GREEN ACCOUNTING PRACTICES IN DEVELOPING AND DEVELOPED COUNTRIES

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ABSTRACT

Environmental pollution has now reached an alarming level. The impacts that occur on the environment, such as water, land and air pollution, are negative impacts caused by one of the activities of companies that compete to seek the highest possible profit without paying attention to the impact on the environment. To preserve the environment, of course accounting plays a role based on voluntary disclosure in its financial reports regarding environmental costs. The important role of green accounting in helping companies move towards a more sustainable direction economically, socially and environmentally. This research uses a qualitative approach with a cross country comparative research design. The results of this research show that Europe has implemented CSR (Corporate Social Responsibility) focusing on the company's impact on the environment. Meanwhile, developing countries have not yet fully implemented green accounting practices which have a significant positive impact on company value and performance. Thus, implementing green accounting practices is not only a company's responsibility towards the environment, but is also an important strategy in achieving long term growth and success.

Keywords: Green Accounting, developed countries, developing country

INTRODUCTION

The growth of the industrial world is increasingly rising every day, the problems related to the environment are also developing due to industrial behavior that does not consider the environmental impact caused by industrial activities such as water, soil, air pollution, and the occurrence of social inequality. With the existence of this green accounting concept, it can address social environmental issues if applied well by the industry. Research by Cohen and Robbins in (Wara, 2023) states that green accounting is the process of collecting, analyzing, estimating, and preparing environmental and financial data reports of an industry as an effort to reduce environmental impact and costs. This environmental accounting concept focuses more on several aspects of government policy as best as possible. Consequently, environmental accounting itself becomes an important aspect in the green business concept and for developing a responsible economy.

Society is beginning to realize how important environmental sustainability is for the survival of humanity in the future. Environmental pollution that has now reached a worrying stage. The impacts that occur on the environment such as water, soil pollution, and air pollution are negative impacts caused by one of the activities of companies competing to seek the highest profit without considering the impact on the environment. However, industrial development also actually has positive impacts, such as absorbing labor, increasing economic productivity, and can become an asset for national and regional development. However, the reality is that for decades, business practices and corporate industry in Indonesia tend to have no response to environmental concerns. Communities that have been poor from the beginning remain poor, even becoming poorer because they incur additional costs for health due to their living environment being polluted by waste from corporate activities (Sari, 2019).

Even developed countries such as those in Europe and Japan have rapidly developed attention to environmental issues both in theory and practice. This is evidenced by the numerous regulations related to this environment. In Indonesia, the government has begun to encourage industries to implement green industry practices since 2010. One form of the government's efforts is to provide awards to industries that implement green industry practices. The increase in the number of industries voluntarily participating in the government's green industry assessment has occurred year by year. From 2010 to 2014, a total of 160 companies participated in the green industry assessment, which is quite encouraging, but when compared to the total number of industries recorded in Indonesia, which is 23,370, this number is still small. The low awareness of industries in implementing green industry through green accounting is because, if viewed in general, it is like two sides of a coin; on one side, it will bring benefits to the industry, but on the other hand, it seems to create potential increases in costs, through environmental costs. This is what makes not many companies implement green accounting. In fact, if we analyze deeper, in the longer term, the implementation of green accounting will be very beneficial for all parties, both entrepreneurs, consumers, and other stakeholders (Sunarmin, 2020).

In the era of corporate movement towards a green company, the industry is certainly not only required to process waste, but is demanded by consumers to go further. Starting from the production process of processing raw materials to the disposal of the product after use. To preserve the environment, accounting certainly plays a role based on voluntary disclosure in its financial reports regarding environmental costs. In the accounting system, there are accounts related to these environmental costs, which are referred to as green accounting. Within the company, the role of green accounting can motivate managers to reduce the environmental costs incurred and can influence decisions that become the basis for the existence of the company in the future (Ginting, 2022).

In relation to environmental phenomena, there is also much debate in the latest business and accounting literature about the role of accountants in managing the environment. Unfortunately, there is little literature on green accounting in developing and developed countries published in Indonesia that addresses these interests. Therefore, the researcher raises the title "Green Accounting Practices in Developing and Developed Countries".

