ENVIRONMENTAL ACCOUNTING ROLES IN IMPROVING THE ENVIRONMENTAL PERFORMANCE AND FINANCIAL PERFORMANCE OF THE COMPANY

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ABSTRACT

An understanding of environmental issues will direct the company in its policies, especially related to environmental conservation. Enviaronmental accounting is an attempt to connect the economic interests of companies and environmental preservation. With the implementation of environmental accounting, financial results will be holistic. Hotel is a business that is engaged in service and one of the contributors of waste for the environment. Hotel need to manage the waste that is not dangerous. The hotel costs in waste management. Costs incurred in the management of waste that the environment is not polluted called cost environment. Environmental costs later reported in the annual report. It is necessary for environmental accounting or green accounting to classify environmental costs in order to more easily notice by stakeholders that serves to improve the quality of the environment. This paper aims to 1) determine how environmental accounting role in improving environmental performance and financial performance; 2) determine how the environmental performance of hotel companies listed on PROPER, and 3) determine how the image disclosure of environmental responsibility of companies listed in the Indonesian stock exchange sub-sectors of tourism, restaurant and hotel on the annual report 2015. The research method used is descriptive analysis. Based on the analysis founded empirically environmental accounting can improve environmental performance and financial performance. Most companies in Indonesia have ranked the environmental performance in the red category by PROPER in 2015. Disclosure of the environment has been done by most of the public companies in Indonesia less is implementing reporting environmental costs in the annual report 2015, especially in sub-sectors of tourism, hotels and restaurants.

Keyword: Green Accounting, Environmental Accounting, environmental performance, financial performance.

Introduction

The environmental damage began to be felt by many people in the world along with the development of industrial sector. Along with the development of the industrial sector is found negative impact caused by human activity. Currently, the company is required not only give priority to the owners and management, but also all relevant parties (stakeholders), such as employees, customers, community and environment. This is because the company's existence cannot be separated from the interests of various parties. One of them is the support of the environment. Often efforts to increase productivity and efficiency resulting in environmental degradation, such as air and water pollution, and the reduction of soil functions. Protecting the environment in addition to the benefit to the community around is also beneficial for the company in the long term.

In the era of the movement of the company towards green company, the industry not only required to the extent of sewage treatment, but also the demands of society-consumers for a production process of goods ranging from making raw materials to the disposal of a product when consumed (used) does not damage the environment.

The concept of green accounting has developed since the 1970s in Europe, followed by the beginnings of studies related to the issue of green accounting in the 1980s (Bebbington, 1997; Gray et al., 1995). In the mid-1990s The International Accounting Standards Committee / IASC developed the concept of the international accounting principles, including the development of environmental accounting and auditing human rights. Green accounting is important because the company needs to submit information on social activities and environmental protection to the stakeholders of the company. The company was not only deliver financial information to investors and creditors of existing as well as potential investors or creditors of the company, but also need to consider the social interests in which the company operates.

Currently the tourism industry has developed very rapidly, the trend has spurred many countries to develop tourism. In Indonesia, the sector of tourism is a driver of the economy where tourism occupies the 5th position as a foreign exchange earner after the non-renewable sector, namely oil and gas, coal, rubber, and textiles (Ministry of Tourism, 2016). In addition, the contribution of tourism to the national GDP increased from 9.5% in 2014 to 15% in 2019 to come (Ministry of Tourism, 2016). However, the World Economic Forum (WEF) in the Travel and Tourism Competitiveness Report 2015 mentions that Indonesia's tourism competitiveness index for environmental sustainability have declined by 9 points, the year 2013 is in a position 125 to position 134 in 2015.

Based on the data above shows that the tourism sector has a major role in moving the economy, however, is still low awareness of businesses on the environment. Data from Ministry of Environment of Indonesia in 2014 mentioned that there are three hotel companies from a total of 21 companies included in the black list.

Accommodation is one of the principal elements of products in the tourism industry. One type of accommodation is Hotel. The condition of the hotel was clean, healthy, neat and beautiful will improve comfort and increase the number of guests. The growth of variety hotel business mainly in the urban centere and tourism destinations will generate a variety of solid waste (garbage) and liquid waste. To keep the environment clean and healthy garbage and waste must be properly managed.

Poor waste management will cause negative impacts on the environment and make tourists feel uncomfortable and could reduces the number of tourists visiting a destination. Accounting can contribute to efforts in conserving the environment, through voluntary disclosure in its financial statements related to environmental costs.

