The Role of Green Accounting and Share Ownership on Financial Performance

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Abstract. This study aims to determine how the role of green accounting and share ownership on financial performance. This research was conducted at companies receiving green industry awards. The samples used were 8 companies. This research uses quantitative data with a sampling technique that is purposive sampling. The analytical method used is multiple linear regression. Partial testing with the t test shows that Green Accounting has a positive and not significant effect on Financial Performance. This means that the first hypothesis in this study is rejected. Share Ownership has a negative and not significant effect on Financial Performance This means that the second hypothesis in this study was rejected.

Keywords: Green Accounting, Share Ownership, Financial Performance.

1 Introduction

The matter of environmental degradation is presently a subject of heightened apprehension, as the production waste generated by the corporation is identified as one of the contributing factors to this ecological harm. The waste produced as a result of the operational activities of the company possesses the potential to be environmentally detrimental. Consequently, it necessitates the implementation of specialized management and handling procedures by the firm to prevent any further adverse consequences on the surrounding environment within which the company operates.

Environmental pollution occurs because the production process is carried out by companies that do not pay attention to the management and handling of their waste, such as companies dumping their waste directly into rivers, air pollution resulting from company operations which has a major impact on the surrounding community. As is the case in the South Sungkai area, the Mulungun River was polluted due to the operational activities of PT Budi Starch & Sweetener Div. Tapioca Besides that PT. The Pulpindo Mantap pattern has polluted the Sungkai river in the village of Sukadana Ilir Haduyang Ratu

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In the production process, the company should go towards the Green Company movement and apply Green Accounting, or better known as environmental accounting. The emergence and development of Green Accounting may be traced back to the 1970s in Europe. Green Accounting is an accounting software that incorporates expenses related to the preservation of the environment. The primary objective of Green Accounting is to mitigate the financial burden associated with environmental impacts, thereby enabling enterprises to preemptively account for these expenses during the initial stages of production and avoid their subsequent incurrence. Furthermore, the objective is to enhance the efficacy of environmental management through the assessment of environmental activities in terms of environmental costs and economic advantages, while also generating environmental outputs.

In addition to attracting investors, green accounting is also a company effort to align economic, social and environmental sustainability goals. In the long term, these three objectives are not contradictory to each other, but are connected in an integrated manner oriented towards achieving the company's sustainability goals. Judging from the percentage of sustainability report publishers, only a few think that Green Accounting plays an important role in the company's success in the long term even though by using environmentally friendly production patterns, instead of increasing operating expenses in the long term, this approach actually triggers cost savings.

Apart from Green Accounting, share ownership also affects company value. In this study, the authors use institutional share ownership as a measurement. In the realm of finance, institutional ownership refers to the percentage of shares held by various institutions, including but not limited to insurance companies, banks, and other similar entities, at the conclusion of a certain fiscal year. In their study, Dewi and Sanica (2017) assert that institutional ownership plays a significant role in the monitoring of management. They argue that institutional ownership serves as a catalyst for enhanced supervision, hence promoting more optimal outcomes. The use of monitoring mechanisms enhances the efficacy of the supervisory function and fosters a more cautious approach to fund acquisition and loan management within management practices. This is primarily due to the recognition that a growing debt burden might potentially lead to financial difficulty. The occurrence of financial trouble will lead to a reduction in the company's worth. When management is overseen by institutional ownership, the strategic utilization of debt can be optimized, leading to a potential increase in the overall value of the company.

2 Methods

The data utilized in this study is of a quantitative nature. The data utilized to substantiate this study consists of secondary data pertaining to the identification of recipients of the Green Industry Award, as well as the financial statements of the companies included in the sample. These financial statements have undergone auditing for a duration spanning from 2018 to 2021. The sample size for this study consisted of 8 companies, selected using the purposive sampling method. The analysis approach employed in this study was multiple linear regression.

3 Results and Discussion

3.1 Result

Normality Test

Normality Test
***Green Accounting* and Share ownership on Financial performance**

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		32
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	5,12787515
Most Extreme Differences	Absolute	,129
	Positive	,129
	Negative	-,082
Test Statistic		,129
Asymp. Sig. (2-tailed)		,192[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: processed data, 2023

The probability value (Sig.) of the green accounting variable, share ownership and firm value in this study is higher than the value (α) of 0.05. It can be concluded that the data is normally distributed.

