
**Implementation Green Accounting to Corporate Financial Performance;
Evidence in Indonesia**

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Abstract

This study intends to raise business understanding about how profits may assist the community in addition to maximizing profits, as the company's operations will affect the surroundings in which it functions. SEM (Structural Equation Modelling) statistical techniques are used in this study, which employs data from industrial businesses stated on the IDX (Indonesia Stock Exchange) during the 2019–2023 research period. The study's findings indicate that: (1) Environmental Performance is significantly and favorably impacted by Corporate Financial Performance. (2) Environmental cost can significantly and favorably impact a Corporate Financial Performance. (3) Disclosure of Corporate Social Responsibility can benefit greatly from Environmental Performance. (4) Environmental Cost are unable to significantly and favorably impact Corporate Social Responsibility Disclosure. (5) Corporate Financial Performance is negatively impacted by the Corporate Social Responsibility Disclosure. (6) Corporate Social Responsibility Disclosure cannot operate as an intermediary between Environmental Performance and Corporate Financial Performance in an indirect manner. (7) Corporate Financial Performance cannot be indirectly impacted by Environmental Cost when Corporate Social Responsibility Disclosure acts as a mediating variable.

Keywords: Environmental Performance, Environmental Cost, Corporate Social Responsibility Disclosure, Corporate Financial Performance, PROPER

1. Introduction

Environmental issues are a common occurrence in 2023. There have been 513 natural catastrophes in the nation so far this year; these disasters include landslides, floods, forest fires, trash in waterways, and other calamities. August 2023 saw a haze disaster in West Kalimantan, particularly in Pontianak, which alarmed the local community. This is indicative of the fact that environmental management practices in Indonesia are not in line with established guidelines and cannot be considered environmentally friendly, thus contributing to the country's deteriorating environmental conditions. Even while some businesses operate using chemicals and cutting-edge technology, they nevertheless fail to consider the social effects of their industrial operations. These include the procurement of raw materials, manufacturing procedures, and outputs that have an impact on the environment and pollute the air, water, trash, and other elements. The local people subsequently started to object against this. Because it is thought to be unable to support stakeholders' interests, conventional accounting has drawn a lot of criticism from the community (Aulia & Kartawijaya, 2011).

To encourage businesses to get more involved in environmental conservation efforts, the government, under the Ministry of Environment (KLH), developed the Company Performance Rating Assessment Program in Environmental Management (PROPER). The goal of this initiative, which has been in existence since 2002, is to reduce environmental effect. The company's *Environmental Performance* is ranked using colors, with black representing the worst *Environmental Performance* and gold, green, blue, and red being the best. This will make it simple for the general public to understand about the company's level of management structure. Rakhiemah and Agustia (2009).

The PROPER supervisor of the Ministry of Environment and Forestry determined the company's performance rating for the 2022–2023 period based on the evaluation results of 2593 companies. Of these, 45 companies have not had their ratings made public because they are either closed, under law enforcement investigation, or not in operation.

The research questions for this research are as follows:

- 1) Does *Environmental Performance* affect *Corporate Financial Performance*?
- 2) Does *Environmental Cost* affect *Corporate Financial Performance*?
- 3) Does *Environmental Performance* affect *Corporate Social Responsibility Disclosure*?
- 4) Does *Environmental Cost* affect *Corporate Social Responsibility Disclosure*?
- 5) Does *Corporate Social Responsibility Disclosure* affect *Corporate Financial Performance*?
- 6) Does *Environmental Performance* affect *Corporate Financial Performance* with *Corporate Social Responsibility Disclosure* as an Intervening Variable?
- 7) Does *Environmental Cost* affect *Corporate Financial Performance* with *Corporate Social Responsibility Disclosure* as an Intervening Variable?

