

ENVIRONMENTAL MANAGEMENT ACCOUNTING AND FINANCIAL PERFORMANCE: GREEN INNOVATION AND FINANCIAL PERFORMANCE AS MEDIATOR



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Abstract

Environmental issues are part of larger corporate plans, involving not only development and expansion but also concern for social responsibility. The inconsistency of results is one of the reasons for further studies to be carried out. This research aims to examine the effect of environmental management accounting which refers to ISO 14001 on company financial performance through green innovation consisting of green product innovation and green process innovation as well as environmental performance as a mediating variable. The population in this study are manufacturing companies registered on the IDX 2020-2023. The sample was selected using the purposive sampling method. The analysis uses e-views 11 with path analysis methods and multiple linear regression analysis. Based on the results, it can be concluded that environmental performance can mediate the relationship between environmental management accounting and financial performance by looking at the influence of the relationship between environmental management accounting and environmental performance, and environmental performance on financial performance. Then the existence of green innovation does not have a role as a link between environmental management accounting and financial performance.

Keywords: ROA, Environmental, Innovation

INTRODUCTION

Green technology innovation has received continuous attention from the business sector due to increasing concern for the state of the environment. It is important that manufacturing companies, especially those in highly polluting industries, assume responsibility for protecting the environment (Saribu et al, 2023). In addition to the benefits of adapting their processes to protect the environment, companies must also consider customer needs and corporate social responsibility (Wang and Zhang, 2022). In some ways, pollution can be seen as evidence of inefficient use of resources that affects a company's profits.

The issue of environmental sustainability has recently become increasingly popular (Riaz., et al, 2019) and this is highly emphasized in the 2030 Agenda and the Sustainable Development Goals (SDGs) of the 2063 Agenda (Martí-Ballester, 2017). Sustainability can be divided into three categories: economic, social, and environmental (R. Masocha, 2018).

The Ministry of Environment and Forestry noted that several companies have environmental problems. As a first example, PT. Kamarga Kurnia Textiel Industri (KKTI) pollution was carried out in the Citarum river area which resulted in material compensation of Rp. 16.263 billion, both PT. How Are You Indonesia (HAYI) pollution in the Citarum River, from upstream to downstream, is worrying, such as piles of plastic waste, household waste, and industrial waste, which has been an acute problem for decades. Third, PT. Braco Chemika was involved in a case of leaking waste disposal which had an impact on environmental pollution and resulted in the discharge of leaking waste liquid into the Gupit River channel which emptied into the Bengawan Solo River. The ecosystem of fish and plants in the river is damaged or the water in the river is damaged so that their well water is contaminated with waste until it smells bad. Fourth, PT. Mahkota Indonesia, a company operating in the basic chemicals industry was proven to have violated the quality standard for the sulfur dioxide (SO₂) parameter in the unit II sulfuric acid chimney which had a negative impact on the community and the company's environment. Air pollution from factory smoke causes air pollution around the Pulo Gadung area, triggering respiratory problems and reduced oxygen levels in the human body. Fifth, PT. Air Liquide Indonesia,

the company was proven to have dumped its industrial waste causing environmental damage and polluting the Cibereum Village area, Cikande Village, Cikande District, Serang. As a result of this waste pollution, many residents experience itching and skin diseases and the stench disrupts the activities of the local community. From this example, it can be concluded that the importance of company awareness is to commit to preserving the environment, so that the community and surrounding environment are not affected by the company's operational activities and production processes.

ISO 14001 certification which focuses on building a company's image of environmental responsibility has a good reputation in society, the implications of which are increasing profitability. Despite this, there is a difficult relationship between local government and business (N. Hussain, 2018). ISO 14001 is considered an international benchmark for assessing a company's environmental performance which highlights that the implementation of green practices is beneficial for small and medium enterprises (SMEs) both in terms of financial performance and environmental performance. Green innovation has been considered no less important in dealing with environmental problems (Xie and Zou, 2019). Green industry supports environmentally friendly industries, companies must prevent major environmental damage from production activities by creating environmentally based innovations called green innovation. The Ministry of Environment and Forestry pays attention and appreciation to 186 business actors included in GREEN PROPER, namely business actors who have carried out environmental cleaning procedures that are more thorough than those required by law (beyond compliance) and have also used daily supplies effectively and effective social engagement. As a form of effort to increase company volunteerism in carrying out environmental management, a program was formed by the Ministry of the Environment called PROPER, the Company Performance Assessment Program in Environmental Management (PROPER) seeks to improve and encourage companies to participate in environmental management.