The accounting system in which there are accounts related to environmental costs is referred to as green accounting or environmental accounting. Green accounting or environmental accounting, ie accounting in which there are identification, measurement and allocation of environmental costs, where the environmental costs are integrated into business decision-making, and subsequently communicated to stakeholders. The purpose of this research to analyze the environmental accounting roles in improving the environmental performance and financial performance of the company.

This paper is driven by concern for the environment and as an effort to increase awareness of entrepreneurs in Indonesia, especially in the tourism sector. This paper aims to 1) determine how environmental accounting role in improving environmental performance and financial performance; 2) determine how the environmental performance of hotel companies listed on Proper, and 3) determine how the description of environmental responsibility disclosure of companies listed in the Indonesian stock exchange sub-sectors of tourism, restaurant and hotel on the annual report 2015.

Literature Review

Environmental Accounting

Environmental accounting or green accounting is defined as: "A style of accounting that includes the indirect costs and benefits of economic activity-such as environmental effects and health consequences of business decisions and plans" (Cohen and Robbins, 2011).

AICPA (2004) in Volosin (2008) defines environmental accounting as: "The identification, measurement, and allocation of environmental costs, the integration of Reviews These environmental costs into business decisions, and the subsequent communication of the information to a company's stakeholders".

Stanko et al. (2006) in Volosin (2008) states that the costs are included in the environmental costs are "off-side waste disposal costs, cleanup costs, litigation costs, and other related costs". Based on the above definition of green accounting could then be explained that green accounting is accounting in which to identify, measure, present and disclose the costs associated with the company's activities related to the environment.

SEEA (System of Environmental-Economic Accounts, 2003) stated there are four categories of accounts or accounting elements in the environment that accounts for pollution, energy and materials; account for environmental protection and environmental management burden; assets account for natural resources; assessment of non-market flows and the overall expenses associated with the environment (Aronson and Lofgren, 2010).

Hansen, Mowen and Guan (2009) awareness of environmental costs is important because environmental regulations and fines have increased. Environmental costs are costs that are incurred because poor environmental quality exists because poor environmental quality or may exist. Tus, the environmental costs are associated with the creation, detection, remediation, and prevention of environmental degradation.

With this definition, the environmental costs can be classified into four categories: prevention costs, detection costs, costs of internal failure, and external failure costs.

1. Environmental prevention costs are the costs of activities carried out to prevent the production of contaminants and / or waste that could cause damage to the environment. Examples of prevention activities include the following: evaluating and selecting suppliers, evaluating and selecting equipment to control pollution, designing processes and products to reduce or Eliminate contaminants, training employees, studying environmental impacts, auditing environmental risks, undertaking environmental research, developing environmental management systems , recycling products, and Obtaining ISO 14001 certification.
2. Environmental detection costs are the costs of activities executed to determine if products, processes, and other activities within the firm are in compliance with environmental appropriate standards. The environmental standards and procedures that a firm seeks to follow are defined in three ways: (1) regulatory laws of Governments, (2) voluntary standards (ISO 14001) developed by the International Standards Organization, and (3) environmental policies developed by management , Examples of activities are auditing environmental detection activities, inspecting products and processes (for environmental compliance), developing environmental performance measures, carrying out contamination tests, verifying supplier environmental performance, and measuring levels of contamination. Environmental Internal failure costs are costs of activities performed because contaminants and waste have been produced but not discharged into the environment.
3. Internal failure costs are incurred to Eliminate and manage contaminants or waste once produced. Internal failure activities have one of two goals: (1) to the Ensure that the contaminants and waste produced are not released to

the environment or (2) to reduce the level of contaminants released to an amount that complies with environmental standards. Examples of activities include internal failure of operating equipment to minimize or eliminate pollution, treating and disposing of toxic materials, maintaining pollution equipment, licensing facilities for producing contaminants, and recycling scrap.

4. Environmental external failure costs are the costs of activities performed after discharging contaminants and waste into the environment. Realized Reviews those external failure costs are incurred and paid for by the firm. Unrealized external failure costs (societal costs) are the caused by the firm but are incurred and paid for by parties outside the firm. Societal costs can be further classified as (1) Reviews those from the resulting environmental degradation and (2) Reviews those associated with an adverse impact on the property or welfare of individuals. In either case, the costs are borne by others and not by the firm, even though they are the caused by the firm.

