

GREEN ACCOUNTING, ENVIRONMENTAL PERFORMANCE, AND PROFITABILITY: EMPIRICAL EVIDENCE ON HIGH PROFILE INDUSTRY IN INDONESIA

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ABSTRACT

This study aims to determine the effect of green accounting and environmental performance on the profitability of high-profile industry companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2021 period. The company's activities have a significant impact on the environment. A series of actions are needed to prevent further damage. On the other hand, financial aspects must also be considered when companies carry out social and environmental responsibilities to maintain sustainability. The independent variables of this study are green accounting and environmental performance; the dependent variable is profitability. This study also uses a control variable, namely firm size. The population of this study is high-profile industry companies listed on the IDX in 2017-2021. Samples were taken using the purposive sampling method. The number of samples in this study was 69 companies with a total of 255 observation data. The data analysis technique used is a multiple linear regression test with SPSS 25 program. The results of this study are that green accounting does not affect profitability, the environmental performance has a positive effect on profitability, and firm size has a negative effect on profitability.

INTRODUCTION

The world is experiencing various environmental problems, one of which is the increase in the earth's temperature caused by increasing greenhouse gas emissions (Robinson, 2022). Greenhouse gas emissions are the result of various human activities. The energy sector was the most significant contributor to global greenhouse gas emissions in 2016, with 73.2% of the total emissions of 49.4 billion tons of CO₂ (Ritchie, 2020). The energy sector includes energy use in industry, transportation, and buildings. The agriculture, forestry, and land use sectors are the second largest contributor to greenhouse gas emissions after the energy sector, with a percentage of 18.4%.

Greenhouse gas emissions in Indonesia have increased by 157% from 1990 to 2018 and are projected to continue to increase (Climate Transparency, 2021). Given the large enough impact, it is necessary to carry out activities to prevent climate change. In this regard, the Indonesian government has established a regulation, Law Number 32 of 2009, concerning Environmental Protection and Management. The law explains that every activity or business must manage and preserve the environment and disclose it appropriately and transparently. The government also requires public companies to publish sustainability reports containing financial, economic, social, and environmental performance as stated in the

Financial Services Authority Regulation Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. Companies should pay more attention to environmental aspects by enhancing environmental performance due to the growing significance of these considerations to the government and other stakeholders (Kalash, 2021). Companies must be environmentally and socially responsible due to their operational activities that affect their surroundings. Social responsibility refers to endeavors to support an organization's commitment to sustainable development and charitable work (Widianingsih, Triyuwono, Djamhuri & Rosidi, 2022). Sustainability goals can only be achieved through the participation of the whole community in government policies (Arifianti & Widianingsih, 2022).

The existence of high awareness of sustainability has changed people's views and given rise to new ideas for overcoming problems. Elkington (1997), with the triple bottom line concept, explained that companies must pay attention to the welfare of society (people) and the environment (planet), not only emphasizing increasing financial profits (profit). This concept is the basis for companies to set sustainability goals and generate profits (Wardhani, Widianingsih & Karundeng, 2021). The triple bottom line concept has now been developed into a 5P concept, as stated in the 2030 Agenda for Sustainable Development (Sustainable Development Goals). The Indonesia Climate Change Trust Fund (2021) reveals that the 5P concept consists of 5 interrelated components, namely human (people), earth (planet), prosperity (prosperity), peace (peace), and partnership (partnership). Increased attention to economic, social, and environmental aspects demands adjustments in various fields, including accounting. Green accounting is seen as a form of adaptation of accounting science to social and environmental demands to deal with crises. Green accounting emphasizes reporting on

environmental-related transactions as part of company reports (Lako, in Lestari, Nadira, Nurleli, & Helliana, 2019). Green accounting motivates companies to make management decisions by considering its effects on the environment so that companies can have a better management system by fulfilling stakeholders' interests (Carandang & Ferrer, 2020).