Implementation of Environmental Management Accounting is a commitment made by an organization to implement new environmental programs and strengthen its environmental strategy. According to (Suasana and Ekawati, 2018) the greater the company's

commitment to environmental preservation, the greater the opportunity for innovation in processes and product development in the environment. Green innovation is a single tool to increase long-term progress used to provide business services to increase productivity (Papagiannakis and Kassinis, 2019) which can increase revenue, profitability, and competitiveness (Seman et al., 2019).

This research refers to research conducted by (Vu and Dang, 2020) and (Sari and Sanusi, 2020) which shows that environmental management accounting commitment influences a company's financial performance. A previous study conducted by (T. Hirunyawi, 2018) linked a company's environmental management accounting commitment to financial performance with a negative effect. This means that there are inconsistencies in the research results which are of interest to the author in conducting further research. Apart from that, little research has been carried out in Indonesia. The author also added mediating variables for green process and product innovation and the role of environmental performance. Process innovation and green products are variables that can link the relationship between environmental management accounting and company performance according to studies (Xie and Zou, 2019). Apart from that, the authors added the latest data from 2020 to 2023.

REVIEW OF LITERATURE

Institutional Theory

According to (Fields., et al., 2012), Institutional Theory is illustrated based on the assumption that the environment requires business in two different ways. Initially, the topics were technical or economic. Social and religious legitimacy comes from the general public, so organizations must comply with laws, regulations, rules, and standards that have been set by society. Institutional theory describes the relationship between an organization and its environment. It also discusses how and why an organization launches certain structures and processes and the outcomes of those processes. This theory can be used to explain roles and decision-making in organizations, recognizing that organizational structures, processes, and roles are often influenced by the beliefs and rules adopted by the organizational environment.

For example, organizations focused on public services have found that in expressing their concerns, they are often influenced by existing policies and procedures at the local, regional, and national levels as well as in society at large. Based on this, it can be said that organizations that act as policy representatives must have a strong commitment to carrying out their duties so that the objectives of each policy can be achieved.

Legitimacy Theory

According to Mousa and Hassan (2015), legitimacy theory is a condition where the values of a system imposed by a particular entity are directly opposed to the values of a more expansive system. If a company has communicated with the general public to understand what the general public cares about. Then, the business succeeded in creating this perception and implemented an environmentally friendly innovation strategy that enabled the business to successfully build legitimacy. Businesses more easily gain legitimacy from the general public thanks to their commitment to environmental conservation and high-tech innovation. Legitimacy theory emphasizes that every business always has a social relationship with the surrounding environment, be it the natural environment or the social environment.

The Relationship of Environmental Management Accounting to Financial Performance

Legitimacy is a particular psychological phenomenon that refers to people and community groups who specifically care about the local environment, both for physical and non-physical communities. Puspita (2015) argues that organizational legitimacy can be understood as something that the general public gives to businesses, as well as something that the general public wants or demands from businesses. "The extent to which a company integrates ecological issues into its business strategy to reduce the harmful effects of related business activities on the natural environment," is how committed it is to the environment (T. Hirunyawipada, 2018). Environmental Management Accounting has a very important role in the success of business operations. In recent years, commitment to the environment has become the main focus of governments, policymakers, the general public, and the business world. This is a result of global warming, ozone depletion, and other factors that have been present over the past few years, as well as celestial disasters.

Environmental Management Accounting is defined as the ratio of the value of a product or service to its environmental impact. The concept of eco-efficiency revolves around the fact that businesses that use eco-efficiency principles are more profitable and competitive because they use environmentally friendly resources, water, and energy, produce less waste and pollution, increase production methods, develop new products or services, and use or recycle repeat existing materials. Environmental management accounting (EMA) is a relatively new environmental management tool originally designed to track environmental costs and environmental flows. Environmental management accounting is a new revolution in the 4.0 era that can be developed by applying the principles of corporate responsibility (Burritt and K. Christ, 2016). So, there is a relationship between environmental management accounting and financial performance.

According to Mood and Ekawati (2018), businesses are becoming more committed to protecting the environment as part of their sustainability initiatives, which is better for their financial operations. Previous research has determined that environmental accounting can increase short-term profitability and future value for companies with strong marketing capabilities (T. Hirunyawipada, 2018) and environmental management accounting can improve environmental performance and financial performance (Deb and Rahman, 2022). Using the previous description, the author proposes the following hypothesis:

H1: Environmental Management Accounting Influences Financial Performance.