Multicollinearity Test

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Coefficients[a]			
		Collinearity Statistics	
Model		Tolerance	VIF
1	GA	,953	1,049
	KS	,953	1,049

a. Dependent Variable: KK

Source: processed data, 2023

Tolerance value > 0.10 and VIF value < 10. This means that either the dependent variable of financial performance or firm value, multicollinearity does not occur in the independent variables.

Heterocedasticity Test

Heterocedasticity Test
Green Accounting **and Share ownership on Financial performance**

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-4,496	4,380		-1,026	,313
	KS	,024	,036	,117	,661	,514
	GA	1,821	1,035	,313	1,760	,089

a. Dependent Variable: ABS

Source: processed data, 2023

Sig. Value Green Accounting (GA) and Share Ownership (KS) on Financial Performance are ≥ 0.05, it can be concluded that there is no heteroscedasticity.

Autocorrelation Test

Autocorrelation Test
Green Accounting **and Share ownership on Financial performance**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,324[a]	,105	,043	,76362

a. Predictors: (Constant), KS, GA

Source: processed data, 2023

Sample 32 and independent variable 2, value Du is 1.3093. Meanwhile, 4-Du is 2.6907. Then 1.3093 < 1.765 < 2.6907 as well as the Durbin Watson results for the other three methods, it can be concluded that there is no autocorrelation either positive or negative.

Multiple Linier Regression Analysis

Multiple Linier Regression Analysis
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Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta		
1	(Constant)	2,090	3,203		,652	,519
	GA	1,760	,970	,327	1,815	,080
	KS	-,527	,721	-,132	-,731	,471

a. Dependent Variable: KK

Source: processed data, 2023

Y1 = (0,327) X1 + (-0,132) X2 + e

The Effect of Green Accounting (GA) and Share Ownership on Financial Performance (KS) In the first study, the Green Accounting (GA) regression coefficient was 0.327 indicating that every increase of 1 PROPER would increase ROA by 0.327. The regression coefficient of Institutional Share Ownership (KS) is - 0.132 indicating that every increase of one share of institutional share ownership will decrease ROA by 0.132.

t Test

The interpretation of the results of the t test is as follows:

1. The Effect of Green Accounting (GA) on Financial Performance
   The significance value for Green Accounting is 0.080, which is greater than the real level, which is 0.05 or (0.080 > 0.05). These results are consistent with the results of statistical tests that compare t-count and t-table where the t-count value of 1.815 is smaller than the t-table of 2.045 or (1.815 <2.045). These results indicate that the Green Accounting variable partially has a positive and not significant effect on Financial Performance.

2. Effect of Share Ownership (KS) on Financial Performance
   t test results on the variable Share Ownership. The first study showed a significance value for KS of 0.471 greater than the real level of 0.05 or (0.471 > 0.05). These results are consistent with the results of statistical tests that compare t-count and t-table where the t-count value is -0.731 less than t-table 2.045 or (-0.731

<2.045). These results indicate that the share ownership variable partially has a negative and insignificant effect on financial performance.

F Test

F Test
***Green Accounting* and Share ownership on Financial performance**

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,988	2	,994	1,705	,200[b]
	Residual	16,910	29	,583		
	Total	18,899	31			

a. Dependent Variable: KK
b. Predictors: (Constant), KS, GA

Source: processed data, 2023

The interpretation of the results of the F test is as follows:
The Effect of Green Accounting (GA) and Share Ownership (KS) on Financial Performance
The results of the F test in the first study. It is known that the significant value of 0.200 is greater than the real level, which is 0.05 or (0.200 > 0.05). These results are consistent with the results of statistical tests that compare F-counts and F-tables where F-counts are 1.705 smaller than F-tables 3.33 or (1.705 < 3.33). Based on these results, the variables Green Accounting and Share Ownership simultaneously have no significant effect on Financial Performance.

Determination Coefficient Test

Determination Coefficient Test
***Green Accounting* and Share ownership on Financial performance**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,324[a]	,105	,043	,76362

a. Predictors: (Constant), KS, GA

Source: processed data, 2023

The interpretation of the results of the Coefficient of Determination Test is as follows:
The Effect of Green Accounting (GA) and Share Ownership (KS) on Financial Performance

The test results pertaining to the coefficient of determination in the initial investigation. The coefficient of determination is a statistical measure that varies between 0 and 1. A higher value approaching 1 indicates a more robust correlation between the independent and dependent variables, while a lower value indicates a weaker correlation. The initial study reveals that the coefficient of determination (R^2) has a value of 0.105. The findings of this study indicate that Green Accounting and Share Ownership have a significant impact on the Financial Performance (ROA), accounting for 10.5% of the variation. However, it is important to note that the remaining 89.5% of the variation in Financial Performance is influenced by other factors not examined in this study.