2. Method

The method for this research was quantitative. Either secondary data from the yearly report of the business was utilized in this investigation, This may be accessed via the www.idx.co.id websites. and the official website of entities, and listed from 2019 till 2023 on the Indonesia Stock Exchange, or quantitative information presented in the format of numerical values between 2019 and 2023, the Indonesia Stock Exchange (IDX) listed the Ministry of Environment and Forestry's PROPER Value creation is the main emphasis of performance evaluation, and the EVA calculation findings are utilized to monitor corporate Financial Success. The formula for calculating EVA is as follows:

$$EVA = \left(\text{Operating} \frac{\text{Profit}}{\text{Loss}} - \text{Tax} \right) - ((\text{Total Debt} + \text{Equity}) \pi r^2)$$

$$EVA = (\text{Operating Profit/Loss} - \text{Tax}) - ((\text{Total Debt} + \text{Equity}) - \text{Short} - \text{Term Debt})$$

The Ministry of Environment's PROPER program, which evaluates how well a firm manages its environment, will be utilized to calculate the *Environmental Performance* employed in this study. Ratings are used by PROPER to assess an organization's *Environmental Performance*.

The PROPER rating is divided into five color groups, which are listed in the following order: black, red, blue, green, and gold. In this study, ratings ranging from 1 to 5 were used to quantify *Environmental Performance* using ordinal data.

Environmental Cost is the amount of money spent by the business on protecting the environment and mitigating harm to it. The company's external and internal expenses are combined to form the Environmental Costs. Mauliddina (2018) cites Susenohaji (2003) in Camilia (2016). The recognition of Environmental Costs may be computed by dividing the company's earnings by the expenditures expended for its Corporate Social Responsibility initiatives. Whino (2014) in Mauliddina (2018), may be stated as follows:

$$\text{Environmental Costs} = \frac{\text{CSR Cost}}{\text{Net Profit After Tax}}$$

Corporate Social Responsibility is the study's intervening variable. The *Corporate Social Disclosure Index* (CSDI) is used to gauge how much social responsibility information is included in annual reports. The Global Reporting Initiative version 4.0 is the source of the CSDI information utilized in this study (GRI-G4). In addition, the GRI-G4 offers guidelines for presenting sustainability *Disclosures* in a variety of report forms, including online reporting, integrated reports, yearly reports, reports addressing particular international standards, and independent sustainability reports. Indicators from GRI-G4, which include 91 (ninety-one) indicators altogether and are broken down into three primary categories economic, environmental, and social are used to evaluate *CSR Disclosure*. Human rights, work conditions and labor practices, product responsibility, and society are examples of social categories. This

study will employ the CSDI measuring tool, which assigns scores between 0 and 1. where things not revealed by the firm have a value of 0 and those that are declared by the company have a value of 1. The following is the CSDI calculating formula:

$$CSDI_j = \frac{\sum x_{ij}}{N_j}$$

Information:

CSDI_j: The Corporate Social *Disclosure* Index j company percentage

N_j: The total number of items for j company; n_j=91

X_{ij}: Inanimate variable If item I is disclosed, then 1; if not, then 0

The purpose of descriptive statistics is to paint a descriptive image of a set of data that includes the average, maximum, and lowest values. The analysis's goal is to facilitate readers' comprehension of the study data outcomes. The standard deviation is used to determine the variance found in each variable's research, the minimum maximum is used to characterize the greatest and smallest data in the study, and the average value is used to define the study's average. Additionally, a broad analysis of the test samples that is, The objective of this is to be listed on the IDX for the 2019-2023 timeframe.

With the aid of Warppls 7.0, the Inferential Statistics utilized in this work apply the Partial Least Square (PLS) technique to Structural Equation Modeling (SEM). Once hypotheses have been developed, they are tested using inferential statistical analysis, which begins with testing of hypotheses, model measurements (outer model), and model structure (inner model).

The amount to which the mediating variable may absorb the previously considerable direct effect of the no-mediation model was measured in this study using the variance absorption factor (VAF).

3. Results

The 154 manufacturing businesses the research sample for this study consists of companies that were listed on the *Indonesia Stock Exchange* between 2019 and 2023. In line with the researcher's requirements, this study used purposive sampling to generate a sample of 140 observations from 28 manufacturing organizations for analysis. The research sample was analyzed in this study using the WarpPLS 7.0 tool, which is a development of PLS (*Partial Least Square*) analysis. These are the data analysis's findings.

3.1 Descriptive Statistical Analysis

To facilitate readers' understanding of the study's findings, the average, standard deviation, maximum, and lowest values are employed in the statistical analysis that is descriptive. That table provides a description of the descriptive statistics results.