Innovation is a business strategy used to achieve, accelerate, or convey organizational knowledge about potential risks to employees (Cui and Lu, 2015). Businesses that use caring strategies will simply break the law, and businesses that maintain control over proactive strategies will deprive employees of the ability to pursue their goals of regulating energy, language, or pollutant production. With strong environmental conditions for local communities and high-impact innovation, businesses can achieve positive results that benefit the general public and key stakeholders. This can make business operations more successful and is in line with research findings (N. M. Fuzi., et al., 2020). Based on the above evidence, the following is a summary of the hypothesis:

H2: Environmental Management Accounting Influences Green Process Innovation.

According to Legitimacy Theory, a company's social quota must comply with all applicable laws, rules, regulations, and societal expectations. For this reason, business actors must develop environmental management accounting to encourage other business actors to innovate. The company's commitment to the implementation of environmental management accounting encourages the fulfillment of expectations for Heads of State and a mindset that will enable businesses to engage in more effective high-innovation practices. Due to pressure from stakeholders to care about the environment, businesses with a strong commitment to the environment are more likely to be successful in developing innovative high-speed manufacturing processes. The application of green product innovation is carried out by designing products to be environmentally friendly, modifying product components, and intervening after the sales process to reduce the amount of waste and packaging for customers which is called green innovation. Based on research from Mood and Ekawati (2018) and Burki and Dahlstrom (2017), every company can innovate high-quality products with community support. Based on the above evidence, the following is a summary of the hypothesis:

H3: Environmental Management Accounting Influences Green Product Innovation.

In environmental management accounting practices, environmental awareness functions in improving the management environment in organizations. However, several studies related to environmental management accounting and financial performance have not yet found convincing results, but the results of Mohamed's (2018) study reveal that physical and monetary environmental management accounting has a significant effect on environmental performance. Environmental Management Accounting is considered a successful idea to reduce the ecological burden in the form of energy dependence and carbon footprint. In addition to the company's highest emphasis on Environmental Management Accounting, the organization's environmental organizational strategy is articulated and implemented with an ecological role. The role of environmental organizational strategy strengthens the organization's internal awareness to improve environmental conditions and thereby helps reduce negative environmental pressure. In addition, with increasing environmental regulations, the need for sound corporate environmental policies and strategies is essential to protect future growth and market image (Eko and Agustine, 2021).

Fuzi and Habidin's (2020) study confirms the finding that environmental performance results benefit organizations through environmental management accounting practices. Based on the description above, the author is interested in making a hypothesis;

H4: Environmental Management Accounting influences environmental performance.

Innovations in green processes are becoming more expensive to implement internally, but also more effective than previous green practices. Green process innovations can result in immediate improvements (such as an immediate chimney scrubber) or can be incorporated into the production process through input substitution, production process optimization, or output rebranding. Previous research has established that innovative green process innovations have a positive impact on a company's competitiveness and long-term success (X.Xie., et al, 2019). So, overall, it makes good business sense for companies to invest in green process innovation (Burritt and K. Christ, 2017). Therefore, we think that the company's green process innovation practices are conducive to improving its financial performance. First, innovation in high-tech processes improves existing production processes or initiates new ones to reduce environmental hazards, raise business environmental standards, and encourage differentiation. Based on the above evidence, the following is a summary of the hypothesis:

H5: Green Process Innovation has a positive effect on Financial Performance.

Green product innovation has an important role in improving a company's financial performance. Therefore, innovative green processes are critical in addressing the impact of community commitment on business operations. This is following research conducted by Ryszko (2016) and Burki and R. Dahlstrom (2017) both of whom stated that new green processes are possible. Therefore, the proposed hypothesis promotes innovation in green products as a specific tool for marketing projects with a continuous increase in market share. In addition, there is a cost leadership strategy. This has an impact on the company's lab quality standards. The importance of product innovation for businesses pursuing a differentiation strategy. Businesses that innovate high-quality products can face competitive pressures, allowing them to sell high-quality goods, improve their reputation, and create new markets. Based on the description above, the writer hypothesizes as follows:

H6: Green Product Innovation has a positive effect on Financial Performance

The resource-based view suggests that only proactive environmental governance becomes a source of financial gain, which will be unique to the firm and difficult for competitors to obtain. Eco-efficiency usually measures a company's environmental accounting performance in a relative scope. According to Galindo-Manrique and Esteban (2021), eco-efficiency, which is a reflection of environmental management accounting, can increase the volatility of company share prices in the market. In the literature review, the relationship between environmental performance and financial performance has varying complexity of results, but most of them reveal significant results. Environmental performance, a signal of efficient and effective use of resources, can improve a company's environmental reputation and, in turn, employee commitment. The study results of F. Shen., et al (2019) reveal that the relationship between environmental performance and financial performance plays an indispensable role in exploring the internalization of corporate environmental responsibility. Based on this description, it can be concluded that.

