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Application Green Accounting in Islamic Perspective and its Impact on Company's Financial Performance

Sukma Uli Nuha[1], Retno Cahyaningati[2], Ria Meilan[3]

Universitas Muhammadiyah Gresik[1], Institut Teknologi dan Bisnis Widyagama Lumajang[2,3]

Corresponding Author: retnocahyaningati95@gmail.com

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ABSTRACT

The purpose of this study seeks to describe the applicationgreen accounting. The research method used is a qualitative method with a case study approach. The researchers traced the applicationgreen accounting in companies engaged in animal husbandry in Lamongan Regency. The results of the study show that by disclosing environmental costs, the company will later demonstrate the business ethics it carries out. Not only that, the company will also show how responsible they are in managing existing resources.Green accounting disclosed have a positive impact on the financial performance of a company. The theoretical contribution to this research is to contribute to strengthening the theorycost. The practical contribution of this research can be used as a basis for applying and reporting financial conceptsgreen accounting at the company. This study has described a picture of implementationgreen accounting which is combined with sharia concepts so as to be able to assist company leaders in assessing the company's financial performance.

Keywords: Company, Financial Performance, Green Accounting

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INTRODUCTION

The commercial environment is changing rapidly, As corporations are growing more competitive. In order for a firm to flourish, it must maintain short-term success simultaneously contemplating maintain short-term success. Furthermore, corporate stakeholders such as investors and consumers have placed a greater focus on sustainable development approaches to achieve economic, environmental, and social sustainability. (Hamidi 2019). Because it detects patterns that are constant across all human and business activities, sustainability has become a strategic direction as well as a strategic role in industrial orientation. At the micro level, corporate sustainable development is viewed as a new management paradigm that recognizes corporate growth and profitability while also requiring businesses to incorporate and pursue unprofitable social goals, particularly those related to sustainability issues such as environmental protection (Reska 2021).

There are those who criticize Indonesian businessmen for failing to maintain a corporate environment in line with the country's economic expansion due to rapid industrial development. This threat motivates companies to work hard to improve their performance. To preserve future generations, businesses must regard the economic order while preventing environmental damage. As a result, one of the company's priorities is to always maintain advancement that leads to human wellbeing, both today and in the future. This implies that every company will always participate in long-term development projects that will benefit the economy and society (Schaltegger, S., & Burritt 2017).

It is critical to pursue sustainable development. For a company's survival in today's business market that is competitive. The revenue growth that a firm may accomplish while adhering to its financial and operational limits is referred to as sustainable development (Seifert, E. K., & Bartelmus 2018). At the micro level, corporate sustainable development is viewed as a new management paradigm that recognizes corporate growth and profitability while also requiring businesses to incorporate and pursue unprofitable social goals, particularly those related to sustainability issues such as environmental protection (Almunawwaroh 2022). It is vital to consider sustainable development while implementing corporate sustainability. Sustainable development refers to a subset of company operations that result in higher strategy and performance outcomes. They also advocate for long-term stakeholder support, market growth, and financial performance contribution to be prioritized in sustainable development.

To sustain human and environmental health, organizations must invest in resource development. The World Commission on Economic Development (WCED) defines sustainable development as "development that meets the needs of the present without jeopardizing future generations' needs". In this context, sustainable development refers to efforts to maintain or enhance the long-term viability of development activities. Availability of long term resources for development is what ensures the long term survival of a company.

At the global level, the idea of sustainable development is broad, but it is difficult to put it into practice at the organizational level (Dita & Ervina 2021). Companies regard sustainability as a barrier since academic literature has defined it as continuity throughout the previous few decades. To keep organizations alive, we must radically redefine accounting, because grasping concepts is not enough. Sustainable development is a strategy for achieving corporate objectives. The usage of environmental-based accounting is one of the company's supporting tools. Green accounting may help managers enhance the economy and contribute to long-term prosperity.

People are becoming more aware of the environment for the sake of human life in the future. Environmental pollution has recently become a source of concern (Maryanti, 2020). Environmental pollution, such as water pollution, air pollution, and soil pollution, is detrimental to company operations, impacting company operations to maximize profits while minimizing negative environmental impacts (Widya 2022). Industrial development, on the other hand, has a good influence on employment, which can enhance economic productivity, but many businesses are less concerned about environmental issues (Farhan 2021).

Green Accounting is seen to be more appropriate since it is more fundamental and ecological, based on the three primary pillars of corporate responsibility, namely economic, social, and environmental responsibility. This remark is consistent with the triple-bottom-line philosophy, which incorporates profit, people, and the environment. This is based on the contemporary business world's evolution, in which firms must not only pursue economic benefit (profit), but also pay attention to and participate in the welfare of society (people) and help protect the environment (planet). This is due to the fact that the environment and society are also stakeholders. With green accounting, organizations are supposed to provide accounting information in the form of integrated, comprehensive, and relevant financial, environmental, and social activities (Ikhsan 2008).

