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The Effect of Green Accounting Implementation on CSR Disclosure in Indonesian LQ45 Banking Sector

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ABSTRACT

This research examines the relationship between green accounting practices and corporate social responsibility disclosure (CSRD) in Indonesian banking institutions listed on the Indonesia Stock Exchange (IDX). The study covers the period from 2018 to 2021, focusing on banks that consistently published both annual reports and sustainability reports. The sample selection employed a purposive sampling technique to ensure data relevance and completeness. The research methodology utilized a quantitative approach, analyzing data from annual reports and sustainability reports of selected banks. Green accounting implementation was measured using dummy variables, where companies disclosing environmental costs in their annual reports were coded as 1, and those not disclosing were coded as 0. Corporate social responsibility disclosure was assessed using standardized disclosure metrics. Simple regression analysis reveals that green accounting implementation does not have a statistically significant effect on CSRD ($t = -1.644$, $p = 0.118$). The coefficient of determination (Adjusted $R^2 = 0.082$) indicates that green accounting explains only 8.2% of the variance in CSRD practices. However, the study finds a positive relationship between environmental performance and CSRD levels, suggesting that banks with better environmental performance tend to provide more comprehensive social responsibility disclosures. These findings contribute to the understanding of sustainability reporting practices in the Indonesian banking sector and highlight the need for stronger integration between environmental accounting and corporate social responsibility disclosure frameworks.

ARTICLE INFO

Keywords:
Green Accounting, Corporate Social Responsibility Disclosure, Banking Sector

Introduction

The public generally believes that companies are organizations that are only profit-oriented and do not pay attention to the surrounding environment, so that the existence of companies will only worsen existing environmental pollution.(Veronica, 2018). This view is not entirely correct because nowadays the increasing focus of stakeholder decisions on the issue of managing the environmental impacts of company activities, in addition to the need for companies to improve financial performance.(Saputra, 2020). Management activities are then presented in the company report to show what activities have been carried out and their achievements.

Along with the development of the industrial sector in Indonesia, it has encouraged various industrial sectors to carry out their operational activities as much as possible in order to increase the company's profitability. Meanwhile, for Indonesia, the mining industry is the largest contributor of foreign exchange that is able to drive economic growth to a better level. Mining companies are companies that carry out production activities by means of general investigations, exploration, feasibility studies, construction, mining, management and refining, transportation and sales, and post-mining activities.(Jeanne, 2013).

Likewise, in running the wheels of economic business, there are guidelines that must be adhered to and these must be adhered to absolutely by business actors (business entities, both individuals and institutions).(Sjioen, 2021).

A company is an economic entity that aims to provide services to stakeholders. This effort is carried out by the company by maximizing the use of natural resources and human resources to produce goods and services that will be marketed to the public.(Almunawwaroh, 2022)

Several previous studies have examined the relationship between green accounting and various aspects of company performance.(Santoso, 2023)examined the effect of green accounting and environmental performance on financial performance with social responsibility as a mediating variable. Their results showed that green accounting has a negative effect on financial performance directly, but has a positive effect when mediated by social responsibility. This finding indicates the important role of social responsibility in optimizing the impact of green accounting implementation.

In line with this research,(Sayudh, 2022)developed a different perspective by adding environmental disclosure and information asymmetry variables. Their study found that green accounting has a positive effect on economic performance, while environmental disclosure actually showed a negative effect. Interestingly, information asymmetry was not proven to mediate the relationship between the two independent variables and economic performance.

(Kusumawati, 2023) provide a new dimension by considering carbon performance and annual report characteristics as moderating variables. Their results show that both green accounting and carbon performance have a negative effect on company performance. Annual report characteristics are proven to strengthen the effect of carbon performance, but are unable to moderate the effect of green accounting on company performance.

In a more specific context,(Pramudianti, 2023)conducted a conceptual study on the effect of green accounting disclosure on profitability in mining sector companies. This study uses a qualitative approach with PROPER assessment and found no significant effect between green accounting disclosure and company profitability.

From a more fundamental theoretical perspective, Cairns (2002) provides important insights into the implementation of green accounting using imperfect market prices. He asserts that even if the economy does not follow an optimal program, green accounting can still provide benefits based on current market prices. This research provides an important theoretical basis for understanding the implementation of green accounting under imperfect market conditions.

Based on the literature review that has been conducted, there are several research gaps that need to be considered. First, the majority of previous research such as(Santoso, 2023)as well as(Kusumawati, 2023)focuses on the influence of green accounting on financial performance and company performance in general, but not many have specifically studied its relationship with corporate social responsibility disclosure (CSR disclosure). In fact, CSR disclosure is an important aspect in demonstrating a company's commitment to sustainability.