H7: Environmental performance influences financial performance.

RESEARCH METHOD

The population in this study are manufacturing companies registered on the IDX 2020-2023. The sample is part of the size and characteristics of the population. If there is a large population that does not fully understand the characteristics of the population (such as handling time, money, and other resources), the data can use samples taken from that population (Sugiyono, 2020). The population in this study was 233 companies with a sample that met the requirements of 107 so the total sample was 428 (107 x 4 years). The selection of research samples was based on the purposive sampling method, to obtain a representative sample in accordance with the criteria set out in this research:

1. The manufacturing company has been operating and profitable for four years.
2. Manufacturing companies with the latest information regarding green innovation, environmental performance, and environmental management accounting.

3. Companies that have international ISO 14001 certification and companies that do not have international ISO 14001 certification.

Environmental Management Accounting is measured using ISO 140001 as an indicator variable for environmental commitment in companies with a dummy variable, where the number 1 (one) indicates a company that already has ISO 14001 certification and the number 0 (zero) indicates that it does not have ISO 14001 certification, referring to (40). Return on assets (ROA) is a frequently used financial performance measure that shows the results of certain tests both in the past and currently (F, Shen., et al., 2020). ROA is more stable than sales or profit growth at the point of sale during the high tide of financial performance due to short-term managerial effects and awareness of the external environment in emerging markets. Green process innovation is divided into clean technology and end-of-pipe technology. Data from both items were determined according to the company's description of the corporate social responsibility report using the content analysis method, where each item was given a score of 0 to 2: 0 if there was no related description; 1 if there was only a simple description without implementation details (e.g., detailed plans, implementation processes, or quantitative terms, indicating that the company is indeed undertaking the related type of innovation); and 2 if there is an associated description with rich detail (i.e., numerical indicators to describe appropriate environmental practices. Green product innovation emphasizes the use of environmentally friendly products and uses three indices and is scored using the content analysis method described in the company report in accordance with (Wang, et al., 2021). Environmental performance in research is a rating given and measured using the PROPER test following Dewi's (2019) research.

Technical data analysis uses three approaches, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The estimation model selection is carried out to determine the most appropriate regression model to use. This model selection can be done using the Chow test, Hausman test, and Lagrange multiplier test.

RESULTS AND DISCUSSION

Table 1.
Descriptive Statistic

	Env. Management Accounting	Env. Performance	Green Product Innovation	Green Process Innovation	ROA
Mean	0.558411	1.700935	2.815421	3.000000	0.080343
Median	1.000000	1.000000	3.000000	3.000000	0.050000
Maximum	1.000000	5.000000	6.000000	7.000000	0.640000
Minimum	0.000000	1.000000	1.000000	1.000000	0.000000
Std. Dev.	0.497158	1.026259	1.431020	1.641100	0.091536
Skewness	-0.235256	0.986867	0.403162	0.541097	2.759191
Kurtosis	1.055345	2.580641	2.190800	2.578033	13.31499
Jarque-Bera	71.38796	72.60819	23.27183	24.06076	2440.519
Probability	0.000000	0.000000	0.000009	0.000006	0.000000
Sum	239.0000	728.0000	1205.000	1284.000	34.38700
Sum Sq. Dev.	105.5397	449.7196	874.4182	1150.000	3.577777
Observations	428	428	428	428	428

Sources: Data Process, 2023

Based on the results of descriptive statistical tests in Table 1 above, the results of processing using the E-Views program and the data processed are secondary data totaling 428. Of the environmental management accounting variables, environmental performance, green product innovation, green process innovation, and ROA the largest maximum value lies in the process innovation variable, which is 7, while the minimum value for the environmental management accounting and ROA variables is 0.00. The highest median value is 3.00 for the variable's green product innovation and green process innovation. The lowest median value is 0.05 for the ROA variable. The highest mean value is 3.00 for the process innovation variable, and the lowest mean value is 0.0803 for the ROA variable.

