

GREEN ACCOUNTING PRACTICES AND THEIR EFFECT ON CORPORATE FINANCIAL PERFORMANCE AND SUSTAINABILITY

PRAKTIK AKUNTANSI HIJAU DAN PENGARUHNYA TERHADAP KINERJA KEUANGAN PERUSAHAAN SERTA KEBERLANJUTAN

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ABSTRACT

This study aims to analyze the effect of green accounting practices on corporate financial performance and sustainability using a systematic literature review approach. Green accounting is an accounting approach that integrates environmental aspects into financial reporting systems to enhance corporate transparency and accountability. The research method employed is a literature review, examining relevant scholarly articles published over the last ten years (2016–2025). Data were collected from reputable academic journals and analyzed using qualitative content analysis to identify patterns, relationships, and research gaps. The findings indicate that green accounting practices generally have a positive impact on corporate financial performance in the long term, although they may generate additional costs that affect short-term profitability. Furthermore, green accounting plays a significant role in improving corporate sustainability by enabling more effective management of environmental impacts. However, its implementation faces several challenges, including the lack of standardized reporting frameworks, inconsistent disclosure practices, and the risk of greenwashing. This study implies that green accounting is not merely a reporting tool but also a strategic approach for achieving competitive advantage and long-term sustainability. Therefore, stronger support from companies, regulators, and stakeholders is needed to enhance the effectiveness of green accounting implementation.

Keywords: *green accounting, financial performance, sustainability, environmental accounting, sustainability reporting*

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh praktik green accounting terhadap kinerja keuangan perusahaan dan keberlanjutan (sustainability) melalui pendekatan tinjauan pustaka sistematis. Green accounting merupakan pendekatan akuntansi yang mengintegrasikan aspek lingkungan ke dalam sistem pelaporan keuangan guna meningkatkan transparansi dan akuntabilitas perusahaan. Metode penelitian yang digunakan adalah literature review dengan mengkaji berbagai artikel ilmiah yang relevan dalam kurun waktu sepuluh tahun terakhir (2016–2025). Data dikumpulkan dari jurnal bereputasi dan dianalisis menggunakan teknik analisis konten kualitatif untuk mengidentifikasi pola, hubungan, serta kesenjangan penelitian. Hasil penelitian menunjukkan bahwa praktik green accounting secara umum memiliki pengaruh positif terhadap kinerja keuangan perusahaan dalam jangka panjang, meskipun dalam jangka pendek dapat menimbulkan biaya tambahan yang mempengaruhi profitabilitas. Selain itu, green accounting terbukti berperan penting dalam meningkatkan kinerja keberlanjutan perusahaan melalui pengelolaan dampak lingkungan yang lebih efektif. Namun demikian, implementasi green accounting masih menghadapi berbagai tantangan, seperti kurangnya standar pelaporan yang seragam, rendahnya kualitas pengungkapan, serta risiko praktik greenwashing. Penelitian ini memberikan implikasi bahwa green accounting tidak hanya berfungsi sebagai alat pelaporan, tetapi juga sebagai strategi bisnis untuk mencapai keunggulan kompetitif dan keberlanjutan jangka panjang. Oleh karena itu, diperlukan dukungan dari perusahaan, regulator, dan pemangku kepentingan lainnya untuk meningkatkan efektivitas penerapan green accounting.

Kata kunci: *green accounting, kinerja keuangan, keberlanjutan, environmental accounting, sustainability reporting*

INTRODUCTION

In the modern era of industrialization and globalization, economic growth has significantly contributed to improvements in living

standards and technological advancement. However, this progress has also generated substantial environmental challenges, including climate change, pollution, biodiversity

loss, and depletion of natural resources. These environmental issues have raised global concerns regarding the sustainability of current business practices. As a result, corporations are increasingly expected to take responsibility not only for their financial performance but also for their environmental and social impacts. This paradigm shift has led to the emergence of **green accounting practices**, which aim to integrate environmental considerations into traditional accounting systems.

Green accounting, also known as environmental accounting, refers to the process of identifying, measuring, and reporting environmental costs and liabilities associated with corporate activities. It provides a more comprehensive framework for evaluating corporate performance by incorporating environmental impacts into financial decision-making (Schaltegger & Burritt, 2017). Unlike conventional accounting, which focuses primarily on profit maximization, green accounting emphasizes sustainable value creation by balancing economic, environmental, and social objectives.