RESEARCH METHOD

This research uses a qualitative approach with a cross-country comparative research design. Data will be collected from various sources and analyzed to understand whether the truth of green accounting can support profit increases without damaging ecosystems and the environment in developed and developing countries. The data sources are articles in journals downloaded from Sinta Journal. This research compares green accounting practices in developing countries including Indonesia, China, India, Ghana, Mexico, South Africa, and developed countries in Europe namely Finland, Denmark, Norway, Russia, and Germany. The variables compared are in terms of ESG (Environmental, Social, and Governance) reporting, non-financial reporting, integrated reporting, and CSR (Corporate Social Responsibility) disclosure.

RESULTS

Green Accounting in Developed Countries

The tradition of European accounting has always recognized the social aspect of accounting information, with a complex understanding of the role of accounting in the market. Skepticism towards insights from capital market research has led to the development of a distinctive European tradition that incorporates ideas from sociology, ecology, and other disciplines to study accounting within institutional, social, and environmental contexts. With this background, the idea that accounting is a 'fluid and emerging art' that has a 'tendency to become what it was before' supports exploration and experimentation with the environment in the context of accounting change. Capital market research describes CSR and carbon disclosures, integrated and non-financial reporting, or assurance as observable and unproblematic realities, even though the meaning of these terms is often unclear.

On the contrary, considering the application of accounting will require a more conceptual and contextual investigation into the categories emerging in environmental accounting (viewing it as an evolving practice). Rather than ambitiously trying to capture diversity and complexity into a tailored type (e.g., integrated reporting), studying accounting in action requires examining how environmental accounting practices are constructed and what functions they perform.

Sustainability assurance consistently attracts research attention, and studies have found varying evidence regarding its usefulness in enhancing the credibility of the information in this study as well as in other studies. However, the main challenge is the question of whether and how sustainability information can be assured. O'Dwyer (2011) studied the assurance actions, providing insights into the changing landscape of these activities and the different approaches of two competing professional groups that aspire to become assurance providers.

The literature reviewed in this article uses various terms to describe the field that is the focus of this article: ESG (Environmental, Social, and Governance) reporting, nonfinancial reporting, integrated reporting, and CSR (Corporate Social Responsibility) disclosure. However, the conceptual specificity of these terms is rarely considered explicitly, and the clarity regarding the meaning of each term in relation to the others seems difficult to comprehend.

Green Accounting in Developing Countries

Indonesia has issued legislation that supports the implementation of sustainable development. Some of these include Law No. 23 of 1997 concerning Environmental Management, replacing Law No. 4 of 1982 concerning basic provisions for Environmental Management. The new 1999 Forestry Law stipulates that if a fire occurs within plantation areas, the responsibility falls on the holder of the plantation forest concession. Indonesia has also issued government regulations prohibiting the practice of burning to clear land. To address forest fires and cross-border haze pollution, Indonesia prioritizes prevention.

Realizing the importance of the green economy, during a Working Meeting held at the Tampak Siring Palace in Bali from April 19-21, 2010, President of the Republic of Indonesia Susilo Bambang Yudhoyono emphasized 10 directives to encourage national economic development for the 2010-2014 period. The directive known as the Tampak Siring Declaration is rich in the spirit of sustainable development, characterized by the "triple bottom line" philosophy in the upcoming five-year development. However, the declaration has so far lacked strong political support (from the parliament). This is due to the significant potential for regime change in Indonesia, while the directive has a relatively short timeframe and still needs to be followed up with provisions, regulations, or instructions.

DISCUSSION

This discussion aims to present and detail the findings of the analysis regarding the truth of green accounting can support profit increases without damaging ecosystems and the environment in developed and developing countries. Our main focus is to understand the general patterns and significant differences that may influence the differences in the implementation of green accounting in both countries.

Green Accounting in Developed Countries

Concerns about the natural environment and human development in the biosphere rely on the application of all these concepts, albeit in different ways. For example, integrated reporting and ESG (Environmental, Social, and Governance) emphasize how these concerns can impact the value of investors' assets (which is then known as financial materiality), whereas non- financial reporting, sustainability, and CSR (Corporate Social Responsibility) often focus more on the company's impact on the environment.

Various aspects that challenge or facilitate the sustainability of socio-economic systems (materiality of impact). This is a different perspective, yet it is rarely treated as such in the literature. Deepening the understanding of what is being done under which label will enhance job resilience in this field. Exploring, for example, how organizational actors, insurance professionals, and financial market participants conceptualize, strives to assess, and subsequently attempts to utilize information regarding various forms of impacts that may be useful in this context.