The Relationship Between Environmental Management Accounting and Green Process Innovation

Table 2.
Hypothesis Test

Dependent Variable: PROCESS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AKMENLI	0.059388	0.125799	0.472089	0.6371
C	2.957705	0.168973	17.50401	0.0000

Sources: Data Process, 2023

Based on the results of the hypothesis test in Table 2, the t-statistic value is 0.472089 with a probability of $0.6371 > 0.05$. It can be said that there is no influence between environmental management accounting on green process innovation and hypothesis 2 is rejected.

The Relationship Between Environmental Management Accounting and Green Product Innovation

Table 3.
Hypothesis Test

Dependent Variable: PRODUCT

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AKMENLI	-0.349115	0.145740	-2.395456	0.0170
C	3.017453	0.152322	19.80973	0.0000

Sources: Data Process, 2023

Based on the results of the hypothesis test in Table 3, the t-statistic value is -2.395 with a probability of $0.017 < 0.05$. It can be said that environmental management accounting has an effect on green product innovation and hypothesis 3 is accepted.

The Relationship Between Environmental Management Accounting and Environmental Performance

Table 4.

Hypothesis Test

Dependent Variable: Environmental Perf

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AKMENLI	5.69E-14	3.20E-15	17.80905	0.0000
C	1.709220	1.86E-15	9.18E+14	0.0000

Sources: Data Process, 2023

Based on the results of the hypothesis test in Table 4, the t-statistic value is 17.80905 with a probability of $0.000 < 0.05$. It can be said that environmental management accounting has an effect on environmental performance and hypothesis 4 is accepted.

Relationship Between Environmental Management Accounting and Financial Performance (ROA)

Table 5.

Hypothesis Test

Dependent Variable: ROA

Variable	Coefficien t	Std. Error	t-Statistic	Prob.
	-			
AKMENLI	0.004336	0.011140	-0.389191	0.6973
KLINGKUNGAN	0.016898	0.007027	2.404589	0.0166
PRODUK	0.002490	0.003784	0.658164	0.5108

PROSES	0.009707	0.003807	-2.549760	0.0111
C	0.076133	0.022159	3.435792	0.0006

Sources; Data Process, 2023

Based on the results of the hypothesis test in Table 5, the t-statistic value is -0.389191 with a probability of $0.05 < 0.6973$. It can be said that environmental management accounting has no effect on financial performance and hypothesis 1 is rejected.

The Relationship Between Green Process Innovation and Financial Performance (ROA)

Based on the results of the hypothesis test in Table 5, the t-statistic value is -2.549760 with a probability of $0.05 > 0.011$. It can be said that green process innovation has an effect on financial performance and hypothesis 5 is accepted.

The Relationship Between Green Product Innovation and Financial Performance (ROA)

Based on the results of the hypothesis test in Table 5, the t-statistic value is 0.658164 with a probability of $0.05 < 0.5108$. It can be said that green product innovation has no effect on financial performance and hypothesis 6 is rejected.

The Relationship Between Environmental Performance and Financial Performance (ROA)

Based on the results of the hypothesis test in Table 5, the t-statistic value is 2.404589 with a probability of $0.016 < 0.05$. It can be said that environmental performance influences financial performance and hypothesis 7 is accepted

Relationship Between Environmental Management Accounting and Financial Performance (ROA)

Based on statistical results, environmental management accounting cannot influence financial performance. Implementing environmental management accounting through ISO 14001 certification can have positive implications because the company gives a signal to the

environment that the products produced go through various stages that do not damage the environment. ISO 14001 certification which focuses on building a company's image of environmental responsibility has a good reputation in society, the implications of which are increasing profitability. Despite this, there is a difficult relationship between local government and business (N. Hussain, et al., 2018). According to Handayani (2020), the implementation of Environmental Management Accounting is expected to be the right solution for companies to achieve better environmental performance, but it turns out to be different from what happens to companies. Companies that have implemented environmental management accounting or have obtained ISO 14001 certificates for consecutive years produce poor environmental performance (GRI index below average).

The Relationship Between Environmental Management Accounting and Green Process Innovation

To improve product quality, understand market conditions, and improve production and distribution systems. Company management strategy is very important to survive in the business world. Innovation is one strategy that can be used to face business competition. Innovations carried out by companies aim to produce competitive advantages. The implementation of environmental management accounting is expected to be a driver for companies to strive for innovation in the process of going green, however, this cannot be the main foundation for process innovation because realizing innovation in the process requires sufficient readiness in human and financial resources. Creating environmentally friendly product innovation is not an easy task, it will cost a lot to make it happen. The results of this study are in line with the findings of Mulyana and Mulyadi (2020).