This study discusses the effect of green accounting and environmental performance on profitability. Green accounting and environmental performance were chosen as independent variables because these two variables relate to the company's environmental aspects from different perspectives. The green accounting variable looks at the costs incurred by the company to maintain environmental sustainability. The disclosure of environmental costs in the financial statements measures green accounting in this study. The environmental performance variable describes the company's compliance with environmental management regulations as measured by the company's rating in the Company Performance Rating Program in Environmental Management (PROPER). Based on the Regulation of the Minister of Environment and Forestry of the Republic of Indonesia Number 1 of 2021 concerning the Company Performance Rating Program in Environmental Management, PROPER is a government policy to assess the performance of companies in managing the environment. This study uses control variables to reduce bias and make research results consistent. The control variable used in this study is the company's size, which describes the size of the company as seen from its total assets. The dependent variable in this study is profitability. Profitability is an aspect that the company considers when deciding to carry out environmental management activities. Profitability in this study is measured by the ratio of return on assets (ROA). ROA is a profitability ratio used to determine the company's financial performance (Permatasari & Widianingsih, 2020). ROA is also an indicator often used in

previous studies to measure the profitability of high-profile industrial companies such as mining, manufacturing, elemental and chemical industries, and food and beverages.

The object of research used in this study is a high-profile industrial company. According to Roberts (1992), high-profile industry companies have consumer visibility, high political risk, and fierce business competition. High-profile industry companies were chosen as objects in this study because the company's operational activities have a higher impact on the environment and society (Hackston & Milne, 1996). The activities of high-profile industrial companies significantly influence the environment; therefore, these companies also have a responsibility to maintain the environmental sustainability.

Research conducted by Nisa, Malikah, and Anwar (2020) found that green accounting significantly affects the profitability of mining companies as measured by ROA. Putri, Hidayati, and Amin (2019) also found similar results that green accounting affects the profitability of manufacturing companies. Both studies also prove that environmental performance affects profitability. Different results were shown in several other studies. Research conducted by Angelina and Nursasi (2021) did not find the effect of green accounting and environmental performance on the profitability of manufacturing companies in the primary and chemical industry sectors. Murniati and Sovita (2021) revealed that environmental performance has no effect on ROA and environmental disclosure has a negative effect on ROA.

Based on the description that has been proposed, researchers are interested in examining the effect of green accounting and environmental performance on company profitability. This study aims to (1) determine the effect of green accounting on profitability and (2) determine the effect of environmental performance on profitability.

LITERATURE REVIEW

Stakeholder Theory

According to Freeman (2015), stakeholder theory is a series of suggestions stating that company management is responsible for acting in the stakeholders' interests. Firms may also have obligations beyond traditional economic theory. One of the cornerstones of this theory is the ecological principle, which says that companies should act with a concern for the environment.

Clarkson (1995) defines a stakeholder as a person or group with a right or interest in a company's past, present, and future activities. Stakeholders are divided into two, namely primary stakeholders and secondary stakeholders. Primary stakeholders are parties who contribute sustainably to the sustainability of the company. Primary stakeholders include employees, suppliers, customers, investors, and the government. Secondary stakeholders are parties who have a relationship with the company but do not hold an important position in the sustainability of the company. Secondary stakeholders consist of the mass media and specific interest groups.

Legitimacy Theory

Legitimacy is the result of validation carried out by an organization as well as actions taken by other organizations that affect norms and values (Dowling & Pfeffer, 1975). Legitimacy is important for analyzing the relationship between the company and the environment, as well as being a limit to the company's actions. Companies that have regulations also have a dependence on acceptance by the environment. Therefore, the company will carry out legitimacy to bridge its activities with the environment to maintain sustainability.

According to Suchman (1995), legitimacy is a general perception that views a company's activities in accordance with the norms, values, and beliefs built by society. Legitimacy theory states that corporate responsibility to the environment

means that the company is willing to take the desired action by expecting a guarantee for the company's sustainability (Reverte, 2009). Environmental performance and disclosure prove that the company has complied with applicable norms and can increase public trust and maintain company continuity (Murniati & Sovita, 2021).

Profitability

Financial performance is the company's performance in the financial statements, which is reflected in its ability to meet targets. Good financial performance is one thing that encourages investors to invest in companies (Putra & Wirawati, 2020). This financial performance can be done through financial information contained in the company's financial statements (Kurniawandi, 2021). Financial ratios are tools to assess and evaluate the company's financial conditions and achievements (Rosaline & Wuryani, 2020).

Profitability comes from the word "profit," which means earnings or gain. The profitability ratio measures the company's ability to generate profits from its operational activities (Weygandt, Kimmel, & Kieso, 2015). The profitability ratio used in this study is ROA. ROA shows the comparison between company profits and assets owned. The more significant ROA number indicates that the company has a good and efficient ability to manage assets to support its operational activities, while a low ROA number indicates that the company has unproductive assets (Setyoningrum, 2020).

