The Effect Of Green Accounting Implementation On Profitability In Companies Compass Index 100

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***Abstract**.*
In the Kompas100 Index Company, there are several companies whose growth can have a positive or negative impact on the surrounding environment, so companies need to provide information related to green accounting. This study was conducted to determine the application of green accounting and its impact on company profitability. In this study, the application of green accounting as measured by the Company Performance Rating Program in Environmental Management (PROPER) on the level of profitability with the ROA (Return on Assets) indicator. The research method used is quantitative research methods. The population selected in the study of 100 Kompas Index companies for 2 years in 2018-2019 using the purposive sampling method, to obtain a sample of 24 companies that meet the criteria. Data were analyzed using simple regression. The results of this study indicate that the application of green accounting has a significant effect on the profitability of the Kompas100 Index company.

Keywords: *Green Accounting, Profitability, Return on Asset, PROPER, Environmental.*

I. INTRODUCTION

Family companies Indonesia and in other countries make a significant contribution to employment and the country's economy. Almost 95% of family businesses dominate companies in Indonesia, because this family business can maintain the sustainability and success of the company in the long term after all it will be passed on to the next generation. In addition, this family business is included in the Kompas100 Index that strives to keep making profits so that the company's sustainability is achieved (Zayani & Kristanti, 2021).Companies belonging to the Kompas100 Index must maintain their image to continued to increase their profitability. Companies that increase their profitability will affect the continuous use of natural resources, even though they realize that natural resources are limited to meet human needs. Most modern industries must be aware that these impacts become environmental and social issues of the company to obtain the desired profit (Pfilieger et al., 2005). Therefore, green accounting or environmental accounting is one of the solutions in solving these problems, which are related to the activities carried out by the company and their impact on the environment and surrounding communities.

Companies that impact the environment such as PT Gudang Garam, PT. Adaro Energy Tbk, PT Antam Tbk, and PT. Barito Pacific Tbk is a Kompas100 Index company engaged in manufacturing and mining. According to Putri et al. (2019) a company indifferent to managing natural resources will have a harmful impact on the environment and the potential is enormous. This happens because the company and its human resources tend to be exploitative or take natural resources from the environment and are not balanced with good environmental management (Ningsih & Rachmawati, 2017). Based on this, companies need to apply green accounting as a form of corporate responsibility to the environment.According to Ningsih and Rachmawati (2017) green accounting is an accounting method that seeks to relate and involve that environmental costs and budgets are part of the costs of business operational activities. Green accounting is concerned with environmental performance, controlling costs, investing in environmentally friendly technologies, and promoting environmentally friendly production processes. Green accounting has its way of minimizing energy used, conserving resources, reducing environmental health and safety risks, and enabling competitive advantage (Putri et al., 2019).Green accounting is an external factor that affects profitability.

According to Ikhsan (2008) and Risal et al. (2020) green accounting is a process that includes environmental costs that are presented in the preparation of accounting reports made by companies or institutions. The environmental costs come from the financial and non-financial sides which are the responsibility of the company as a result of the company's activities that have an impact on the environment. The concept of environmental management is helpful for companies to help develop competitive advantages and strengthen relationships with external parties which will ultimately impact the company profitability (Mardikanto, 2014). This can affect the application of green accounting to increase and decrease company profitability (Wangi and Lestari, 2020). Companies that want a high level of profitability can see from their Return On Assets, while people in the company's environment will see the application of green accounting.According to Tisna et al. (2020) the theory of legitimacy is used as the basis for the company to meet the community's wishes that can balance the social norms that exist in the company's place in carrying out its operational activities. If the company's operations run smoothly, it will be easier to increase profitability. But, many companies do not implement green accounting even though the company has high profitability.Based on the description above, it is known that green accounting can maintain the company's sustainability from its environmental sector, thus increasing its profitability. Therefore, researchers are motivated to conduct further research. So this study aims to analyze the effect of green accounting on profitability.

Legitimacy Theory

Legitimacy is an interrelated factor between companies and society. The company tries to ensure that its operational activities can run, but still according to the norms that apply in the community. In the perspective of legitimacy theory, the company must provide information by the activities carried out by the company voluntarily if the report is indeed expected by the community (Kuswiratmo, 2016). The theory of legitimacy depends on the contents of the social contract between the company and the community, which is a must that the company must continue to operate (Mardiyanto, 2009). The social contract is related to the provisions that are the community's expectations regarding how the company runs its business properly. Social expectations have a dynamic nature according to environmental conditions and over time (Ulum, 2017). Based on this, the company must be responsive and sensitive regarding the environmental impacts caused by the company continuing to operate.

Company Theory

Based on supervision, the company is better off sacrificing short-term profit to increase long-term profitability. Profitability both short and long term is significant for the company. The theory of the company has the primary goal of optimizing company's value by increasing profitability. The company's profitability in the future is a goal that is achieved in the present (Salvatore, 2011).

