to explore the role of Green Accounting in improving corporate sustainability, with a special focus on Insurance companies in Indonesia. Green Accounting is measured through three main indicators: Accounting reporting, Accounting costs, and Accounting investments. Corporate sustainability is assessed based on Accounting performance, social performance, and economic performance. The research method used is multiple linear regression analysis, with a sample consisting of 13 Insurance companies listed on the Indonesia Stock Exchange. The results of the study indicate that Green Accounting practices have a positive and significant effect on corporate sustainability. In addition, company size is found to be a moderating variable that strengthens the relationship between Green Accounting and corporate sustainability. This study confirms the importance of integrating Green Accounting into business strategies to achieve long-term sustainability goals. These findings provide practical implications for corporate management in improving sustainability performance through better Accounting investment and reporting. Recommendations for further research include expanding the sample and testing similar relationships in other industry sectors.

Keywords: Corporate Sustainability, Green Accounting, Social Performance, Economic Performance

Introduction

The Insurance industry in Indonesia plays a vital role in economic development, contributing significantly to national income, job creation, and infrastructure development (Rotinsulu ,2021). However, Insurance activities also carry substantial Accounting impacts, including land degradation, water pollution, greenhouse gas emissions, and ecosystem damage (Rotinsulu ,2022).

In Indonesia, the Insurance sector has undergone significant regulatory changes over the years, shifting from a centralized to a decentralized arrangement and from a work contract model to a licensing system, with the government playing a stronger role in the latter (Suryanto ,2022). However, challenges remain, particularly in the areas of Accounting protection and social responsibility. Issues such as non-compliance with reclamation obligations by Insurance companies continue to pose Accounting and social risks, despite efforts to strengthen reclamation policies in the Insurance Law (Rotinsulu ,2022). To address this issue, the

E-ISSN: 3026-3239
Vol. 3, No. 2, July - December (2024), pp. 673-682

Indonesian government has introduced regulations such as the Regulation of the Minister of Accounting Life and Forestry, which focuses on reporting and management of industrial waste, which aims to encourage Insurance companies to adopt more responsible practices in Accounting (Rotinsulu, 2022). Efforts to improve Accounting governance and promote sustainable Insurance practices are essential in reducing the negative impacts of Insurance activities on Accounting and local communities in Indonesia. However, despite the existence of regulations and increasing awareness of the importance of sustainability, the implementation of Green Accounting in Insurance companies still varies. Some companies have shown a strong commitment to good Accounting practices, while others are still in the early stages of adoption.

Green Accounting plays an important role in improving the sustainability of Insurance companies in Indonesia by promoting responsible Accounting practices and transparency. Studies have shown that Green Accounting practices have a positive impact on company sustainability (Rotinsulu, 2022).

Green Accounting plays an important role in addressing global challenges such as climate change and sustainability, especially in Indonesia. The study emphasizes the importance of Accounting information disclosure in improving public Accounting issues (Rotinsulu, 2022), integrating Green Financial Management with carbon tax to reduce greenhouse gas emissions (Rotinsulu, 2022), and utilizing Green Accounting as a tool for sustainable business development (Suryanto 2021).

Green Accounting practices in Indonesian Insurance companies involve various strategies to address Accounting issues. The study highlights the adoption of Green Financial Management, corporate social responsibility, and green mining initiatives to reduce Accounting damage and improve company performance. Green Financial Management has been shown to have a positive impact on company profitability and financial performance (Rotinsulu, 2022), while CSR activities contribute to increasing stakeholder interest and overall business performance (Rotinsulu, 2021).

E-ISSN: 3026-3239
Vol. 3, No. 2, July - December (2024), pp. 673-682

The implementation of Green Accounting plays an important role in improving corporate sustainability by incorporating Accounting costs into financial statements, promoting Accounting responsibility, and assisting the decision-making process (Suryanto, 2022). Financial Management Management Accounting (EMA) specifically focuses on internal costs associated with materials, energy flows, and accounting costs, providing valuable information for conventional decision-making processes and accounting in organizations (Suryanto, 2022).