Environmental Performance

Environmental performance is the performance of the company in creating a good environment (Suratno et al., 2006). Companies pay attention to the environment as a form of responsibility and the company's concern for the environment. Environmental performance can be done by applying environmental accounting. Environmental accounting is the recognition and integration of environmental issues impact on traditional accounting system of an enterprise (Halim and Irawan, 1998).

Environmental accounting not only calculate the economic costs and benefits of the company, but also account the environmental cost which is the negative economic externalities or costs arising out of the market. In Indonesia, the environmental performance can be measured using Performance Rating Program companies in environmental management. PROPER is one of the policy efforts made by the government through the Ministry of Environment to boost the company's performance in environmental management through the deployment of the company's compliance performance in environmental management.

Environmental performance is an independent variable that will be proxied by the rating PROPER organized by the Ministry of Environment. Referring to Rakhiemah and Agustia (2009), the ranking system performance PROPER include the rating company in five colors namely:

Table 1: Determination of Value PROPER

No.	Color	Information
1	Gold	Environmental management has more than required and have made efforts 3R (Reuse, Recycle, Recovery), implemented a system of sustainable environmental management, as well as make efforts that are useful for long-term public interests
2	Green	Environmental management has more than required, has had an environmental management system, has a good relationship with the community, including the efforts of 3R (Reuse, Recycle, Recovery)
3	Blue	Has made efforts required environmental management in accordance with the provisions or regulations
4	Red	Doing environmental management efforts, but only partially achieve results in accordance with the requirements stipulated in the legislation
5	Black	Have not done the environmental management means, intentionally not done environmental management efforts as required, as well as the potential to pollute the environment

Source: Ministry of Environment of Indonesia, 2015

Company Financial Performance

The concept of financial performance according to Gitosudarmo and Basri (2002) is a series of financial activity in a given period that are reported in the financial statements including income statements and balance sheets. The company's financial performance can be measured by the performance of the market and the company's fundamental performance.

Companies must be in favorable circumstances (profitable). The ratio of profitability by Horne and Wachowicz (2005) is "connecting the ratio of gain on sale and investment". Every company wants a high level of profitability. In this study, the market performance is measured using the annual return and the industry's fundamental performance is measured using the Return on Asset (ROA). ROA is a measure of a company's ability to generate profits for the company to take advantage of the assets owned by the company.

Research Method

This research use descriptive analysis that describes the state as well as the phenomenon of an object accompanied by statistical data. The study was conducted on companies listed on the Indonesia Stock Exchange sub sector, hotels and restaurants by 2015 through annual reports totaling 18 companies.

Discussion

Environmental Accounting Role In Improving Environmental Performance

Research Teoh and Thong (1986) in the Yousef (2003) an organization can be categorized contribute in keeping the environment if they have concern for the environment (Environmental awareness) itself, which is followed by the involvement of these organizations to environmental issues (Environmental Involvement), this needs to be followed by environmental reporting.

Green accounting is generally applied by companies that have the attention and interest in the environment, sustainability (sustainability), environmental effectiveness (ecoeffectiveness), environmental efficiency (ecoefficiency), and apply directly with many means of marketing in strategic management (Cohen and Robbins, 2011).

G*reen accounting* collect, analyze, predict, and prepare a good report environmental data and financially with the aim of reducing the environmental impact and costs. This form of accounting that focuses on some aspect of government policy as possible. Consequently, environmental accounting is an important aspect in the green business concept and development of a responsible economy

Through the application of green accounting is expected that the environment will be maintained continuity, because in applying green accounting, the company will voluntarily respect the government policy in which the company does business. One of the factors that affect the successful implementation of green accounting in connection with economic activities by Schaltegger, Bennett, and Burritt (2006) is the regulatory and government policy and the industry in which the company does business activity.

Seetharaman, Ismail, and Saravanan (2007) mentions that the integration of green accounting and environmental management system will also make the company comply with environmental policy voluntarily. Research conducted by de Beer and Friend (2005) prove that the disclosure of all environmental costs, both internally and externally, and to allocate these costs by type of cost and accounting cost driver in a structured environment will contribute to the good environmental performance.

Environmental Accounting Role In Improving Corporate Financial Performance

Schaltegger, Bennett, and Burritt (2006) states that there is a connection between the disclosure of environmental costs in the financial statements of the financial performance to the financial performance which indicated the magnitude of the value of companies in the market when companies implement green accounting and be able to demonstrate good environmental performance, the impact is on a good financial performance.