The Relationship Between Environmental Management Accounting and Green Product Innovation

Implementation of Environmental Management Accounting is a commitment made by an organization to implement new environmental programs and strengthen its environmental strategy. According to Mood and Ekawati (2018), the greater the company's commitment to environmental preservation, the greater the opportunity for innovation in processes and product development in the environment. According to Febrianty and

Rosdiana (2017), environmental management accounting can increase product innovation. The phenomenon that occurs in textile companies in Indonesia shows that there is still a lack of product innovation in companies by forgetting about responsibility towards the surrounding environment. The application of environmental management accounting can provide industrial managers with ideas for innovating products from industrial waste (Rahmah and Nurliana, 2022).

The Relationship Between Environmental Management Accounting and Environmental Performance

Based on statistical results, environmental management accounting influences environmental performance. Burhany (2012) stated that accounting plays a role in managing the relationship between companies and the environment. Achieving good environmental performance is not the ultimate goal of a Company. However, if you want to improve environmental performance, companies must carry out environmental management. Environmental management accounting exists to overcome the limitations of traditional management accounting by highlighting environmental aspects in the company's management accounting system. In line with Lestari's (2017) findings, the application of environmental management accounting in industry makes environmental performance better.

The relationship between green process innovation and financial performance (ROA)

Green process innovation is an important effort for companies to develop their business processes and influence the company's survival. Good innovation will produce quality products or services with cost efficiency, product improvisation, and produce products that are different from previous ones. Implementing good innovation will have an impact on improving company performance in the future with consideration of a healthy environment. Carrying out innovation, organizations will pay attention to market changes that are always moving and to create added value or maintain their competitiveness. Existing products are sensitive to changing tastes and customers, new technologies, faster product cycles, and increased international competition. The theory of the relationship between innovation strategy and company performance is the history of Schumpeter's work and many studies have also been conducted on this relationship and some have found that innovation

is a key component for a company's long-term success. Moreover, innovative businesses are more successful than others. However, other research also shows that innovation can be risky and failure is the most likely outcome of product innovation (Witjaksono, 2022). The success of a company in achieving competitive advantage can be seen from the characteristics of the company from the various resources and capabilities it has. One of these resources is intellectual capital.

The Relationship Between Green Product Innovation and Financial Performance (ROA)

Green product innovation is the introduction of a service work product including the characteristics of its useful function, technical characteristics, structure formation, and materials used, including the software used, user-friendliness, and other special characteristics that are environmentally oriented. Product innovation or production output can use or utilize basic knowledge or new technology, custom is based on the use of existing knowledge and new technology. Green product innovation is a new idea or product development designed to reduce the impact on the environment through the use of environmentally friendly and recyclable materials (Febrianty and Rosdiana, 2017). The large number of companies that still focus on financial performance means they do not strengthen green product innovation. Apart from that, there is also a lack of support from the company's resources and low levels of disclosure regarding the implementation of environmentally friendly green innovations. The results of this study are in line with the findings of Millenia (2023).

The Relationship Between Environmental Performance and Financial Performance (ROA)

The findings of this study reveal that environmental performance influences financial performance. Environmental performance receives special attention because it reflects the company's concern for the environment around which the company operates. Environmental performance can be seen through the color rating obtained by the company in PROPER (Company Performance Rating Assessment Program) which is implemented by the government through the Ministry of the Environment (KLH). Companies that have a good

level of environmental performance will provide a good image and gain the trust of the public. This can increase product sales and have a good impact on financial performance. By disclosing PROPER in the company's annual report, the company can be assessed as better than companies that do not disclose PROPER. Because, PROPER can be a promotional tool for environmentally friendly companies and can be used as a benchmark (Rahayudi, 2023).

CONCLUSION

Based on the results and discussion, it can be concluded that there is no direct influence on the relationship between environmental management accounting and the Company's financial performance. However, environmental performance can mediate the relationship between environmental management accounting and financial performance by looking at the influence of the relationship between environmental management accounting and environmental performance, and environmental performance on financial performance. Then the existence of green process innovation can improve financial performance but environmental management accounting does not influence green process innovation. Meanwhile, product innovation is a very risky innovation because it requires adequate resource readiness so that it does not have an impact on performance, even though the existence of management accounting can be a driving force for green process innovation.

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