Table 1. Results of Descriptive Statistical Analysis

Condition	EP	EC	CSDi	CFP
Mean	3,114	2,431	24,427	6,110
Standard Deviation	0,481	0,042	16,433	0,948
Maximum	5,000	2,774	69,231	8,172
Minimum	2,000	2,182	0,000	0,000

The *Environmental Performance* (EP) variable, which is generated from PROPER data, has an average value of 3.114 and a standard deviation of 0.481. Its maximum value is 5,000, and its minimum value is 2,000, as shown in Table 4. The *Environmental Cost* (EC) variable of CSR costs has an average value of 2.431 and a standard deviation of 0.042, with a maximum of 2.774 and a minimum of 2.182. The CSDi measurements of 140 samples' corporate responsibility *Disclosures* revealed a maximum value of 69.231 and a minimum value of 0.000, with an average of 24.427 and a standard deviation of 16.433. Meanwhile, the average value of the EVA, which is used to calculate *Corporate Financial Performance* (CFP), is 6,110, with a standard deviation of 0.948, and maximum and minimum values of 8,172 and 0.000, respectively. The test findings were subjected to inferential statistical analysis utilizing model measurements, which included the outer, inner, and hypothesis tests.

3.2 Model Measurement Evaluation

In this study, the model evaluation includes 2 stages, namely:

1. Evaluation of Measurement Model (Outer Model)

a. Convergent Validity

Measurements of convergent validity have the potential to exhibit a positive correlation and magnitude with theoretically connected measurement findings. This assessment looks at the value of the standardized loading factor to assess the reliability checks of individual items. The test findings from this measurement are listed below.

Table 2. Results of Convergent Validity Test Analysis

	EP	EC	CSDi	CFP
EP	(1,000)	0,000	0,000	0,000
EC	0,000	(1,000)	0,000	0,000
CSDi	0,000	0,000	(1,000)	0,000
CFP	0,000	0,000	0,000	(1,000)

It can be seen from Table 2 that each variable has a *standardized loading factor* value of 1,000 > 0.7. This shows that *Environmental Performance*, *Environmental Cost*, *corporate social responsiveness Disclosure*, and *Corporate Financial Performance* have *positive correlation* values. In this study, only 1 (one) indicator is used in the measurement of each variable.

b. Discriminant Validity

After evaluating a reflective model for cross loading of discriminatory validity, one compares the square root of extracted variance, or AVE. The correlation between each construct's AVE indicator and the other constructs in the model is compared as part of this assessment. According to Fornell and Lacker (1981) in Ghazali (2014:40), if the model has a square root value of AVE of each construct bigger than the correlation value between constructs and other constructs, then the discriminant validity is regarded excellent. The results of measuring discriminant validity are as follows.

Table 3. Results of *Discriminant Validity Test Analysis*

	EP	EC	CSDi	CFP
EP	(1,000)	-0.133	0,164	-0,188
EC	-0.133	(1,000)	0,019	-0,026
CSDi	-0,188	0.056	(1,000)	-0,158
CFP	0.164	-0,057	-0,158	(1,000)

With a value of 1.000, table 3 demonstrates that the *Environmental Performance* value is higher than the constitutive correlation value of the other blocks. With a value of 1.000, the *Environmental Cost* variable comes next, and it is the one with the greatest value compared to the construction correlation value of the other blocks. *The Corporate Financial Performance* the variable exceeds the constituent value of other blocks since it has the same value of 1,000 as the prior variable. Finally, the variable of *social responsibility Disclosure* through CSDi also has a value of 1,000 > the value of the constitutive correlation value of other blocks. These findings indicate that the study's data has a *decent* discriminant validity value.

c. Reliability

The composite reliability value of > 0.7 and the Cronbach's alpha value of > 0.6 are the requirements for measuring reality as viewed through the lens of latent variable coefficients. In the research instrument, it must have a dependable construct (*reliability*) that displays *consistency*. The outcomes of the reality test are shown here.