Green accounting may give information on how much an organization (business) contributes to the quality of human life and the environment. Green accounting is expected to improve corporate image, which will increase stakeholder trust in long-term business sustainability. Of course, environmental performance can have a significant impact on the company's financial position, improve company performance and value, and reduce company risk (Suartana, 2010). The concept of green accounting can also be applied to companies as public entities (Sun, N., Salama, A., Hussainey, K., & Habbash 2010). Of course, on this premise, research on the use of green accounting in firms as public organizations is required, so that in their operational operations, they consider not only financial elements to produce profits, but also environmental and social issues. As a consequence of the impact of the trash it creates, their business can have an influence, particularly on environmental sustainability and the welfare of the community around the organization.

The green industry, according to Ball (2005) is defined as an industry that emphasizes the efficiency and effectiveness of the use of sustainable resources in the manufacturing process. Able to align industrial development with the continuity of environmental functions in the long term while at the same time providing benefits to the wider community. In 2030, Amiruddin (2012) wants 90% of big and medium-sized firms to be green-certified. However, because there is still much to be done in terms of green industry standards, such as establishing a green industry certification agency to reinforce certification, this goal is still a long way off in 2021.

This study makes use of field practice, literature reviews, empirical investigations, and academics (Salsabilah 2019). Green accounting is widely documented to benefit a company's financial performance, particularly good consumer impressions, which leads to increased sales and profits. In addition to financial success, green accounting has an influence on increasing environmental performance, both in terms of environmental health and environmental resilience. This research varies from prior research in that it is the subject of research and proxies are used to assess the impact of green accounting from an Islamic perspective and its impact on the company's financial performance. This study is also anticipated to provide theoretical contributions. To begin, although prior research focused on enterprises, this study focuses on green industry businesses. Second, greater understanding of the link between green accounting and financial success, as well as the significance of analysis in long-term growth.

Green accounting is a type of environmental business reporting. Its goal is to offer information regarding organizations' operational performance in terms of environmental protection. Traditional accounting simply offers shareholders and bondholders with financial and economic information to help them make decisions. To improve existing performance metrics, performance measurements must be upgraded. Environmental consequences must be documented as a form of accountability to stakeholders (Monchy 1976).

According to (Hamidi 2019), Green accounting is a distinct discipline of research that encompasses far more than social accounting, environmental accounting, social and environmental accounting, or even sustainable accounting. The term "object" refers to all occurrences, things, realities, acts, or transactions associated with or occurring in the cosmos and humanity. Because human activity (society) and companies have a causal link with the natural environment, green accounting includes social accounting, financial/economic accounting, and environmental accounting.

Conceptually, Schaltegger, S., & Burritt (2017) green accounting is described as a procedure in the accounting process of recognizing, assessing value, documenting, summarizing, reporting, and disclosing information relating to financial, social, and environmental activities, events, and/or objects in order to create integrated, comprehensive, and relevant accounting information beneficial for users in economic and non-economic analyses and decision making (Seifert, E. K., & Bartelmus 2018). The fundamental foundations of green accounting data are integrated environmental, social, and financial accounting data (Almunawwaroh 2022).

Thus, green accounting refers to initiatives to include environmental and social advantages into economic decision-making or firm financial outcomes for economic decision-making that are made in a single report package style (Almunawwaroh 2022).

Financial performance, in a broad sense, refers to how well financial goals are fulfilled or have been accomplished, and it is an important component of financial risk management (Hamidi 2019). It is the process of determining the monetary worth of a company's policies and operations. It is used to evaluate a company's overall financial health over time, and it may also be used to compare similar enterprises in the same industry, or industries or sectors in aggregate.

Financial performance is a subjective assessment of how successfully a company's operations are managed. It may also be used to assess a company's overall financial health over time. Financial performance may be defined as an achievement that has been attained through hard effort and is shown in financial reports, and it can be used as a criterion for analyzing a company's success over a specific time period (Farhan 2021).

Financial performance refers to a company's financial status throughout a specific time period, including the collection and use of cash as assessed by many indicators, including the capital adequacy, liquidity, leverage, solvency, and profitability ratios. The capacity of a corporation to manage and control its resources is referred to as financial performance (Seifert, E. K., & Bartelmus 2018).

A corporation is a natural legal entity created by organizations and groups of individuals to collaborate on similar aims. The organization has the potential to become a commercial or industrial firm (Reska 2021). The corporation is an artificial legal entity having an autonomous legal entity, a body with perpetual succession, a joint seal for its signature, transferable shares as joint capital, and limited liability (Hamidi 2019).