Second, previous research has been conducted more in the manufacturing and mining sectors, such as that conducted by(Pramudianti, 2023), while studies on the banking sector are still limited. This is interesting considering that the banking sector, especially those included in the LQ45 index, has unique characteristics in terms of implementing green accounting and CSR disclosure due to its role as an intermediary institution that has an indirect but significant impact on the environment through credit and investment policies.

Third, there is inconsistency in the research results where(Santoso, 2023)found that green accounting has a positive effect when mediated by social responsibility, while other studies such as(Kusumawati, 2023)shows a negative impact on company performance. This difference in results indicates the need for further research, especially in the specific context of the banking sector in Indonesia.

Fourth, previous research periods generally focused on the years before 2018 or after 2021, so there is a temporal gap that needs to be filled with research in the 2018-2021 period. This period is interesting to study because it covers the phases before and during the COVID-19 pandemic, which may affect green accounting practices and CSR disclosure in the banking sector.

Based on the research gap, it is interesting to study "Does green accounting affect corporate social responsibility disclosure in banking companies in Indonesia in the LQ45 index listed on the IDX in 2018-2021?" This study is expected to contribute to filling the existing literature gap, especially in the context of the Indonesian banking sector, as well as providing a more comprehensive understanding of the relationship between green accounting and CSR disclosure.

Literature Review

Grand theory

Legitimacy Theory

In legitimacy theory, companies have an agreement with society, in this agreement the company's activities must be in line with the rules that apply in society, so that the company's presence can be accepted in the company's external environment. In legitimacy theory, it is stated that an organization will survive if the company's operations are in line with the values of the surrounding community. Organizational legitimacy is something that society gives to the company and something that the company needs from society.(Meutia, 2021). Therefore, the strategy that must be implemented by the company is by developing a corporate social responsibility program, it is hoped that with the corporate social responsibility program implemented by the company it will provide a positive contribution to the community so that the community around the company can accept the company's existence well and not have a problem with the company's existence.(Dura, 2022).

Green Accounting

Green accounting is the integration of environmental benefit and cost information into various accounting practices and the integration of environmental costs into business decisions.35 The concept of environmental accounting has actually begun to develop since the 1970s in Europe. As a result of pressure from non-governmental institutions and increasing environmental awareness among the public, companies are urged not only to carry out industrial activities for business purposes, but also to implement environmental management.(Almilia, 2007).

According to(Ikhsan, 2008)Green accounting has two functions, namely as an internal function that is used as a basis for decision making related to environmental costs and as an external function that provides output in the form of accounting reports on environmental performance. Internal functions are closely related to operational activities and internal parties who work according to management's direction. Management in this case must be wise in making decisions regarding environmental conservation costs that are in accordance with needs, so that operations can run effectively and efficiently. Meanwhile, in the external function, it is the result of disclosure of operational activities in the form of reports containing environmental activities carried out by a company.

Profitability

According to(Fahmi, 2012) Profitability measures the overall effectiveness of management which is indicated by the level of profit obtained in relation to sales or investment, the better the Profitability ratio, the better it describes the company's high profit-making ability. The existence of CSRDi is a form of positive signal to stakeholders, with the hope that stakeholders feel satisfied and maintain their support for the company. Signal theory states that the company's disclosed information, namely profitability, will form a public image, companies that are more active in providing information are assumed to get a positive response from shareholders if the disclosure is carried out properly.(Dwiranda, 2020)In essence, company management must be responsible to stakeholders and provide sufficient information including CSRDi which is a form of positive signal to stakeholders, in order to foster a sense of trust and full support from stakeholders in the company.

Methods

The research to be conducted is a quantitative causality research that tests and analyzes the influence of green accounting and environmental performance on Corporate Social Responsibility Disclosure of banking companies in Indonesia in 2018-2021.

This study uses secondary data in the form of annual reports of banking companies listed on the IDX and the PROPER ranking list for the 2019-2021 period. The data sources come from the Indonesia Stock Exchange website, namely https://idx.co.id/ and the KLH website, namely https://proper.menlhk.go.id/proper/.

The research will be conducted using purposive sampling technique which has the following criteria:

1) Banking companies listed on the IDX during the 2019-2021 period.

2) Companies that report complete annual reports for 2019 to 2021 and are reported in Rupiah currency.

Data analysis was carried out using simple regression techniques using the SPSS 25 application.

Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	54411.500	9333.546		5,830	.000
	Green accounting	-16175.556	9838.421	-.361	-1.644	.118

. Dependent Variable: Csrdi

Simple regression model

Csrdi : a + Green accounting

Csrdi = 54411.500- 6175.556

Regression Model for Environmental Costs Disclosed in Annual Reports = Code 1

CSRDI : a + Green accounting(1)

Csrdi = 54411.500- 6175.556(1)

Csrdi = 54411.500- 6175.556

Csrdi = 38,235,944 Environmental costs disclosed in annual report = 1

Regression Model for Environmental costs not disclosed in annual reports = code 0

Csrdi : a + Green accounting(0)

Csrdi = 54411.500- 6175.556(0)

Csrdi = 54411.500- 0

Csrdi = 54,411,500 Environmental costs not disclosed in annual report = 0

Results of the Determination Coefficient Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.361a	.131	.082	13199.627

a. Predictors: (Constant), Green accounting

The Adjusted R Square value of 0.082 or 8.2% of the determination coefficient value shows that the independent variable, namely green accounting, is able to explain the dependent variable, Corporate Social Responsibility Disclosure, by 8.2%, the rest is influenced by other variables.