Table 4. Reliability Test Analysis Results

	EP	EC	CSDi	CFP
Cronbach's alpha	1,000	1,000	1,000	1,000
Composite reliability	1,000	1,000	1,000	1,000

According to PROPER, the *Environmental Performance* variable has a composite reliability value of 1,000 > 0.7 and a Cronbach's alpha value of 1,000 > 0.6, as seen in the aforementioned table. The company's CSR cost variable has a Cronbach's alpha value of 1,000 > 0.6 and a composite reliability value of 1,000 > 0.7, indicating its dependability. The composite reliability value and Cronbach's alpha value of the corporate responsibility *Disclosure* (CSDi) variable are

1,000 > 0.7 and 1,000 > 0.6, respectively. The final variable has a Cronbach's alpha value of 1,000 > 0.6 and a composite reliability value of 1,000 > 0.7. It assesses the *Financial Success* of the firm using the EVA indicator. This might make it possible for the study to show that the research tool's constructs are *reliable* or *consistent*.

2. Structural Model (Inner Model)

a. R²

R² is used to quantify how some external latent factors affect endogenous latent variables. However, because the model contains a large number of variable predictors, this value may lead to bias. There are three categories for the value of R², or adj. R²: 0.07 for strong models, 0.45 for intermediate models, and 0.25 for poor concepts. The model's prediction is better the greater the value. The results of R² and Adj. R² in this study appears in the table that follows.

Table 5. Test Analysis Results

	EP	EC	CSDi	CFP
R ²			0.040	0.096
Adj. R ²			0.026	0.076

Corporate Financial Performance (CFP) has an R-square value of 0.09 according to Table 5 This indicates that factors unrelated to *Environmental Performance*, *Environmental Performance* and CSR expenses, and *corporate responsibility Disclosure* through CSDi, which is regarded as a mediating variable, can affect the CFP variable by 9.6%. In order to allow for the effect of indicators and variables not included in this study on the remaining 90.4%, each variable in this analysis only employs one (1) indicator. The *corporate responsibility Disclosure* (CSDi) is the mediation variable. Its R-square value is 0.040. Stated differently, *the Disclosure of corporate responsibility* may be facilitated by the variable *Environmental Performance*, with an *Environmental Cost* of just 4%. This means that a *reduced Environmental Cost* can mediate the link between EP and EC to CFP.

b. Partial F-test/Effect Size

F-test or also known as effect size is used to determine the number of exogenous variance proportions to endogenous variances. The effect size or F-test in this study is shown as follows.

Table 6. Results of F-test/effect size test analysis

	EP	EC	CSDi	CFP
R ²				
Adj. R ²				
CSDi	0.030	0.010		
CFP	0.056	0.002	0.047	

The aforementioned data indicates so the percentage is 3% correlation between *Environmental Performance* (EP) and *Corporate Financial Performance* (CFP) and a 5.6% correlation between

EP and CSDi. *Reduced Environmental Cost* (EC) can have a 0.1% and 0.2% *impact* on CSDi and CFP, respectively. At 4.7%, CSDi has the *most impact* on CFP in the meanwhile. All variables, however, have minuscule latent variable predictors that influence endogenous variables.

3.3 Hypothesis Test

The purpose of hypothesis testing is to ascertain how independent and dependent variables relate to one another. In this work, the WarpPLS 7.0 software and path analysis of the created model were utilized to assess the t-test utilizing SEM-PLS. Two criteria serve as the foundation for the decision-making process: a) P-Value > 0.05 indicates that H0 is acceptable and Ha is rejected; b) P-Value < 0.05 suggests that Ha is approved and H0 is disapproved. Two types of hypothesis tests—direct and indirect—were employed in this investigation.

1. Direct Hypothesis

To assess the direct impact of variable x on variable y, utilize the direct hypothesis test. The direct hypothesis test findings for this investigation are listed below.

Table 7. Direct Hypothesis Test Results

<i>Hypothesis</i>	<i>Variable</i>	<i>Path Coefficients</i>	<i>P-value</i>	<i>Hypothesis Results</i>
H1	EP – CFP	-0,212	0.005	Accepted
H2	EC – CFP	0,019	0,409	Rejected
H3	EP – CSDi	0,169	0,020	Accepted
H4	EC - CSDi	-0,094	0,128	Rejected
H5	CSDi – CFP	-0,209	0,005	Accepted

Table 7 shows that the path coefficient is -0.212 and the p-value of the *Environmental Performance* on the *Financial Performance* of the firm is 0.005. This indicates that the hypothesis is *accepted*, but in the other direction, with a score of $H1 < 0.05$. Thus, it may be said that a company's *Financial Success* is positively impacted by its *Environmental Performance* in the opposite direction. This implies that the company's *Financial Performance* declines as a result of its *improved Environmental Performance*. When compared to business *Financial Performance*, the path coefficient for CSR expenditure is 0.019, and the p-value is 0.409. The fact that $H2 > 0.05$ suggests that this hypothesis is rejected and that there is no positive correlation between CSR expenditures and the organization's *Financial Performance*.