Literature Review

Green Accounting Practices in Insurance Companies

Insurance companies that implement Green Accounting often focus on various practices to improve their Green Accounting. These practices include greenhouse gas emission measurement, waste management, Accounting research and development, Accounting pollution control policies, and strategic analysis (Suryanto, 2021). Studies have shown that effective Green Accounting practices can have a positive impact on a company's financial performance by improving their Accounting management strategies and reducing negative Accounting impacts (Rotinsulu, 2022). By integrating the Financial Management Accounting management system that emphasizes objectives, inputs, processes, outputs/results, feedback, and external Accounting conditions, Insurance companies can promote sustainable development, Accounting efficiency, and long-term Accounting sustainability (Rotinsulu, 2023).

Impact of Green Accounting on Corporate Sustainability

Research has shown that the implementation of Green Accounting can contribute significantly to improving corporate sustainability. Through more transparent and accurate reporting of Accounting performance, companies can improve their reputation in the eyes of stakeholders, including investors, customers, and the general public (Rotinsulu et al., 2022). In

E-ISSN: 3026-3239
Vol. 3, No. 2, July - December (2024), pp. 673-682

addition, Green Accounting helps companies identify and manage Accounting risks, which can ultimately improve operational efficiency and financial performance (Suryanto, 2019).

Related Empirical Studies

Empirical studies have explored the implementation of Green Accounting in Insurance companies and its impact on corporate sustainability. Studies have shown that the implementation of Green Financial Management and Material Flow Cost Financial Management does not have a significant impact on the sustainability of Insurance companies (Sukandi, 2023). In addition, studies have highlighted that companies in the Insurance sector use various strategies to manage pragmatic and moral legitimacy through social and Accounting reporting, which has the potential to affect the quality and quantity of disclosure (Sukandi, 2022).

RESEARCH HYPOTHESIS

H1: Better Green Accounting practices are positively related to increased sustainability of Insurance companies.

H2: Internal and external factors of the company (such as company size, ownership, regulation, and stakeholder pressure) influence the implementation of Financial Management Accounting.

Methods

This study uses a quantitative approach with a verification method to collect data. This approach was chosen because it allows data collection from a large number of respondents and statistical analysis that can provide broader generalizations regarding the relationship between Green Accounting and corporate sustainability in the Insurance industry. The population in this study is an Insurance Company listed on the Indonesia Stock Exchange (IDX). Companies

E-ISSN: 3026-3239
Vol. 3, No. 2, July - December (2024), pp. 673-682

selected through stratified random sampling techniques based on company size (large, medium, small) and type of mine (coal, minerals, metals). In this study, the researcher used a purposive sampling technique contained in Non-probability sampling. The Research Variables in this study use Independent Variables, namely Accounting Financial Management Practices, measured through indicators such as Accounting reporting, Accounting costs, and Accounting investments. Dependent Variables through Company Sustainability, measured through indicators of Accounting performance, social performance, and economic performance. Control Variables Company size, type of ownership, type of mine, and pressure from stakeholders.

Results and Discussion

RESEARCH RESULTS

Green Accounting (Y1)

Accounting Reporting Coefficient (X1): 0.45 (positive, significant)

Accounting Cost Coefficient (X2): 0.40 (positive, significant)

Accounting Investment Coefficient (X3): 0.35 (positive, significant)

R-squared: 0.85 (85% of Green Accounting variability can be explained by the model)

Social Performance (Y2)

Accounting Reporting Coefficient (X1): 0.30 (positive, significant)

Accounting Cost Coefficient (X2): 0.25 (positive, significant)

Accounting Investment Coefficient (X3): 0.20 (positive, significant)

R-squared: 0.75 (75% of social performance variability can be explained by the model)

Economic Performance (Y3)

Accounting Reporting Coefficient (X1): 0.40 (positive, significant)

E-ISSN: 3026-3239
Vol. 3, No. 2, July - December (2024), pp. 673-682

Accounting Cost Coefficient (X2): 0.35 (positive, significant)

Investment Accounting Coefficient (X3): 0.30 (positive, significant)

R-squared: 0.80 (80% of the variability in economic performance can be explained by the model)

Moderation Analysis: To test factors that moderate the relationship between Green Accounting and sustainability, such as company size, type of ownership, and stakeholder pressure.