Indeed, it is true that in the face of the proliferation of synonyms, one possible reaction is to focus on the practices where these concepts are manifested. In this case, accounting is manifested in the processes of identification, quantification, aggregation, visualization, and problematization. Studies on the application of accounting can, for example, explore the obstacles faced in efforts to integrate ESG (Environmental, Social, and Governance) provisions into financial accounting, thereby raising doubts about specific claims made by the financial industry and demanding (for example) critical interrogation of the operationalization of the taxonomy established by the EU Action Plan on Sustainable Finance. In this regard, despite the importance of financial markets, perspectives that focus on financial materiality (for example, ESG (Environmental, Social, and Governance) and integrated reporting) can lead to premature resolutions of environmental issues, providing a false sense of security in an inherently uncertain environment. With the increasing importance of environmental quantification and efforts to integrate this information, there are significant opportunities to investigate the application of accounting: the direction that is the goal of the research by Antheaume (2004) and Hall and Millo (2018) provides valuable insights. In the European context, we emphasize the importance of studying the interaction between accounting and public policy, as well as many other functions found in environmental accounting.

Studies can also explain how different knowledge is mobilized in accounting actions. Financial accounting and sustainability are often depicted as separate and mutually exclusive practices. However, case studies illustrate a more complex situation, where sustainability managers only use financial figures, and hybrid constructions are associated with meaning within organizations. Whether environmental accounting is the domain of accountants or sustainability managers is also a long-standing and unresolved question, and the differences between these groups are considered important (Bebbington et al., 2023).

Green Accounting in Developing Countries

The state of green accounting practices that influence economic value added in companies listed on the stock exchange indicates that there are still many sectors of companies that have not yet implemented green accounting practices. Meanwhile, the energy consumption activities used have a negative impact, meaning that the increase in energy consumption can decrease the economic value added of the company. The conclusion drawn is that the green accounting practices applied can provide an improvement in the financial performance of the company through the measurement of economic value added.

Green accounting includes the costs of environmental conservation related to the company's operational activities, and the reporting of environmental information presented is done on a voluntary basis. Largescale companies tend to report more comprehensively compared to medium-scale companies. Thus, the varying cost aspects of each business are important to include in decision-making because they affect the reporting of environmental information. There must be support from the government in the form of regulations and awareness from the community or business actors to implement green accounting. In addition, the presence of cultural teachings that reinforce the implementation of green accounting creates a shared responsibility that fosters environmental awareness through green accounting.

Developing countries have not yet fully implemented green accounting practices, which have a significantly positive impact on the value and performance of companies. Similarly, the effective implementation of green accounting can enhance the company's ability to achieve sustainable economic growth. In addition, the disclosure of sustainability and social responsibility information has also been proven to have a positive impact on the company's reputation in the eyes of stakeholders, which in turn can strengthen the company's value. The importance of the role of green accounting in helping companies move towards a more sustainable direction economically, socially, and environmentally. Thus, the implementation of green accounting practices is not only a corporate responsibility towards the environment but also an important strategy in achieving long term growth and success (Zahran, 2024).

CONCLUSION, LIMITATION, SUGGESTION

The European accounting tradition brings ideas from sociology, ecology, and other disciplines to study accounting in the context of institutions, society, and the environment. With this background, the idea that accounting is an 'emergent and evolving art' has a 'tendency to become what was previously', supporting exploration and experimentation with the environment in the context of accounting changes. This research finds different evidence regarding its usefulness in enhancing the credibility of information. ESG reporting (Environmental, Social, and Governance), non-financial reporting, integrated reporting, and CSR disclosure (Corporate Social Responsibility). CSR (Corporate Social Responsibility) often focuses more on the impact of companies on the environment. Various aspects that challenge or facilitate the sustainability of socio-economic systems (materiality of impact). Deepening the understanding of enhancing worker resilience in this field. Exploring organizational actors, insurance professionals, and financial market players conceptualize, attempt to assess, and further try to use information regarding various forms of impact may be useful in this context.

Developing countries have not fully implemented green accounting practices that have a significant positive impact on the value and performance of companies. Likewise, the effective implementation of green accounting can enhance the ability of companies to achieve sustainable economic growth. In addition, the disclosure of sustainability information and social responsibility has also proven to have a positive impact on the reputation of companies in the eyes of stakeholders, which in turn can strengthen the value of the company. The importance of the role of green accounting in helping companies move towards a more sustainable direction economically, socially, and environmentally. Thus, the implementation of green accounting practices is not only a corporate responsibility towards the environment but also an important strategy in achieving growth and long-term success.

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