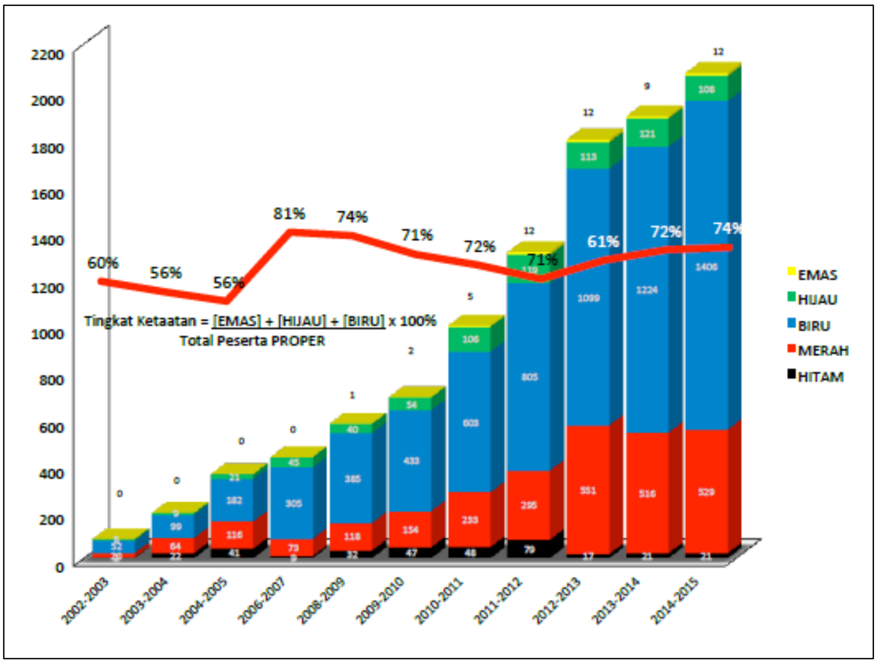
The market value of the company is strongly influenced by the environmental performance, in which the award is a positive influence. The relationship between environmental performance and financial performance can be observed from the revenue side as well as on the cost side through disclosure of environmental costs will reflect the business ethics run by the company, as well as the management of resources in a responsible manner. This will increase the confidence of stakeholders such as social communities and consumers, which will eventually be able to improve financial performance, such as the achievement of maximum profitability of the company.

De Beer and Friend (2005) prove that the disclosure of all environmental costs, both internally and externally, and to allocate these costs by type of cost and accounting cost driver in a structured environment will contribute to both the economic performance of companies. Seetharaman, Ismail, and Saravanan (2007) states that environmental accounting can be applied to the fullest by integrating the Environmental Management System, because this integration will make the company comply with voluntary environmental policy, reducing audit costs consumers improve resource efficiency, more easily adopt environmental changes, which improves the performance of the quality and overall organizational performance.

Environmental Performance of Hotel Company

Environmental performance assessment instrument in this study using an instrument developed by the Ministry of Environment of Indonesia, called PROPER. This instrument has received praise from the World Bank, United Nations, University of Tokyo, and the Harvard Institute for International Development. Since its development in 1995, PROPER been emulated in several countries in Asia, Latin America and Africa (Ministry of Environment, 2015). Until 2015 had recorded 2,137 companies assessed and demonstrated adherence levels increased over the previous year. The following illustrates the trend observance of companies in Indonesia from 2003 until 2015.

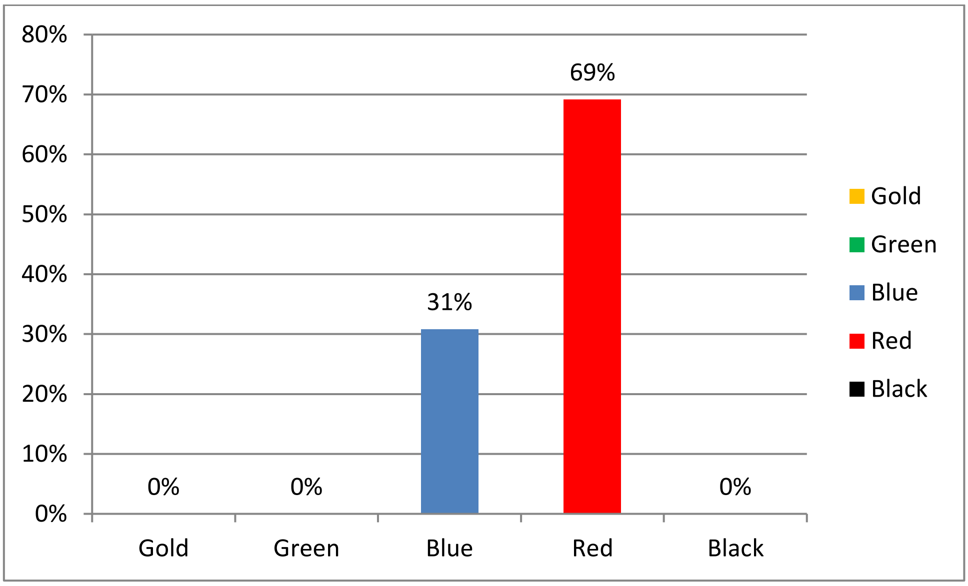
Picture 1
Trend Observance Of Companies In Indonesia