A business can be a corporation, partnership, association, joint stock company, trust fund, or an organized group of people, whether incorporated or not, as well as any receiver, trustee in bankruptcy, or similar officer, or liquidation agent (in an official capacity) (Monchy 1976). A corporation is a recognized legal entity or incorporated commercial organization under company law. It might be a limited liability company or an unlimited liability company, a closed or open company, a limited liability company with a guarantee or a business with share capital, or a limited liability company with no share capital (Aniela 2012).

According to Law Number 8 of 1997 on Company Documents, a company is any type of business that conducts continuous operations in order to profit. Companies can be created and run both as people and as legal and non-legal commercial organizations within Indonesian territory. It may be inferred that a corporation is a set of economic operations carried out continuously by persons or legal and non-legal commercial organizations with the goal of profit.

METHODS

The type of research used in this research is qualitative research. Qualitative research described by Moleong (2010) is intended to provide an understanding of events with regard to what happened to the subjects studied. Qualitative research is a design to explore and interpret the meaning that a number of individuals or groups of people ascribe to social or humanitarian issues(Creswell, J. W., & Poth 2016). Furthermore states that qualitative research is described as a study that must be able to describe conditions broadly and in accordance with holistic or contextual settings or situations through collecting data from "natural" backgrounds by using the researcher's personality as a key instrument and the character of the research is descriptive and tends to apply analysis with an inductive approach. The method and meaning from the subject's point of view are further raised besides that the research report is compiled in the form of a description that is creative and comprehensive and gives rise to its natural characteristics.

In this study, the authors used a case study research basis, namely where objects/problems were selected and observed, then analyzed as a whole as a unified whole with the aim of obtaining information from a number of informants who were considered to be representative of the population. In this study, the authors used a qualitative descriptive research type, namely describing or analyzing, so the nature of the research used was descriptive analytical research which aims to describe a situation (object) and includes descriptive, recording and analysis efforts (Manzilati 2017).

This study was carried out at a Lamongan-based animal husbandry enterprise. The data used in this study was gathered from both primary and secondary sources. Primary data is information gathered directly from informants. While secondary data is data obtained from documents related to discussion, literacy and other supports. The informant selection technique used in this study is by using the techniquepurposive sampling. The method of determining the sample by selecting certain samples that are considered according to the objectives or research problems in a population. Furthermore, research informants were selected according to the objectives and needs of the research. People who can be used as informants are people who have experience in accordance with research, people with certain roles, and of course easy to access. Then the data analysis method is carried out in the first way, namely studying the data, making themes, discussing the themes found, the last one is organizing the first step to the last.

Proper data collection requires participatory observation or observation (participant observation) to the research subjects, so that the informants or research subjects are not the objects of research. Data collection techniques in this study were carried out by means of observation, interviews and documentation. Bungin (2011) explains that there are three stages that must be carried out in analyzing data including data reduction, presenting data and verifying which is carried out continuously and sustainably. Data analysis carried out in this study used an ethnographic approach. Checking data validity is one way to cover researchers' fears about the validity of data or information in qualitative research (Fatchan, A., Soekamto, H., & Yuniarti 2015).

The validity test in qualitative research is a critical step for determining the level of confidence in the study results. In this study, the author used the triangulation approach to collect data through interviews, documentation, and observation. When data is collected utilizing the triangulation approach, the outcomes are more consistent, resulting in legitimate data that may be accounted for in this research. Moleong (2010) stated that the triangulation procedure was carried out through interviews, direct and indirect observation. The triangulation approach is a strategy for determining the veracity of data by comparing it to various sources of data. The inspection strategy used by researchers in this study was comparing observation data with interview data as well as local conditions in the region in order for the writer to reach the intended aims in this study.

RESULTS AND DISCUSSION

From an Islamic point of view, green accounting is the same as the concept of rahmatan lil alamin which is a clear example that the concept is a step towards minimizing environmental problems. This is caused by rahmatan lil alamin which means goodness for all elements of life, namely humans, nature, and the environment. One important part of life is the environment. The universe and its contents are closely related to environmental conditions, as well as the company. all activities in the company are able to channel its benefits both to humans and the surrounding environment.

Islam which acts as a way of life is capable of transmitting good things to the people so that they are able to adapt to the changing times. Islam does not prohibit people from carrying out reforms and innovations in muamalat activities, but not for aqidah, worship and morals. Ideally, companies carry out their operational activities based on the Al-Quran and Sunnah. The good link between the company and the environment in the sharia aspect is much stronger when compared to conventional procedures, if it is based on religious values.

In essence, the environment can be developed by maintaining a good balance of nature, environment, and social. A balanced living environment occurs when reason and passion can be controlled in living life so that the principle of balance is achieved and destructive behavior can be avoided. This is in accordance with verse 77 QS. Al-Qassas, namely: "And look for what Allah has bestowed upon you (happiness) in the Hereafter and do not forget your happiness from the worldly (enjoyment) and do good (to others) as God has done good to you and do not do damage on (the face of) the earth. Indeed, Allah does not like those who do damage".