Green Accounting

According to Cohen and Robbins (2011) green accounting is accounting information related to the indirect costs and benefits of economic activities and their impact on the environment and health consequences of planning as a determinant of company business decisions. According to Ikhsan (2008), the definition of green accounting is based on the desire to prevent, reduce, minimize, to avoid unwanted environmental impacts by the company, this is done by moving from several opportunities, starting from repairs that are considered to be catastrophic.Green accounting has a goal of continuous improvement and environmental control (Hansen and Mowen, 2009). Green accounting that is appropriately applied will improve environmental performance, control costs, use environmentally friendly technology, use and manufacture environmentally friendly products.

Green accounting is beneficial because there are costs for better environmental management, business strategies that pay attention to the environment, calculate production costs more accurately, and finding opportunities to reduce environmental costs. Green accounting has its way of minimizing energy used, conserving resources, reducing environmental health and safety risks, and promoting competitive advantage (Putri et al., 2019). With good green accounting, the company's performance in creating a good environment and preserving the environment will run by the expectations of the community and the environment (Suratno et al. 2006). The Ministry of Environment ranks the company's environmental performance with PROPER. This PROPER will be used to assess whether the company applies green accounting or not.

Profitability

Sartono (2014) argues that profitability is the company's ability to earn profits and manage about sales, total assets and own capital. According to Muslichah and

Bahri (2021:276-277) the analysis of profitability ratios, among others, by proxying Return on Assets (ROA). In this study, the measurement of profitability is proxies by ROA. Because ROA can show the entity's ability to generate net income before tax from total assets, ROA can measure how the entity utilizes its assets to earn profits and the rate of return on investment by using all of its assets. According to Muslichah and Bahri (2021), the ROA ratio can be calculated by formulating:

$$ROA = \frac{Profit\ After\ Tax}{Total\ Assets} \times 100\%$$

Conseptual Framework

The development of green accounting practices has always been an attraction for research. Parties involved in the method of green accounting can realise their concern for the environment around the company. Green accounting becomes an agent of change to improve the company's environmental conditions (Susilo, 2008). In this case, the development of green accounting becomes a collaboration in increasing company profitability in decision-making. Green accounting is measured by its PROPER, and profitability can be measured by its Return on Assets.

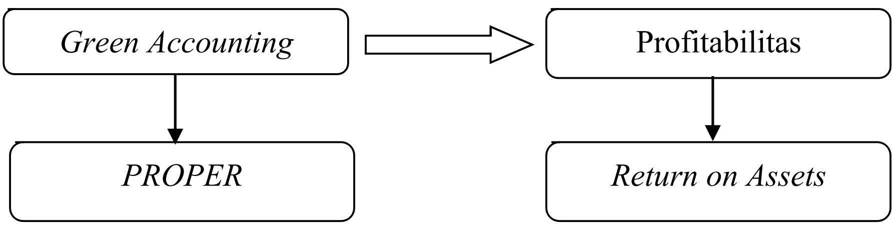

Fig 1. Conseptual Framework

Relationship of *Green Accounting* to Profitability

Green accounting is a company step to improve environmental performance, control costs, invest in environmentally friendly technologies, and promote environmentally friendly products. Green accounting is beneficial because there are costs for better environmental management, business strategies that pay attention to the environment, more accurate calculation of production costs and finding opportunities to reduce environmental costs and increase profitability. According to research results Ezeagba et al. (2017) the company's profitability is influenced by the application of green accounting, an increase in profitability can increase the company's value. Another study by Andries and Stephan (2019) stated that innovation related to environmental performance was developed to respond to public demand and even company size. This can expand the relationship between the work environment and profitability. Research conducted by Wangi & Lestari (2020) states that applying green accounting as measured by proper is having a significant impact on company profitability in manufacturing companies. From this explanation related to the theory and previous research, the hypothesis:

H_1: Green accounting has a significant effect on profitability.

II. METHODS

This research is quantitative data with an explanatory research approach. Explanatory research aims to see how big the relationship and effect of the independent variables on the dependent variable (Ghozali, 2016). Thus, explanatory research explains the relationship between variables to test research hypotheses and present the results obtained on the occurrence of the phenomena discussed in the study. From this explanation, it can be concluded that this type of research describes the effect of the independent variable, namely green accounting, on the dependent variable, namely profitability.

The data in this study is secondary data, which is data obtained through intermediaries. The secondary data is in financial report documents issued by the Indonesia Stock Exchange, namely the Kompas 100 Index company. This study uses annual financial report data on the Kompas 100 Index companies listed on the Indonesia Stock Exchange. The population used in this study is the Kompas 100 Index company listed on the Indonesia Stock Exchange which has published financial statements for the period 2018 to 2020 which contains information about green accounting and profitability through purposive sampling, with the following criteria:

a. Kompas 100 Index Companies listed on the Indonesia Stock Exchange
b. Companies that implement the Company Performance Rating Program (PROPER)
c. Companies that report earnings consistently

So that obtained a sample of 63 companies listed on the Indonesia Stock Exchange. The green accounting variable is measured by environmental performance ratings in PROPER divided into five, namely with a score of 5 gold, 4 green, 3 blue, 2 red, 1 black. In comparison, the profitability variable can be measured based on profitability ratios, namely ROA with a comparison of profit after tax and total assets.The analytical technique used to answer the formulated hypothesis is simple regression, this analysis uses SPSS 22 to see and determine the level of truth of the idea in the level of error. The tests that must be carried out are normality analysis, linearity, significance test and determination test.