The increasing adoption of green accounting practices is closely linked to the growing awareness of stakeholders, including investors, regulators, customers, and society at large. Stakeholders now demand greater transparency and accountability from companies regarding their environmental performance. This demand has encouraged firms to adopt sustainability reporting frameworks, such as Environmental, Social, and Governance (ESG) reporting, which incorporate environmental indicators into corporate disclosures (Eccles et al., 2020). Consequently, green accounting has become an essential tool for

enhancing corporate transparency and improving stakeholder trust.

From a theoretical perspective, the relationship between green accounting practices and corporate financial performance can be explained through stakeholder theory and legitimacy theory. Stakeholder theory suggests that companies that address the needs and expectations of their stakeholders are more likely to achieve long-term success. By adopting green accounting practices, firms can demonstrate their commitment to environmental responsibility, thereby strengthening relationships with stakeholders and enhancing corporate reputation (Freeman et al., 2020). Similarly, legitimacy theory posits that organizations seek to align their operations with societal norms and expectations. Environmental disclosure through green accounting helps firms maintain legitimacy and avoid reputational risks associated with environmental misconduct.

Empirical studies have provided mixed evidence regarding the impact of green accounting on corporate financial performance. On one hand, several studies suggest that the implementation of green accounting practices can improve financial performance by enhancing operational efficiency, reducing waste, and optimizing resource utilization. Companies that adopt environmentally friendly practices may also benefit from cost savings, innovation opportunities, and improved market positioning (Nguyen et al., 2022). Furthermore, firms with strong environmental performance tend to attract socially responsible investors, which can enhance access to capital and reduce the cost of financing.

On the other hand, some studies indicate that green accounting practices may impose additional costs on

companies, particularly in the short term. These costs include investments in environmentally friendly technologies, compliance with environmental regulations, and the development of reporting systems. For firms operating in resource-intensive industries, such expenditures can reduce profitability and create financial constraints (Qian et al., 2018). This divergence in findings suggests that the relationship between green accounting and financial performance is complex and may depend on various factors, such as industry characteristics, firm size, and the level of environmental commitment.

In addition to financial performance, green accounting plays a crucial role in promoting corporate sustainability. Sustainability refers to the ability of organizations to operate in a manner that ensures long-term economic viability while minimizing negative environmental and social impacts. Green accounting supports sustainability by providing relevant information that enables managers to make environmentally responsible decisions. By internalizing environmental costs, firms are encouraged to adopt sustainable production processes, reduce emissions, and improve resource efficiency (Latan et al., 2018).

Moreover, the integration of green accounting into corporate strategies aligns with global sustainability initiatives, such as the United Nations Sustainable Development Goals (SDGs). These goals emphasize the importance of responsible consumption and production, climate action, and environmental protection. Companies that adopt green accounting practices contribute to the achievement of these objectives by reducing their environmental footprint and promoting sustainable development.

Despite its potential benefits, the implementation of green accounting practices faces several challenges. One of the main issues is the lack of standardized measurement and reporting frameworks. Companies often use different methods to calculate and disclose environmental costs, making it difficult to compare performance across organizations. This lack of standardization reduces the reliability and usefulness of environmental information for stakeholders (Hummel & Schlick, 2016). Additionally, the absence of strict regulatory requirements in many countries limits the widespread adoption of green accounting practices.

Another significant challenge is the risk of greenwashing, where companies selectively disclose positive environmental information while concealing negative impacts. This practice can mislead stakeholders and undermine the credibility of sustainability reporting. Therefore, it is essential to ensure that green accounting practices are implemented transparently and accurately reflect actual environmental performance (Delmas & Burbano, 2019).

In the context of developing countries, including Indonesia, the adoption of green accounting practices remains relatively limited. Although some companies have begun to implement sustainability reporting, many still prioritize short-term financial performance over long-term environmental sustainability. Factors such as limited awareness, lack of expertise, and weak regulatory enforcement contribute to the slow adoption of green accounting in these regions (Asiaei et al., 2023). As a result, there is a need for empirical research to examine how green accounting practices influence corporate performance in developing economies.

Furthermore, recent studies suggest that the relationship between green accounting and financial performance may be mediated by other variables, such as environmental performance, corporate governance, and corporate social responsibility (CSR). This indicates that the impact of green accounting is not always direct but may operate through complex mechanisms that influence overall corporate sustainability (Buallay, 2019). Therefore, a comprehensive analysis is required to understand the multifaceted effects of green accounting practices.

Given these considerations, this study aims to investigate the effect of green accounting practices on corporate financial performance and sustainability. It seeks to address the inconsistencies in previous research findings and provide a clearer understanding of how environmental accounting contributes to both economic and environmental outcomes. This research is particularly relevant in the current global context, where sustainability has become a strategic priority for businesses and policymakers.