Green Accounting

Green accounting is a company disclosure regarding the recognition, recording, and reporting of environmental activities to make decisions by report users (Lako in Lestari et al., 2019). Hernádi (2012) also defines green accounting as environmental accounting that connects financial and environmental aspects, emphasizing analyzing company activities that cause environmental changes and

reporting them to related parties. Bebbington (1997) says that environmental accounting has been studied since the 1970s as part of the broader scope of social accounting. Green accounting is necessary for creating sustainability, but its implementation can also provide challenges for companies.

Disclosure of environmental costs is reporting on costs generated as a form of company participation in environmental management (Tunggal & Fachrurrozie, 2014). Disclosure of environmental costs is also in line with Article 66, paragraph 6 of Law no. 40 of 2007 concerning Limited Liability Companies, that companies are also required to report CSR activities in their annual reports. Environmental costs include the cost of environmental facilities, the cost of recycling waste, and the cost of research and development of materials (Handayani, in Kusumaningtias, 2013).

Environmental Performance

Environmental performance shows the company's efforts to preserve the environment (Rosaline & Wuryani, 2020). According to Hernádi (2012), environmental performance is a fundamental thing that companies need to minimize their environmental impact. Companies limiting negative environmental impact will result in good environmental performance (Chasbiandani et al., 2019). Environmental performance can be said to be an action to combine attention to the environment in the company's operating activities and interactions with stakeholders that exceed the company's organizational responsibilities (Widianto & Sari, 2020). The company's environmental performance level can be seen from its rating on PROPER. PROPER, as stipulated in the Regulation of the Minister of Environment and Forestry of the Republic of Indonesia Number 1 of 2021, is a program that assesses the company's efforts in environmental management. The PROPER rating is classified based on the level of environmental management into five colors: gold, green, blue, red, and black.

A gold rating is given to companies that have demonstrated excellence in environmental management, while a black rating is given to companies that do not take care of the environment. The PROPER rating is assessed based on two criteria: compliance with regulations and other activities that exceed the required compliance (beyond compliance) and regulations relating to water pollution, air pollution, waste management, and land damage control. Activities that exceed the required compliance include applying environmental management, including environmental management systems, community empowerment, social innovation, and so on.

Company Size

Company size shows the condition of the company and groups the size of the company based on the number of assets, the number of sales, the number of employees, and so on (Puspitaningrum & Indriani, 2021). The size of the company is related to its profitability. The larger the company, the greater the number of assets owned, and the higher the profit that can be generated from these assets (Brigham & Houston, in Lorenza, Kadir, & Sjaruddin, 2020). Large companies have lower business risk than small companies because large companies have easier access to the capital market to obtain funds that can be used for business development and increased profits (Sukmayanti & Triaryati, 2019).

Effect of Green Accounting on Profitability

The implementation of green accounting by companies can improve the company's reputation and public trust. Environmental disclosure will enhance the company's image and encourage consumers to use the company's products or investors to invest. A good company is a company that can balance its profitability with responsibility towards society and the environment. Research by Chasbiandani et al. (2019) proved that disclosure of environmental costs positively affects

profitability. These results are also supported by the research of Ningtyas and Triyanto (2019) and Nisa et al. (2020). Based on this explanation, the hypothesis in this study is:

H₁: Green accounting has a positive effect on profitability

Effect of Environmental Performance on Profitability

Environmental performance is a form of company legitimacy to be accepted in society. The better the company's efforts to manage the environment, the better its reputation. Companies whose activities impact the environment will show a good image to stakeholders, so the company's profitability will also increase. Rosaline and Wuryani's research (2020) proves that environmental performance positively affects profitability. Similar results were proven in the research by Putri et al. (2019). The positive influence between environmental performance and profitability was also found in Tahu's research (2019) which revealed that good company environmental performance would increase investor interest in investing and public interest in buying company products so that company profitability increases. Based on this explanation, the hypothesis in this study is:

H₂: Environmental performance has a positive effect on profitability

Conceptual Framework

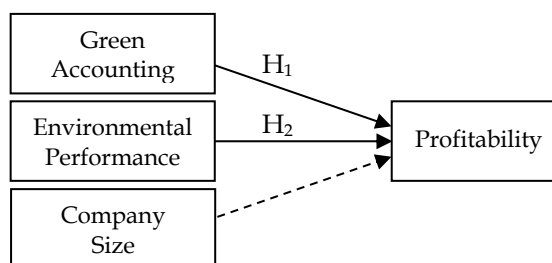


Figure 1. Research Model

RESEARCH METHOD

This research uses quantitative or other data that can be quantified and then processed statistically (Yusuf, 2016).