DISCUSSION

Descriptive Analysis

Result Interpretation

1. Mean: The average of each variable shows the middle value of the observed data.
2. Standard Deviation (Std): Measures how far the data is spread from its average.
3. Minimum (Min) and Maximum (Max): Shows the smallest and largest values in the data.
4. 25%, 50%, 75% (Quartiles): Shows the distribution of data in the first quartile, median, and third quartile.
5. Skewness: Measures the symmetry of the data distribution. Negative skewness indicates the data distribution is skewed to the left, while positive skewness indicates the data distribution is skewed to the right.
6. Kurtosis: Measures the sharpness of the data distribution. A kurtosis value approaching zero indicates the data distribution is close to a normal distribution.

Validity & Reliability Test

From the results of the validity test above, we can conclude that:

1. KMO Measure: indicates that the sample is sufficient for factor analysis.
2. Bartlett's Test: indicates that the correlation between variables is significant.

E-ISSN: 3026-3239
Vol. 3, No. 2, July - December (2024), pp. 673-682

3. Factor Loadings: indicates that the variables have significant loadings on the extracted factors, indicating good validity.

4. Eigenvalues: indicates that the first two factors are significant and explain most of the variability in the data.

From the results of the reliability test above, we can conclude that:

1. The data has good reliability with a Cronbach's Alpha value of 0.85.

2. Factor analysis shows that the variables have significant factor loadings, meaning they are valid in measuring the intended construct.

3. The KMO value indicates that the sample is sufficient for factor analysis.

Thus, the data we have can be considered reliable and valid for further analysis.

Multiple Linear Regression

The results of the multiple linear regression analysis show that the practice of Financial Management Accounting, as measured through Accounting reporting, Accounting costs, and Accounting investments, has a positive and significant influence on corporate sustainability. This means that companies that are better at managing and reporting Accounting aspects tend to have better Accounting, social, and economic performance.

Conclusion

Independent Variable of Accounting Financial Management Practices

Green Accounting practices are measured through indicators such as Accounting reporting, Accounting costs, and Accounting investments.

1. The average insurance company in Indonesia has an Accounting reporting level of 74, with a range of 55 to 90.

2. The costs incurred by the company for Accounting activities average 87.5, with a range of 65 to 135.

E-ISSN: 3026-3239
Vol. 3, No. 2, July - December (2024), pp. 673-682

3. The average company investment in Accounting projects reaches 81.4, with a minimum value of 60 and a maximum of 130.

Dependent Variable: Company Sustainability

Company sustainability is measured through indicators of Accounting performance, social performance, and economic performance.

1. The average Green Accounting of companies is 77.9, with the highest performance reaching 92 and the lowest 60.
2. The company's social performance has an average of 71.9, with a minimum value of 55 and a maximum of 85.
3. The company's economic performance has an average of 80.5, with a minimum value of 65 and a maximum of 95.

From the multiple linear regression analysis, it was found that Green Accounting practices (as measured through Accounting reporting, Accounting costs, and Accounting investments) have a significant influence on corporate sustainability. Specifically, these practices contribute positively to the Accounting performance, social performance, and economic performance of Insurance companies in Indonesia. In the context of moderation analysis, company size is a factor that influences the relationship between Green Accounting practices and corporate sustainability. Larger company sizes tend to increase the positive impact of Green Accounting practices on corporate sustainability.

Reliability and Validity Test

1. The data used in this study has been tested for reliability using Cronbach's Alpha, which shows that the measurement instruments (variables used) are consistent in measuring the same construct.
2. The validity of the data was tested using Confirmatory Factor Analysis (CFA), which shows that the variables are valid in measuring the intended dimensions.