III. RESULT AND DISCUSSION

The normality test in this study uses Skewness by deciding if the comparison value between Skewness and Std. Error of Skewness between ± 2 then the data distribution is normal (Priyatno 2012).

Tabel 1. Normality Test

		Profitabilitas
N	Valid	48
	Missing	0
Skewness		.505
Std. Error of Skewness		.343

Kurtosis	.829
Std. Error of Kurtosis	.674

In table 1 above shows, the value of Skewness Profitability is 0.505 and the value of Std. Error of Skewness Profitability is 0.343. The result of 0.505/0.343 = -1.472 because the result of the division is between ± 2 then the data distribution is normal. Next is the linearity test as a requirement before a simple regression analysis is performed.

Tabel 2. Linearity Test

			Sum of Squares	df	Mean Square	F	Sig.
Profitabilitas * *Green accounting*	Between Groups	(Combined)	.044	2	.022	3.279	.047
		Linearity	.043	1	.043	6.432	.015
		Deviation from Linearity	.001	1	.001	.125	.725

The basis for decision making in the linearity test is: If the deviation from linearity or probability value is > 0.05, then the relationship between the green accounting variable and profitability is linear. If the probability value is < 0.05 then the relationship between the green accounting variable and profitability is not linear. Based on the analysis results show that the probability value > 0.725, it can be concluded that there is a linear relationship between variables. Next is the F test to see whether or not the green accounting variable has a significant effect on profitability.

Tabel 3. Test the significance of the effect of green accounting to profitability

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.043	1	.043	6.557	.014[b]
	Residual	.304	46	.007		
	Total	.347	47			

Based on table 3 shows the value of Sig. = 0.014 which means < significant (0.05), this result implies that green accounting has a significant effect on profitability at the Kompas 100 index company.

Tabel 4. Test of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.353[a]	.125	.106	.08125

Determination test to see how much influence the green accounting variable has on profitability. The analysis results show that the correlation value is 0.353 and the R Square value or coefficient of determination is 0.125. This means that 12.5% of the profitability of the Kompas 100 index company is influenced by green accounting issued by the company, while other factors outside of green accounting influence the remaining 87.5%.The hypothesis test, shows that the green accounting variable has a significant effect on profitability. This is because the significance (0.014) < 0.05. This provides information that the green accounting applied in the Kompas100 Index company has a positive impact on increasing the company's profitability. In other words, the better the disclosure of green accounting, the higher the profitability of the

Kompas100 Index company. The results of this study are also supported by the research of Putri et al., (2019) which explains that green accounting has a significant effect on profitability.In addition, there is a significant effect between green accounting disclosures and profitability because companies disclose good things related to green accounting disclosure information.

Research conducted by Lindrianasari (2004) explains that companies are still lacking in contributing to preserving the environment. This can also be seen from the results of this study out of 100 companies on the Kompas Index, there are only 24 companies that consistently provide information related to green accounting disclosures. It is essential to audit the company's compliance to prove that companies that have good news are willing to openly provide information to the public related to the application of green accounting.This agrees with research by Gunawan (2003), companies that apply green accounting will get many benefits. One of the advantages is that the company meets social needs and higher self-disclosure, increasing public trust in the company which is offset by an increase in the company's image in the public’s eyes. With these profits, the products sold by the company will get a good image so that people tend to use these products. Thus, the company's sales increase and directly or indirectly impact the company's profitability.The company hopes to gain social legitimacy, then the company maximizes its finances to obtain long-term profitability by implementing green accounting (Kiroyan 2006). The capital market requires information on the company's financial statements because it has crucial role both for individual investors and the market. This information is the basis for investors to make investment decisions, while the market uses the data to reach a new equilibrium price. Investor confidence in the company’s quality will affect the decision making of investors to invest more capital. The more shares are the determinants of increasing profitability.

IV. CONCLUSION

This study was conducted to determine whether there is an effect of green accounting on profitability. The test results with simple regression, show that green accounting has a significant impact on profitability at the Kompas 100 index company, meaning that green accounting has a positive impact on increasing company profits. But in reality, there are still many companies that do not provide information related to green accounting. It is hoped that further researchers will increase the observation period to increase the data obtained more. This can improve the distribution of better data, researchers can also complete indicators for green accounting not only using the PROPER assessment results but also using ISO 140001 so that the results obtained are more comprehensive, relevant it is hoped that further research will add to research variables such as financial performance, liquidity, company size, and investment categories such as foreign investment and domestic investment. Companies that are foreign investment are seen as more understanding and concerned about the company's responsibility to the environment caused by the company's activities compared to companies in the domestic investment category and are considered to be more indifferent regarding the impact on the environment related to the company's activities or activities.

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