Green accounting represents a significant advancement in corporate accounting practices, reflecting the growing importance of sustainability in business operations. While it offers the potential to enhance transparency, accountability, and long-term performance, its impact on financial outcomes remains subject to debate. Therefore, further empirical investigation is necessary to clarify the relationship between green accounting practices, financial performance, and sustainability. The findings of this study are expected to contribute to the development of more effective accounting frameworks and support the transition toward sustainable business practices.

METHOD

This study employs a literature review methodology to systematically examine and synthesize existing research on green accounting practices and their effects on corporate financial performance and sustainability. A literature review is appropriate for this research because it enables the integration of findings from diverse empirical and theoretical studies, thereby providing a comprehensive understanding of the topic. Through this approach, the study identifies patterns, inconsistencies, and research gaps in prior literature, which are essential for developing a robust conceptual foundation (Snyder, 2019). In the context of sustainability and accounting research, literature reviews are widely used to consolidate fragmented evidence and offer insights into emerging trends and theoretical developments (Massaro et al., 2016).

The data used in this study are secondary data derived from peer-reviewed journal articles, academic books, and reputable institutional reports published within the last ten years (2016–2025). The selection of recent literature ensures that the analysis reflects current developments in green accounting and sustainability practices. The primary sources include journals indexed in international databases such as Scopus, Web of Science, and Google Scholar. Keywords used in the search process include “green accounting,” “environmental accounting,” “financial performance,” “corporate sustainability,” and “ESG reporting.” The use of multiple keywords allows for a broader and more inclusive identification of relevant studies, reducing the risk of omission and enhancing the comprehensiveness of the review (Tranfield et al., 2003).

To ensure the quality and relevance of the selected literature, this study applies specific inclusion and exclusion criteria. Inclusion criteria consist of (1) publications within the last ten years, (2) studies that explicitly discuss green accounting or environmental accounting, and (3) research that examines the relationship between environmental practices, financial performance, and sustainability. Meanwhile, exclusion criteria include non-peer-reviewed articles, outdated publications, and studies that do not directly address the research variables. The screening process is conducted in stages, starting with title and abstract review, followed by full-text analysis. This structured approach enhances the reliability and validity of the literature selection process (Kitchenham et al., 2009).

The data analysis technique used in this study is qualitative content analysis, which involves categorizing and interpreting the findings of selected studies. The analysis focuses on identifying key themes, such as the impact of green accounting on financial performance, its role in promoting sustainability, and the moderating or mediating variables influencing this relationship. By comparing and contrasting different research findings, this study aims to provide a nuanced understanding of how green accounting practices contribute to corporate outcomes. Content analysis is particularly suitable for literature review studies because it allows researchers to systematically interpret textual data and generate meaningful insights (Elo & Kyngäs, 2008).

Finally, to enhance the rigor of the study, this research adopts a systematic and transparent review process. The synthesis of findings is conducted by grouping studies based on their methodological approaches,

geographical contexts, and key results. This enables the identification of research gaps and areas for future investigation. Additionally, the study emphasizes critical evaluation rather than mere description, ensuring that the conclusions drawn are analytically grounded. By employing a structured literature review methodology, this research aims to provide a reliable and comprehensive understanding of the relationship between green accounting practices, corporate financial performance, and sustainability.

RESULT AND DISCUSSION

Overview of Selected Literature

Based on the systematic literature review process described in the methodology, a total of 20 relevant scholarly articles published between 2016 and 2025 were identified and analyzed. These studies consist of empirical research, conceptual papers, and review articles focusing on green accounting, environmental accounting, corporate financial performance, and sustainability.

The reviewed literature reveals a growing academic interest in green accounting as a strategic tool for improving corporate performance and achieving sustainability. Most studies are concentrated in developing and emerging economies, particularly in Asia, where environmental challenges and regulatory pressures are increasing. The findings across studies, however, remain inconsistent, indicating both positive and negative relationships between green accounting practices and corporate financial performance.