Quantitative data in this study are ROA data and company size, while data on green accounting and environmental performance variables are quantified data.

The population used in this study are companies classified as high-profile industries listed on the IDX for the 2017-2021 period. Sampling in this study was conducted by non-probability sampling using the purposive sampling method. Purposive sampling is a sampling method based on specific criteria (Hartono, 2018). The criteria for selecting the sample in this study include the following:

1. High-profile industry companies listed on the Indonesia Stock Exchange for 2017-2021.
2. PROPER participants in 2017-2021.
3. Companies that issue annual and financial reports for 2017-2021.
4. Companies that do not experience losses during 2017-2021.

Based on these criteria, the sample companies in this study amounted to 69 companies. The number of observational data in this study is 255 data.

Green accounting is measured by indicators of environmental cost components in financial statements using a dummy variable. Companies that report environmental costs are assigned a score of 1, while companies that do not are assigned a score of 0.

Company rating indicators measure environmental performance in PROPER. The PROPER rating is categorized into five colors: gold, green, blue, red, and black. A gold rating is given to companies with good environmental performance, while a black rating is given to companies with poor environmental performance.

The value of the company according to its PROPER rating is as follows:

Gold	= 5
Green	= 4
Blue	= 3
Red	= 2
Black	= 1

The ROA indicator measures profitability. The higher the ROA, the better the company can manage assets to generate profits. The following formula measures ROA:

$$ROA = \frac{Net\ Income}{Total\ Assets} \times 100\%$$

The total asset measures company size. The greater the total amount of assets, the larger the company's size.

The following formula measures company size:

$$Company\ Size = \ln(Total\ Assets)$$

Observational data were processed using the SPSS 25 program. The analytical procedures used in this study were descriptive statistical analysis, classical assumption test, multiple linear regression analysis, and hypothesis testing.

The regression equation of this study is as follows:

$$Y = \alpha + \beta_1 \cdot x_1 + \beta_2 \cdot x_2 + \beta_3 \cdot x_3 + e$$

Y	= Dependent variable (profitability)
α	= Constant
$\beta_1, \beta_2, \beta_3$	= Regression coefficient
x_1	= Independent variable (green accounting)
x_2	= Independent variable (environmental performance)
x_3	= Control variable (company size)
E	= Error term

RESULT AND DISCUSSION

Descriptive Statistics

The green accounting variable has the lowest value of 0, the highest value of 1, an average of 0.11, and a standard deviation of 0.308. The environmental performance variable has the lowest value of 2, the highest value of 5, an average of 3.07, and a standard deviation of 0.476. The firm size variable has the lowest value of 26,790, the highest value of 32.485, an average of 29,722, and a standard deviation of 1.441. The profitability variable has the lowest value of 0.001, the highest value of 0.527, an average of 0.069, and a standard deviation of 0.069.

Table 1.
Descriptive Statistics Output

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Green Accounting	255	0	1	.11	.308
Environmental Performance	255	2	5	3.07	.476
Company Size	255	26.790	32.485	29.72171	1.441313
Profitability	255	.001	.527	.06856	.08722
Valid N (listwise)	255				

Classic Assumption Test

The normality test is the initial stage of analysis that aims to filter the data by observing the distribution of the residual values of the tested data (Ghozali, 2018). The residual value is said to be normally distributed if the significance value is more significant than 0.05. The significance value of the normality test carried out is 0.063. This number is more significant than 0.05, so it can be said that the residual data in this study are typically distributed.

The multicollinearity test was conducted to determine whether there was a relationship between the independent variables in the regression model (Ghozali, 2018). The multicollinearity test examined tolerance and variance inflation factor (VIF) values. Multicollinearity does not occur if the tolerance value is more than 0.10 and the VIF value is less than 10. The tolerance and VIF values for green accounting variables are 0.804 and 1.243, for environmental performance variables are 0.699 and 1.431, and for firm size, variables are 0.799 and 1.251. The tolerance value of these variables is greater than 0.01, and the VIF value is less than 10, so it can be said that there is no multicollinearity or relationship between independent variables in this study.

The heteroscedasticity test tests the inequality of variance on the residuals of one observation with another (Ghozali, 2018). Spearman's test carried out the heteroscedasticity test. A significance value of more than 0.05 indicates that the study does not have symptoms of heteroscedasticity. The significance value for the green accounting variable is 0.991. The significance value for the

environmental performance variable is 0.476. The significance value for the firm size variable is 0.489. The significance value of these variables is greater than 0.05, so it can be said that there is no heteroscedasticity or variance inequality in this study.