Source: Ministry of Environment of Indonesia, 2015

Of the 2,137 companies, 133 companies are indentified as hotel company that has been assessed, the following description of the assessment results PROPER 2015.

Picture 2
Environmental Perfomarmance of Hotel Company



Source: Modified of Ministry of Environment of Indonesia, 2015

Based on the graph, according to the judgment PROPER most hotels in Indenesia have on the ranking of environmental performance that is as much as 69% red and 31% blue. This means most of the hotels in Indonesia need to continue to improve its environmental performance. However, the environmental performance of the hotels listed on PROPER has a better performance compared to hotels that are not listed on the PROPER. This is consistent with the results of research conducted by Pitoyo, Arthana, and Sudarma (2016) which said that hotels in Bali Province which PROPER participants showed better performance compared to non-PROPER in the management of liquid waste, air, toxic and hazardous substances, garbage and wastewater.

Disclose of Environmental Responsibility

Social and environmental responsibility is regulated by the Government of Indonesia through Law of the Republic of Indonesia Number 25 Year 2007 on Investment and No. 40 of 2007 on Limited Liability Company that has been set in the company's liabilities efforts in preserving the environment. Regulations regarding accounting social accountability in Indonesia has been arranged in the Statement of Financial Accounting Standards (SFAS) No. 57 and SFAS No. 1 issued by the Indonesian Institute of Accountants (IAI). On SFAS No. 1 paragraph 9 described the presentation of the environmental impact as follows:
"... Company presents an additional report on the environment (or value added), in particular for the industry with the main resource associated with the environment (or employees and other stakeholders as important users of financial statements).

The results of data analysis on a company's annual report on the Indonesian stock exchange sub-sectors of tourism, hotels and restaurants totaling 18 companies showed that 77.77% of companies already disclose information on its environmental responsibility. However, only 27.78 percent of which reveal the amount of budget spent, applying the concept of green office, eco hotel management, and waste treatment. These results are consistent with the results of research Anggraini (2006) which states that a large part of the banking and insurance company revealed the practice of floating human resources, social activities, and the quality of the product, but still a few firms that reported the activities related to the environment.

Disclosure of environmental activities by companies that are still small in number, according to Suharto (2004) can be caused by:

a) Requests for disclosure of environmental information in financial reporting are not explicitly,
b) The costs and benefits in order to present environmental information in the financial statements perceived to be balanced by firm
c) The introduction of contingent liabilities,
d) Difficulties in identifying environmental costs.

Thus, the implementation of environmental accounting in Indonesia has not fully applied by a public company in Indonesia, especially in the sub company of the tourism sector, hotels and restaurants, and only a few companies that report in the annual report that needs to be addressed.

Conclusion

Based on the discussions conducted with the support of the study of literature, as well as empirical and academic research concluded that:

1) Implementation of environmental accounting impact on improving environmental performance. Improved environmental performance is due to the willingness of companies to comply with government policies and regulations and consumer demands to get a product-oriented environment. Implementation of green accounting also have a positive impact on the financial performance of the company, which is increasing the positive perception of the consumers who end up in increased sales and profits.
2) Most corporate type hotel in Indonesia has ranked the environmental performance in the red according PROPER ratings on 2015.
3) Environmental disclosure has been made by the majority of public companies in Indonesia less is implementing reporting environmental costs in the annual report 2015, especially in sub-sectors of tourism, hotels and restaurants.

Limitation And Recomendation

Limitation of this study are the difficulty of getting data on public companies in Indonesia to report environmental costs. In subsequent research should study conducted directly in companies that have implemented environmental accounting.

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