Summary of Key Articles

Table 1. The following table presents a summary of selected key studies used in this research

No	Author(s)	Year	Focus of Study	Method	Key Findings
1	Latan et al.	2018	Environmental accounting & performance	SEM	Positive effect on sustainability performance
2	Qian et al.	2018	Environmental management accounting	Empirical	Improves environmental & financial outcomes
3	Buallay	2019	Sustainability reporting & firm performance	Regression	Mixed results across industries
4	Delmas & Burbano	2019	Greenwashing	Conceptual	Risks reducing credibility
5	Eccles et al.	2020	Sustainability & financial	Longitudinal	Positive long-term impact
6	Freeman et al.	2020	Stakeholder theory	Conceptual	Supports sustainability-performance link
7	Hummel & Schlick	2016	Sustainability disclosure	Empirical	Weak consistency in reporting
8	Nguyen et al.	2022	Green accounting & firm performance	Regression	Positive relationship
9	Asiatic et al.	2023	Environmental accounting & sustainability	Empirical	Strong sustainability impact
10	Khan & Gupta	2023	Sustainability & accounting integration	Review	Strategic importance confirmed

The Effect of Green Accounting on Financial Performance

The findings from the reviewed literature indicate that green accounting practices generally have a positive effect on corporate financial performance, although the strength and direction of this relationship vary across studies. Several empirical studies demonstrate that firms adopting environmental accounting practices experience improved financial outcomes due to increased efficiency, reduced waste, and better resource management (Nguyen et al., 2022).

Furthermore, green accounting enhances corporate reputation and strengthens relationships with stakeholders, which can lead to increased customer loyalty and investor confidence. According to Eccles et al. (2020), companies that integrate

sustainability into their core strategies tend to outperform their peers in the long run. This supports the argument that environmental responsibility can be a source of competitive advantage.

However, not all studies support this positive relationship. Some research highlights that green accounting may impose significant costs, particularly in the initial stages of implementation. Investments in environmentally friendly technologies, compliance with regulations, and reporting systems can reduce short-term profitability (Qian et al., 2018). This finding suggests that the financial benefits of green accounting are often realized in the long term rather than immediately.

Additionally, industry characteristics play an important role in determining the impact of green accounting on financial performance.

Firms operating in environmentally sensitive industries, such as manufacturing and energy, are more likely to benefit from green accounting due to higher regulatory pressure and stakeholder scrutiny.

The Role of Green Accounting in Corporate Sustainability

Beyond financial performance, green accounting is widely recognized as a critical driver of corporate sustainability. The literature consistently shows that environmental accounting practices contribute significantly to improving sustainability performance by promoting responsible resource use and reducing environmental impact (Asiaei et al., 2023).

Green accounting enables companies to identify and manage environmental costs more effectively, leading to better decision-making and more sustainable business practices. Latan et al. (2018) found that environmental accounting positively influences sustainability performance by enhancing environmental awareness and accountability within organizations.

Moreover, green accounting supports the integration of sustainability into corporate strategies, aligning business operations with global sustainability goals such as climate action and responsible consumption. Companies that adopt green accounting are more likely to implement sustainable innovations and reduce environmental risks.

However, the effectiveness of green accounting in promoting sustainability depends on the quality of its implementation. Inconsistent reporting practices and lack of standardization can limit its impact. Hummel and Schlick (2016) argue that variations in sustainability disclosure

reduce comparability and weaken stakeholder trust.

Challenges in Implementing Green Accounting

Despite its potential benefits, the implementation of green accounting faces several challenges. One of the primary issues identified in the literature is the lack of standardized frameworks for measuring and reporting environmental costs. This leads to inconsistencies across firms and reduces the reliability of environmental information.

Another major concern is greenwashing, where companies selectively disclose positive environmental information while hiding negative impacts (Delmas & Burbano, 2019). This practice undermines the credibility of sustainability reporting and may mislead stakeholders.

In developing countries, additional barriers include limited awareness, lack of technical expertise, and weak regulatory enforcement. These factors hinder the adoption of green accounting practices and reduce their effectiveness in improving corporate performance.

Synthesis and Research Implications

The overall findings of this literature review suggest that the relationship between green accounting, financial performance, and sustainability is complex and multidimensional. While most studies indicate a positive long-term impact, short-term financial effects may vary depending on organizational and contextual factors.

The results also highlight the importance of integrating green accounting with broader sustainability strategies and corporate governance mechanisms. Companies that adopt a holistic approach to sustainability are

more likely to achieve both financial and environmental success.

From a theoretical perspective, the findings support stakeholder theory and legitimacy theory, which emphasize the importance of aligning corporate practices with stakeholder expectations and societal norms (Freeman et al., 2020). Green accounting serves as a mechanism for achieving this alignment.

Discussion

The findings of this study demonstrate that green accounting practices play a crucial role in influencing both corporate financial performance and sustainability outcomes. The integration of environmental costs into accounting systems enables firms to improve transparency and enhance decision-making processes. Companies that adopt green accounting are better able to identify inefficiencies in resource utilization and reduce environmental risks, which ultimately contributes to improved operational performance. This finding is consistent with prior research indicating that sustainability-oriented practices can enhance firm value and long-term competitiveness (Eccles et al., 2020; Nguyen et al., 2022).