Multiple Linear Regression Analysis

Regression analysis aims to determine the relationship between the dependent and independent variables and predict the average dependent variable from the independent variable owned (Gujarati, in Ghozali, 2018). Based on the value of B in the table, the regression equation of this study becomes:

$$Y = 0,991 - 0,022x_1 + 0,044x_2 - 0,009x_3 + e$$

A positive constant indicates that the effect of green accounting, environmental performance, and firm size on profitability is unidirectional. The negative regression coefficient of the green accounting variable indicates that the effect of green accounting on profitability is not unidirectional, which means an increase in the green accounting variable will result in a decrease in the profitability variable. The positive environmental performance variable's regression coefficient indicates that environmental performance's effect on profitability is unidirectional, which means an increase in the environmental performance variable will increase the profitability variable. The regression coefficient of the negative company size variable indicates that the effect of company size on profitability is not unidirectional, which means that an increase in the company size variable will result in a decrease in the profitability variable.

Table 2.
Multiple Regression Analysis Output

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.203	.089		2.272	.024
Green Accounting	-.022	.015	-.097	-1.416	.158
Environmental Performance	.044	.011	.303	4.116	.000
Company Size	-.099	.003	-.188	-2.764	.006

a. Dependent Variable: Profitability

Hypothesis Test

The coefficient of determination is used to see the effect of the independent variable on the dependent variable. The coefficient of determination can be seen from the adjusted R square (R^2) value. Adjusted R^2 shows the percentage of the effect of the independent variable on the dependent variable. The adjusted R square value of 0.058 means that the effect of green accounting, environmental performance, and company size on profitability is 5.8%. The remaining 94.2% means that profitability is influenced by other variables not examined in this study.

The F-test was carried out to measure the feasibility of the regression model (goodness of fit) by testing the hypothesis together (Ghozali, 2018). The calculated F value obtained is 6.239, while the F table value is 2.641. The significance value is 0.000. The calculated F value is greater than the table F value, and the significance value is less than 0.05, so it can be concluded that the research model used is appropriate to describe the relationship between green accounting, environmental performance, and company size on profitability.

The t-test was conducted to determine the effect of each independent variable individually on the dependent variable (Ghozali, 2018). The green accounting variable has a t-value of -1.416 and a significance value of 0.158. The significance value is greater than 0.05. It can be said that green accounting does not affect profitability. The environmental performance variable has a t-count value of 4.116 and a significance value of 0.000. The t value is positive, and the significance value is less than 0.05. It can be said that environmental performance has a positive effect on profitability. The firm size variable has a t-count value of -2.764 and a significance value of 0.006. The t-count is negative, and the significance value is less than 0.05, so it can be said that firm size has a negative effect on profitability.

Discussion

The first hypothesis of this study is that green accounting has a positive effect on profitability. The results of hypothesis testing indicate that green accounting does not affect profitability, which means H1 is rejected. This study proves that reporting environmental costs in financial statements does not affect the size of the company's ROA.

These results are compatible with Angelina and Nursasi (2021) research in the research method, the characteristics of the research object used, and the results. The object of the research is a manufacturing company in the primary and chemical industry sectors. This result is incompatible with the research of Nisa et al. (2020), which states that green accounting positively affects company profitability. This research uses the same methods and characteristics of the research object as Angelina and Nursasi's (2021), but this study uses mining companies as research objects. The similarity of the characteristics of the research object showed different results in previous studies. This study uses the exact characteristics of the research object as the two previous studies but with an expanded sector. The results of this study are generalizations from several sectors studied with the same characteristics, and it is found that green accounting does not affect profitability.

This result also occurs because most companies do not report environmental costs. The average value of green accounting shows the number 0.11. This figure means that the companies studied do not report environmental costs in the financial statements. Furthermore, Angelina and Nursasi (2021) revealed that reporting environmental costs is voluntary, meaning that companies are not required to report environmental costs in financial statements. This result is also supported by the explanation of the Indonesian Institute of Accountants (2014) contained in the Statement of Financial Accounting Standards (PSAK) 1, which says that several companies that are closely related to the

environment also present reports on the environment that are separate from the financial statements. Such environmental reporting is not regulated by Financial Accounting Standards (SAK). The absence of accounting standards for green accounting is why companies, especially those studied, do not report environmental costs, so this study does not find any effect of green accounting on profitability.