Partial Test Results

Coefficientsa

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	54411.500	9333.546		5,830	.000
	Green accounting	-16175.556	9838.421	-.361	-1.644	.118

The calculated T value is -1.644 and the sig value is 0.118, meaning that the green accounting variable does not have an effect on Corporate Social Responsibility Disclosure. This is in line with the research results from Poeja Pramudianti. For the relationship between Green Accounting and the level of profitability, here it can be seen that there is no significant effect between Green Accounting disclosure and the profitability generated by the company.

Discussion

Based on the statistical analysis results, this research reveals interesting findings regarding the relationship between Green Accounting and Corporate Social Responsibility Disclosure (CSRD) in the Indonesian banking sector, particularly among companies listed in the LQ45 index. The regression analysis shows a negative coefficient (β = -16,175.556), suggesting an inverse relationship between green accounting implementation and CSRD levels. However, this relationship is not statistically significant ($p = 0.118$), indicating that green accounting practices may not be a decisive factor in determining CSRD levels among Indonesian banks.

The coefficient of determination (Adjusted $R^2 = 0.082$) indicates that green accounting explains only 8.2% of the variance in CSRD practices. This finding aligns with research by(Dewi, 2019), who found that environmental accounting practices had limited influence on sustainability reporting in Indonesian public companies. Similarly,(Pramudianti, 2023)reported no significant relationship between green accounting disclosure and company performance metrics, supporting our current findings.

The relatively weak relationship between green accounting and CSRD might be attributed to several factors. As suggested by (Lako 2018), the voluntary nature of environmental reporting in Indonesia's banking sector could contribute to this limited impact. This perspective is further supported by (Setiawan and Darmawan, 2021), who found that without mandatory requirements, companies tend to approach environmental and social responsibility reporting as separate rather than integrated practices.

The negative coefficient in our regression model presents an interesting phenomenon that warrants further discussion. This finding could be interpreted through the lens of (Siregar and Bachtiar's 2020) research, which suggested that companies incurring higher environmental costs might adopt more selective disclosure practices. Additionally, (Gunawan and Tan 2021) proposed that this negative relationship might reflect the early stages of green accounting implementation in Indonesia's financial sector, where companies are still developing integrated approaches to environmental and social reporting.

These findings have important implications for both practice and policy. As highlighted by (Nurochman and Wardani 2019), there is a need for stronger regulatory frameworks to enhance the integration of environmental accounting and CSR practices. The low explanatory power of our model also suggests the presence of other significant factors influencing CSRD, consistent with (Utami's 2022) comprehensive study of CSR determinants in Southeast Asian banking institutions.

Looking forward, these results indicate several opportunities for development in Indonesia's banking sector. Following recommendations from (Supriyanto et al. 2021), banks might benefit from developing more integrated reporting frameworks that better align environmental accounting with their broader CSR strategies. This approach could help strengthen the connection between environmental cost management and social responsibility disclosure, potentially leading to more comprehensive and effective sustainability reporting practices.

These findings contribute to the growing body of literature on environmental accounting and corporate social responsibility in emerging markets, while also highlighting the need for further research into additional factors that might influence CSRD practices in the banking sector. Future studies might benefit from examining the role of corporate governance, institutional ownership, or market conditions in shaping the relationship between green accounting and CSR disclosure.

Conclusion

The conclusion of the empirical analysis of Indonesian banking companies listed on the LQ45 index in the period 2018 to 2021 shows that the implementation of green accounting does not have a significant effect on Corporate Social Responsibility (CSRD) disclosure. The regression results show that the green accounting coefficient is negative, and only explains 8.2% of the variation in CSRD practices, indicating that other factors not included in this study may have a greater influence on CSRD practices in the Indonesian banking sector. This finding points to the need for further investigation to understand the mechanisms underlying this relationship.

Nevertheless, the results of this study provide important implications for practices and policies in the Indonesian banking sector. A more integrated reporting framework is needed to align environmental accounting with CSR practices, as well as stronger regulations to strengthen the relationship between environmental accounting and sustainability reporting. The findings also encourage further research to explore other factors that may influence CSRD practices in the banking sector, so as to improve the integration of social and environmental responsibility reporting in Indonesia.

Suggestion

This research is expected to provide a contribution to banking companies regarding green accounting and company profitability. In addition, it is hoped that future research will add other variables that influence company profitability.

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