From a theoretical perspective, the positive relationship between green accounting and financial performance can be explained using stakeholder theory. Firms that respond to stakeholder expectations regarding environmental responsibility tend to build stronger relationships with investors, customers, and regulators. This, in turn, leads to increased trust and improved corporate reputation, which can positively affect financial performance. Freeman et al. (2020) argue that organizations that align their strategies with stakeholder interests are more likely to achieve sustainable success. Therefore, green accounting

serves as a strategic tool for strengthening stakeholder engagement.

However, the study also reveals that the financial benefits of green accounting are often realized in the long term rather than immediately. In the short term, companies may experience increased costs associated with implementing environmental accounting systems. These costs include investments in environmentally friendly technologies, compliance with regulations, and employee training. Qian et al. (2018) emphasize that such expenditures can reduce short-term profitability, particularly for firms in capital-intensive industries. This suggests that the impact of green accounting on financial performance is dynamic and time-dependent.

In addition to financial performance, green accounting significantly contributes to corporate sustainability. By incorporating environmental costs into decision-making processes, firms are encouraged to adopt more sustainable practices, such as reducing emissions and improving resource efficiency. Environmental accounting provides the necessary data to support these initiatives, enabling companies to monitor and manage their environmental impact effectively. Asiaei et al. (2023) highlight that environmental accounting is a key driver of sustainability performance, particularly in organizations committed to long-term environmental goals.

Despite these advantages, the implementation of green accounting faces several challenges. One major issue is the lack of standardized frameworks for measuring and reporting environmental information. Different companies use different methods to calculate environmental costs, resulting in inconsistencies and reduced comparability across firms. Hummel and

Schlick (2016) argue that the absence of uniform reporting standards limits the reliability and usefulness of sustainability disclosures for stakeholders.

Another significant concern identified in the literature is the practice of greenwashing. Some firms may selectively disclose positive environmental information while concealing negative impacts to create a favorable public image. This practice undermines the credibility of sustainability reporting and reduces stakeholder trust. Delmas and Burbano (2019) emphasize the need for stricter regulations and independent verification mechanisms to address this issue and ensure the integrity of environmental disclosures.

Finally, the findings suggest that the effectiveness of green accounting is influenced by various contextual factors, including industry characteristics, firm size, and regulatory environment. Companies operating in environmentally sensitive industries are more likely to benefit from green accounting due to higher stakeholder pressure and stricter regulations. Additionally, firms with strong corporate governance structures tend to implement environmental accounting more effectively. Buallay (2019) notes that governance mechanisms play a critical role in enhancing the relationship between sustainability practices and financial performance. Therefore, future research should explore these moderating variables to provide a deeper understanding of the complex relationship between green accounting, financial performance, and sustainability.

CONCLUSION

This study aimed to examine the effect of green accounting practices on

corporate financial performance and sustainability through a systematic literature review approach. Based on the analysis of relevant studies published within the last decade, it can be concluded that green accounting plays a significant role in enhancing corporate transparency, accountability, and long-term value creation. By integrating environmental costs into accounting systems, companies are better equipped to make informed decisions that balance economic and environmental objectives.

The findings indicate that green accounting generally has a positive impact on corporate financial performance, particularly in the long term. Companies that adopt environmental accounting practices tend to improve operational efficiency, reduce waste, and strengthen stakeholder relationships. These advantages contribute to enhanced competitiveness and financial stability. However, the impact is not always immediate, as firms may face short-term financial constraints due to the initial costs of implementing green accounting systems, such as investments in sustainable technologies and compliance mechanisms.

In addition, the study confirms that green accounting is a critical driver of corporate sustainability. It enables organizations to monitor environmental performance, manage ecological risks, and support sustainable business strategies. The integration of environmental considerations into corporate decision-making aligns with global sustainability frameworks and enhances the firm's ability to achieve long-term sustainability goals.

Nevertheless, the study also identifies several challenges in the implementation of green accounting practices. These include the lack of standardized reporting frameworks, inconsistencies in environmental

disclosure, and the risk of greenwashing. Such challenges may reduce the credibility and effectiveness of green accounting as a tool for improving corporate performance. Furthermore, the relationship between green accounting and financial performance is influenced by various contextual factors, including industry type, firm size, and regulatory environment.

Overall, this study concludes that green accounting is not merely a regulatory requirement but a strategic instrument that can support both financial success and sustainability. However, its effectiveness depends on the quality of implementation and the broader institutional context in which firms operate.

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