4 Discussion

4.1 The Effect of Green Accounting on Financial Performance

The initial hypothesis posited in this research asserts that Green Accounting exerts an impact on Financial Performance. Based on the conducted statistical analyses, the findings indicate that there is no statistically significant impact of Green Accounting on Financial Performance. The implementation of the Green Accounting concept in a company is positively correlated with the firm's investment in environmental management. Consequently, this correlation leads to an enhancement in the company's effectiveness and efficiency in utilizing its assets. The financial performance of a firm, as indicated by the study of financial ratios derived from the company's reporting, is directly proportional to the level of effectiveness and efficiency with which the company utilizes its assets.

The test findings indicate that the significant value for Green Accounting is 0.080, which above the predetermined significance level of 0.05 ($0.080 > 0.05$). The findings align with the outcomes of statistical analyses that include comparing the t-count and t-table values. Specifically, the t-count value of 1.815 is observed to be lesser than the t-table value of 2.045, as denoted by the inequality $1.815 < 2.045$. Based on the analysis, it can be inferred that Green Accounting exerts a favorable yet statistically negligible impact on Financial Performance. Therefore, the initial hypothesis of this investigation was refuted.

Green Accounting does not yet reflect the Financial Performance that is proxied by ROA because consumer confidence has not been obtained through the imposition of environmental costs on the company's products and operations which results in the level of sales and company profits cannot be influenced. In addition, stakeholders still consider fundamental elements as determinants of decision makers because until now the community has not understood that green accounting is not a cost but an investment in the company's sustainable development. The other factor is because consumers pay more attention to affordable product prices than environmentally friendly products

4.2 Effect of Share Ownership on Financial Performance

The second hypothesis in this study states that share ownership affects financial performance. When investing, institutional share ownership will continue to monitor the investee as a form of control so that the investment does not harm the company. More supervision from investors will make management try better in managing the company, especially finance, because management's main task is to maximize shareholder wealth. The higher the share ownership, the higher the financial performance.

Based on the conducted statistical tests, the obtained significant value for share ownership is 0.471, which exceeds the predetermined threshold of 0.05 (0.471 > 0.05). The findings align with the outcomes of statistical analyses that include the comparison of t-count and t-table values. Specifically, the t-count value is seen to be -0.731, which is lower than the t-table value of 2.045 (i.e., -0.731 < 2.045). Based on the analysis conducted, it can be inferred that share ownership exerts a detrimental and statistically negligible impact on financial performance. Consequently, the second hypothesis in the present investigation was found to be unsupported.

The difference in the results of this study with previous studies is due to the fact that in previous studies, on average, there was an increase in the portion of share ownership followed by an increase in ROA, while in this study, share ownership tended to be constant, while ROA fluctuated. One further element pertains to the involvement of majority owners in the management of the organization, which sometimes leads them to prioritize their own interests, potentially disregarding the interests of minority owners. The presence of information asymmetry between shareholders and managers grants managers a greater ability to exert influence over the organization, given their possession of more comprehensive knowledge pertaining to the company in comparison to shareholders. So that the existence of institutional ownership does not guarantee that monitoring the performance of managers can run effectively. Institutions are only monitoring, not making decisions.

5 Conclusion

The test results show that the significance value for Green Accounting is 0.080, which is greater than the real level, which is 0.05 or (0.080 > 0.05). These results are consistent with the results of statistical tests that compare the t-count and t-table where the t-count value of 1.815 is smaller than the t-table of 2.045 or (1.815 <2.045). So it can be concluded that Green Accounting has a positive and insignificant effect on Financial Performance. This means that the first hypothesis in this study is rejected.

The test results show that the significance value for share ownership is 0.471 which is greater than the real level, which is 0.05 or (0.471 > 0.05). These results are consistent with the results of statistical tests that compare t-count and t-table where the t-count value is -0.731 less than t-table 2.045 or (-0.731 <2.045). So it can be concluded that share ownership has a negative and insignificant effect on financial performance. This means that the second hypothesis in this study was rejected

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