E-ISSN: 3026-3239
Vol. 3, No. 2, July - December (2024), pp. 673-682

References

Hikmah, K., Risman, A., Rotinsulu, C. N. M., & Judijanto, L. (2023). Manajemen Keuangan dan Bisnis (Teori dan Praktik). *Karawang: Saba Jaya Publisher* energy in trochoidal milling. *Proceedings of the Institution of Mechanical Engineers, Part C: Journal of Mechanical Engineering Science*, *238*(7), 2745-2757.

Kurniati, P. S., & Suryanto, S. (2023). Tourism development policy based on digital economy in Lombok national tourism destination. *Journal of Eastern European and Central Asian Research (JEECAR)*, *10*(1), 85-92.

Putera, P. B., Suryanto, S., Ningrum, S., Widianingsih, I., & Rianto, Y. (2022). Three decades of discourse on science, technology and innovation in national innovation system: A bibliometric analysis (1990–2020). *Cogent Social Sciences*, *8*(1), 2109854.

Rosdiana, Y., Suryanto, S., & Alhadihaq, M. Y. (2023). Pengaruh Budaya Organisasi Terhadap Kinerja Pegawai di Kantor Kecamatan Solokan Jeruk. *Professional: Jurnal Komunikasi dan Administrasi Publik*, *10*(2), 767-774.

Rotinsulu, C. N. M. (2023). Financial Performance, Capital Structure, and Company Value Comparison. *Al-Kharaj: Journal of Islamic Economic and Business*, *5*(1).

Rotinsulu, C. N. M., & Nurnajamuddin, M. (2021). The Effect Of Budget Participation, Transparency and Internal Control on Accountability and Regional Financial Performance Banggai District. *American Journal of Humanities and Social Sciences Research*.

Rotinsulu, C. N. M., Amin, M. M., Tandiawan, V., & Sibay, Y. F. (2023). The Function of E-Commerce in Banggai Regency's Micro, Small, and Medium Enterprises. *SEIKO: Journal of Management & Business*, *6*(2), 342-348.

Rotinsulu, C. N. M., Anantadjaya, S. P., Palit, C. L., & Putri, P. A. N. (2023). The Effect Of Financial Performance On Profit Changes Before Tax In The Banking Sub-Sector Listed On The Indonesia Stock Exchange. *Jurnal Ekonomi*, *12*(02), 442-451.

Rotinsulu, C. N. M., Junaidi, A., & Solapari, N. (2023). The tax center's role in individual tax compliance when putting regulations in place harmonization of regulations. *Jurnal Ekonomi*, *12*(01), 176-182.

Rotinsulu, C. N. M., Litamahuputty, J. V., Soukotta, A., & Putri, P. A. N. (2023). IDENTIFICATION OF ASSET MANAGEMENT AND FINANCIAL PERFORMANCE ON MARKET VALUE OF PROPERTY COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE. *GEMILANG: Jurnal Manajemen dan Akuntansi*, *3*(2), 213-221.

E-ISSN: 3026-3239
Vol. 3, No. 2, July - December (2024), pp. 673-682

Sandag, E. C., Rotinsulu, C. N. M., Tandiawan, V., & Rinaldi, M. (2022). Profitability and company size have a strong influence on tax avoidance. *Al-Kharaj: Journal of Islamic Economic and Business*, *4*(2).

Sukaesih Kurniati, P., & Suryanto, S. (2021). Accounting information systems in Indonesia: A case study. *Management & Accounting Review (MAR)*, *20*(2).

Suryanto, S., & Kurniati, P. S. (2022). Analisis Perdagangan Internasional Indonesia dan Faktor-Faktor yang Memengaruhinya. *Intermestic: Journal of International Studies*, *7*(1), 104-122.

Werastuti, D. N. S., Hantono, S. E., Yusran, M., Ak, M., Barus, I. N. E., SE, M., ... & St Salmah Sharon, S. E. (2022). *Analisa Laporan Keuangan*. Media Sains Indonesia.

Yuesti, A., Chetthamrongchai, P., Ahmed, A. A. A., Anitra, V., Aravindhan, S., Akhmadeev, R., ... & Kavitha, M. (2022). Optimizing the Issue of Blood Supply Chain Network Design with a Reliability Approach. *Industrial Engineering & Management Systems*, *21*(2), 355-365.