Islam is able to provide a reference or guideline for humans to use norms and ethics when dealing with their environment. This statement is proven by the abundance of verses in the Al-Quran which have meanings about natural concepts such as the sky, sun, moon, earth and planets. This is explained in Q.S. Noah verses 15-16: "Have you not seen how Allah created the moon as light in him and made the sun a lamp" (Q.S. Nuh: 15-16).

Al-Quran has an important role, namely the source of all sources of knowledge including explaining everything related to the environment. Not only that, the Al-Quran provides its views on humans, namely their role as caliphs on earth. This is explained in Q.S. Al-Baqarah verse 10: "Indeed, I want to make a representative (caliph) on the face of the earth".

As a servant of Allah, humans are obliged to obey Allah SWT. Humans are also given the task of being God's representatives in the world, maintaining harmony and not destroying anything on earth. Not only as a caliph, humans also have the title as social beings. This means that humans cannot live their lives alone but need the help of others. Therefore, every human being is required to socialize to protect each other's environment.

Environmental sustainability can be realized if various characteristics and attitudes are implemented by a Muslim. This is also related to the implementation of green accounting to continue to maintain the preservation of the environment as stated in the corporate social responsibility report. Based on the data listed in the corporate social responsibility report, stakeholders are able to obtain information regarding the roles taken by the company, especially regarding the work environment. Companies that use the concept of green accounting have great expectations to include expenses related to the environment in their financial statements (Bell, F., & Lehman 1999). This is one form of responsibility that the company gives to stakeholders.

The application of the concept of green accounting for companies is something that proves that companies care about their environment. This statement is also evidenced by the inclusion of environmental costs listed in the company's financial statements. Green accounting can also represent a work concept that is measured quantitatively in various activities related to the environment. when a company views the environment as a strategy to provide a good view or image in the hearts of various parties related to the company, thus it is less likely for a company to miss the imposition of costs related to the environment. The concept of green accounting is a framework that relates both the environmental benefits and costs used in making economic decisions.

The decision in question is various information needed by parties who invest in shares which will later be used to determine whether the company is feasible to invest in shares or not. With the disclosure of environmental costs, the company will later demonstrate the business ethics it carries

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out. Not only that, the company will also show how responsible they are in managing existing resources. In accordance with the study conducted Aniela (2012) shows that green accounting has a significant influence on the profitability of ROA and ROE. This assumes that the green accounting disclosed has a positive impact on the financial performance of a company. This statement means that green accounting contributes to corporate social responsibility so that company legitimacy can be maintained.

The existence of environmental costs must be allocated by the company because several types of industry are very vulnerable to the risk of environmental damage, so these costs must be borne by the company (Subroto, E., Sitha, N., Filianty, F., Indiarto, R., & Sukri 2022). The role of green accounting / green accounting exists to assist in processing environmental costs. This green accounting has an impact on company achievements including cost savings through water and energy efficiency efforts, reduced emissions and pollution loads, and waste reduction. 2023 is a year of recovery after the Covid - 19 Pandemic disaster which caused companies to reduce a number of costs so that profits remained stable and now companies and other business sectors are asked to struggle to recover after the disaster.

Green accounting is known as an accounting system related to environmental cost accounting. The hope is that through the application of green accounting in companies can manage the environment in order to prevent or reduce the company's negative impact on the environment, plan the use of resources from the surrounding environment both physically and socially which can have a positive impact on the company and calculate ways to process and maintain resources so that they can continue to be used in the future.

One company in the livestock sector in Lamongan is trying to implement an environmentally friendly business and of course apply the concept of green accounting. By allocating costs to minimize environmental problems. The company's awareness that the company's success is thanks to the community, the company needs to pay attention to its togetherness with the community and the environment in order to maintain its sustainability. The company's contribution to saving the natural environment and its contents can be started with a green nuance approach through management, products, processes, workplaces and surrounding communities as implemented by this company. Management of livestock manure and other environmental management is a form of implementing green accounting because this is not only a public affair but also regulated in Islamic teachings.

CONCLUSION

Green accounting it's the same with conceptsrahmattan lil alamin which is a clear example that the concept is a step in order to minimize environmental problems. Concept appliedgreen accounting for the company is something that proves that the company has concern for the environment. This statement is also proven by the existenceinclude environmental costs listed in the company's financial statements. The decision in question is various information needed by parties who invest in shares which will later be used to determine whether the company is feasible to invest in shares or not. With the disclosure of environmental costs, the company will later demonstrate the business ethics it carries out. Not only that, the company will also show how responsible they are in managing existing resources.Green accounting disclosed have a positive impact on the financial performance of a company. That statement means thatgreen accounting contribute to corporate social responsibility so that the legitimacy of the company can be maintained.

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