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Green Accounting and Corporate Social Responsibility Disclosure: Financial Performance of Mining Companies in Indonesia

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Abstract

This study looks at how Indonesian mining firms' financial performance is affected by green accounting and CSR disclosure. Companies in Indonesia, particularly those involved in mining, are under pressure to manage resources responsibly and consider how their actions may affect the environment and local communities as environmental concerns and social responsibility gain traction. The quantitative method is the research approach that is employed. The study's sample consists of information on mining sector businesses that were traded between 2018 and 2022 on the Indonesia Stock Exchange (IDX). SPSS was used for testing. Indicators for measuring green accounting include managing waste, conserving natural resources, using renewable energy sources, and reducing greenhouse gas emissions. The Global Reporting Initiative (GRI) disclosure index is used to gauge corporate social responsibility disclosure. In the meantime, earnings per share (EPS) is used to gauge financial performance. The findings demonstrated that there is no correlation between Indonesian mining companies' financial success and green accounting or corporate social responsibility disclosure.

Keywords: Green accounting, corporate social responsibility disclosure, financial performance, mining companies, Indonesia.

INTRODUCTION

In recent decades, social and environmental challenges have grown in importance on a global scale. The need to conserve natural resources and protect the environment has resulted in a strong effort to develop socially and ecologically responsible business practices. The ideas of corporate social responsibility disclosure and green accounting have become crucial instruments in this regard for gauging and disclosing a business's environmental and social effects.

One of the nations with an abundance of natural resources is Indonesia, which has a sizable mining industry. The industry must, however, overcome significant obstacles to manage natural resources responsibly and lessen adverse effects on the environment and nearby communities. In order to sustain a balance between the interests of the surrounding communities and the environment, Indonesian mining corporations must declare their CSR and implement green accounting procedures.

To establish a balance between social and environmental sustainability and commercial interests. Businesses attempt to minimize or prevent losses for future environmental harm through green accounting and corporate social responsibility disclosure. They also hope to gain a competitive edge through ecologically benign manufacturing outcomes (Kusumaningtias, 2013). The company's reputation will be enhanced by significant societal advantages (Mowen et al., 2016, p. 403). A positive company image will pique consumers' interest in making purchases, increasing sales and impacting the bottom line of the business. Additionally, a positive reputation might make investments from investors more alluring. An increase in the share price of the company is

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indicative of an improvement in the index for investors. In this way, it sends a separate signal that the company needs to provide information to external parties to maintain the company's image (Omran & Ramdhony, 2015).

The aim of this research is to examine the connection between Indonesian mining companies' financial performance and green accounting and corporate social responsibility disclosure. Here, environmental factors like the use of renewable energy, waste management, greenhouse gas emissions, and the preservation of natural resources are all measured and reported as part of green accounting. Sustainability reports that detail the company's effects on the environment, workers, nearby communities, and other stakeholders are included in the disclosure of corporate social responsibility.

Green accounting practices and corporate financial performance have been found to be positively correlated in prior research. Green accounting techniques can lower operating expenses, increase energy efficiency, cut waste, and lower environmental risks. All of these factors can have an impact on a company's financial performance. Furthermore, it has been demonstrated that corporate social responsibility disclosure improves financial performance by boosting investor and customer trust in businesses that are dedicated to social and environmental responsibility.

Nevertheless, not much research has been done to investigate this relationship, particularly with regard to Indonesian mining companies. With the help of this study, mining companies and other stakeholders will be better able to comprehend the significance of green accounting and corporate social responsibility disclosure in attaining sustainable long-term profitability.

Formulate this research hypothesis based on the development of theories and prior research:
H1: The Financial performance is affected by the use of Green Accounting.
H2: Financial performance is affected by CSR disclosure.
H3: Financial performance is affected by the use of Green Accounting and CSR Disclosure at the same time.

RESEARCH METHOD

Research of this kind uses causal associative theory and a quantitative, positivist-based methodology to examine particular populations or samples (Sugiyono, 2017). All mining sector companies on the IDX that have undergone an audit for the period of 2018 to 2022 are included in the study's population. The application of green accounting, which is measured through pertinent green accounting indicators like the use of renewable energy, greenhouse gas emissions, waste management, and conservation of natural resources using environmental costs and CSR disclosure measured using the GRI index, is the independent variable. The dependent variable is financial performance as measured using earnings per share. Purposive sampling is used to choose mining sector companies that were listed on the Indonesia Stock Exchange between 2018 and 2022 and that report environmental costs, costs akin to those incurred in CSR allocation, and CSR programs in their annual report. For a period of five years, ten companies made up the entire sample.

SPSS software version 25 was used for data analysis, and multiple linear regression was employed. The F test is used to test both independent variables simultaneously on the dependent variable in the hypothesis test, while the T-test determines the degree of influence the independent variable has on the dependent variable. The classical assumption tests, which use secondary data, such as the data normality, heteroscedasticity, multicollinearity, and autocorrelation tests, were performed prior to hypothesis testing.

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RESULTS AND DISCUSSION

Descriptive Analysis

Table 1
Descriptive Statistics Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Green Accounting	50	544,870,866	3,133,951,859,375	836,822,431,773	912,531,057,702
CSR	50	.00	1.00	.9800	.14142
Kinerja Keuangan	50	-69,720.75	49,062.50	1,953.9308	14,865.10149
Valid N (listwise)	50				

Source: Data Processing Results, 2023

The statistical values of the research variables are described in Table 1. This study's dependent variable, financial performance, has 50 data points total and an average value of 1,953 with a standard deviation of 14,865. With a total of 50 data points, the independent variables in this study—green accounting and CSR—have respective average values of 836,822,431,773 and 0.98.