It is important for company stakeholders to know about environmental costs to show that companies still pay attention to the environment in their operational activities, but many companies still do not report these environmental costs. This result contradicts stakeholder theory, which states that companies are responsible for carrying out and reporting actions that lead to stakeholders' interests. The results of this study prove that the company has not carried out its responsibility to report environmental costs even though most companies have carried out activities related to the environment. People do not consider reporting environmental costs before buying a company's products, so green accounting does not affect company profitability (Rosaline & Wuryani, 2020). This is contrary to the legitimacy theory, which says that companies are obliged to carry out activities related to the environment as legitimacy so that the company's sustainability is maintained. The results of this study prove that reporting environmental costs does not guarantee the company's sustainability.

These results are compatible with the results of the research done by Putri et al. (2019), Chasbiandani et al. (2019), and Nisa et al. (2020), who also found that environmental performance had a positive effect on profitability. The similarity of research methods and characteristics of the research object influences the similarity of these results. Research by Putri et al. (2019) and Chasbiandani et al. (2019) was conducted on manufacturing companies, while the research of Nisa et al. (2020) was conducted on mining companies. Judging

from the results of descriptive statistics, the average value of environmental performance and profitability variables in the research of Nisa et al. (2020) are 3.81 and 13.291, while the average values of environmental performance and profitability variables in this study are 3.07 and 0.069. The increase in the environmental performance variable's average value causes the profitability variable's average value to increase, so it can be concluded that environmental performance positively affects profitability.

Companies that show excellence in environmental performance have better profitability than companies that do not comply with environmental regulations. High profitability is obtained from high profits, and the company's income influences high profits. This significant income comes from the number of people who use or consume goods and services from a company. The results of this study indicate that the better the environmental performance, the more people who use a company's products, and the higher the company's profitability. This finding is also supported by a survey conducted by Clutch, a business data provider platform. The survey conducted in 2019 shows that people are more concerned with environmentally friendly business practices and social responsibility than the price of goods or services offered by companies. The survey also found that 75% of respondents prefer to shop from companies with the same views as them so that people concerned about the environment can increase the profitability of companies that also show concern for the environment.

This result is in line with stakeholder theory and legitimacy theory. The theory states that good environmental performance will improve the company's image to attract stakeholders such as the public and investors to increase company profitability. This study proves that the companies studied have balanced their business activities with environmental activities. The descriptive statistical analysis results

explain that the companies studied have an average blue PROPER rating and none have a black PROPER rating.

The results of hypothesis testing indicate that firm size has a negative effect on profitability. This study proves that the greater the number of company assets, the lower the company's ROA. Conversely, the smaller the company's assets, the higher the company's ROA.

These results align with Brastibian and Rinofah (2020) research, which used pharmaceutical companies as the population. Judging from the results of descriptive statistics, the average value of firm size and profitability variables in Brastibian and Rinofah's research (2020) is 25,439 and 12,653, while the average value of company size and profitability variables in this study is 29,722 and 0.069. The average value of the company size variable that increases causes the average value of the profitability variable to decrease, so it can be concluded that company size has a negative effect on profitability.

According to Wakhidati and Idayati (2022), large company assets do not guarantee high profitability either because an increase does not match the increase in the company's assets in the ability to generate profits. In addition, the excess costs incurred by the company to support production and sales activities can result in a decrease in profit. Decreased profits and increased assets cause the company's ROA to decrease.

CONCLUSIONS

This study examines the effect of green accounting and environmental performance on the profitability of high-profile industrial companies listed on the Indonesia Stock Exchange for the 2017-2021 period, with company size as a control variable. The results found from this study include the following:

1. Green accounting does not affect profitability. Reporting environmental costs in the financial statements does

not affect the size of the company's profitability.

2. Environmental performance has a positive effect on profitability. The better the company's compliance with environmental regulations and environmental management activities, the higher the profitability.
3. Firm size has a negative effect on profitability. A greater number of company assets can reduce its ability to generate profits.

Suggestions that can be given for further research include the following:

1. Further research is expected to be able to add variables with other variables not examined in this study because the adjusted R² value of this study was only 5.8%. Variables that can be added are CSR disclosures which are also related to the environment and affect the company's profitability.
2. Further research is expected to increase the research population from other sectors, such as companies participating in PROPER or Asia Sustainability Reporting Rating (ASSRAT), which are also related to the environment.

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