Multiple Linear Regression Analysis

Table 2
Multiple Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	182.797	14812.126		.012	.990		
	Green Accounting	3.576E-9	.000	.220	1.529	.133	.983	1.018
	CSR	-1246.200	15094.686	-.012	-.083	.935	.983	1.018
a. Dependent Variable: Kinerja Keuangan								

Source: Data Processing Results, 2023

Based on the results of SPSS 25.0 data processing, the regression equation results obtained are as follows:
Y = 182,797 + 3.576E-9X1 - 1,246,200X2 + ε
Description:
Y = Financial Performance
X1 = Green Accounting
X2 = CSR

The purpose of this study is to determine the degree to which mining companies listed on the IDX in 2018–2022 will be affected by the variables of Green Accounting (X1) and CSR Disclosure (X2) on their Financial Performance (Y). For five years, secondary data from ten mining sector companies were analyzed for this study. A classical assumption test was conducted prior to data analysis, and the results showed that all requirements for classical assumptions were satisfied. Moreover, multiple linear regression and linear regression were used for hypothesis testing.

The analysis's findings indicate that the Green Accounting variable's (X1) regression coefficient is positive. This indicates that a one-point increase in environmental costs and green accounting will also result in an increase in financial performance and earnings per share (EPS). Thus, it can be said that financial performance and earnings per share (EPS) increase with the use of green accounting and environmental costs. In the meantime, the Corporate Social Responsibility (CSR) variable (X2) has a negative regression coefficient. This implies that financial performance and earnings per share (EPS) will decline if corporate social responsibility (CSR) rises by one percentage point.

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Table 2 indicates that there was no significant effect of the Green Accounting variable on financial performance or earnings per share (EPS), as the significance value obtained was greater than 0.05. As a result, the first hypothesis—which claimed that there was no discernible relationship between environmental costs and green accounting and financial performance—is rejected.

Testing the CSR variable on financial performance also produced a significant value larger than 0.05, according to Table 2. Thus, the results of this analysis reject the second hypothesis, indicating that Corporate Social Responsibility (CSR) also has no discernible impact on financial performance.

Table 3
F Statistical Test Results

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	515835232.511	2	257917616.256	1.176	.318[b]
	Residual	10311755639.241	47	219399056.154		
	Total	10827590871.752	49			
a. Dependent Variable: Kinerja Keuangan						
b. Predictors: (Constant), CSR, Green Accounting						

Source: Data Processing Results, 2023

Table 3's analysis results are based on the SPSS output results, which show that the sig value and F are both greater than 0.05. As a result of the rejection of hypothesis 3, there is no discernible relationship between any of the independent variables and the dependent variable. According to this condition, the third hypothesis states that there is no meaningful relationship between the variables of corporate social responsibility (CSR) and green accounting/environmental costs and financial performance/earnings per share (EPS).

Application of Green Accounting to Company Financial Performance

According to the study's first hypothesis, green accounting has no bearing on the financial results of mining companies that are listed on the IDX. Green accounting is expected in long-term investments; however, this study does not support it. The study's findings indicate that there is a substantial negative impact, which implies that rising environmental expenses will have a detrimental impact on the bottom line of the business. This is consistent with Camilia's (2016) research, which found no link between environmental costs and the financial performance of corporations. The first hypothesis test's findings conflict with studies by Zulhaimi (2015b) and Luh & Indah (2017), which claim that environmental costs and green accounting have an impact on a company's financial performance. So, improving financial performance cannot be done with environmental costs.

Corporate Social Responsibility Disclosure on Company Financial Performance

Furthermore, unproven is the second hypothesis, which holds that financial performance is impacted by CSR disclosure. The findings of this research contradict the hypothesis advanced by Rafianto (2015), according to which investors are more likely to be interested in funding businesses that practice social responsibility. The findings of this investigation are consistent with those of Parengkuan's (2017) study, which found no connection between a company's financial performance and its commitment to corporate social responsibility (CSR).

Application of Green Accounting and Disclosure of Social Responsibility to Corporate Financial Performance

The third hypothesis posits that the financial performance of a company is influenced by both the implementation of green accounting and the disclosure of Corporate Social Responsibility (CSR). Following analysis, it was discovered that there was no combined impact of the Corporate Social Responsibility (CSR) and Green Accounting variables on financial performance. This research contradicts that of Ayu & Hayuningtyas (2022), who found that a company's positive image will undoubtedly attract positive stakeholders, including potential investors, who will enhance the company's financial performance through higher sales, higher profits, or the acquisition of additional capital.

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CONCLUSION

H1 is rejected, H2 is rejected, and H3 is rejected considering the study's findings and hypothesis testing. This indicates that the financial performance of businesses, particularly those in Indonesia's mining sector, is not significantly impacted using green accounting and CSR disclosure. While doing this research, the researchers still ran into a few obstacles, such as the fact that not all businesses provide comprehensive annual, sustainability, and financial reports. Furthermore, the study's sample was limited to the mining industry. Green accounting and corporate social responsibility disclosure are important, but they are not ends in and of themselves. It is only a tool for improving sustainability. It is imperative for mining companies to incorporate sustainability principles into every facet of their operations, ranging from human rights protection and environmental management to actively engaging in local community development. Additional variables and a larger sample size can be considered in future research to further expand the scope and improve our understanding of this relationship. Furthermore, research comparing the mining industry to other industries can shed light on the significance of corporate social responsibility disclosure and green accounting in the context of various industries. Mining companies in Indonesia can achieve profitable long-term sustainability, protect the environment, preserve natural resources, and continue to benefit society and other stakeholders by bolstering green accounting practices and CSR disclosures.

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