According to the third hypothesis, the coefficient route is 0.169 and the *Environmental Performance* on *Corporate Social Responsibility Disclosure* has a p-value of 0.020, which is less than 0.05. The conclusion that *Environmental Performance* can have a beneficial impact on the *Disclosure of Corporate Social Responsibility* is supported by the evidence that H3 is both acceptable and unidirectional. The *Corporate Social Responsibility Disclosure* cost, as measured by the CSDi, has a -0.094 path coefficient and a p-value of 0.128. This illustrates that H4 can be

refused, suggesting that CSR expenditures are not able to alter the company's social responsibility declaration. The second hypothesis has a p-value of 0.005 and a path coefficient of -0.209 regarding the *Disclosure* of accountability for the firm's *Financial Performance*. This demonstrates that the hypothesis is *true*, indicating that while *social responsibility Disclosure* has an impact on a company's *Financial Success*, the effect is *contrary*.

2. Indirect Hypothesis

To determine if the intervening variable may mediate how variable x affects variable y, the indirect hypothesis test is utilized. The inverse relationship between the *Corporate Social Responsibility* variable and the variables measuring *Environmental Performance* and *Corporate Financial Performance*, as well as the relationship between the variables measuring *Environmental Cost* and *Corporate Financial Performance*, provide evidence for this test. The outcomes of the independent factors' indirect impacts on the dependent variables and the mediation relationship are as follows.

Table 8. Results of Indirect Hypothesis Test

<i>Hypothesis</i>	<i>Variable</i>	<i>Path Coefficients</i>	<i>P-value</i>	<i>Hypothesis Results</i>
H6	EP – CFP	-0,035	0,276	Rejected
H7	EC – CFP	0,020	0,370	Rejected

Table 8 shows a p-value of 0.276 for the association between *Environmental Performance* and firm *Financial Success* that is mediated by *Corporate Social Responsibility Disclosure*. This indicates that the hypothesis $H6 > 0.05$ is not supported, leading to the conclusion that social responsibility Disclosure is ineffective at mitigating the impact of *Environmental Performance* on a company's *Financial Performance*. H7 was also disregarded due to its p-value of $0.370 > 0.05$. This implies that the link between environmental expenses and a company's *Financial Success* cannot be mitigated by social responsibility declarations.

The number of mediation variables that can directly affect independent variables on dependent variables is measured, the variance accounts for (VAF) method can be used. This method has criteria, if the VAF value $> 80\%$, it denotes a fully involved participation in mediation. It is possible to interpret the VAF result as partial mediation if it falls between 20% and 80%. Given that the VAF value is less than 20%, it can be said that the role of mediator is almost non-existent. Hair et al. (2013) in Junita et al. (2018). The results of the VAF method data processing can be seen as follows.

Table 9. Results of Indirect Hypothesis Test

Indirect Influence		
EP – CFP	-0,035	Insignificant
EC – CFP	0,02	Insignificant
Direct Influence		
EP – CFP	-0,212	Significant
EC – CFP	0,019	Insignificant
Total Influence		
EP – CFP	-0,247	-
EC-CFP	0,039	-
VAF		
EP – CFP	0,1417	-
EC – CFP	0,512821	-

The above table indicates that there is a noteworthy direct correlation between *Environmental Performance* and *Financial Performance*, as well as an indirect correlation between *Environmental Performance* and *Financial Performance*. is not significant. This shows that this hypothesis has a category of "direct only non-mediation", meaning that social *Disclosure* cannot affect the indirect relationship of *Environmental Performance* to *Financial Performance*. Meanwhile, the hypothesis of the direct influence of CSR on *Financial Performance* is not significant and the indirect influence of CSR is also not significant on *Financial Performance*. This shows that this hypothesis has a category of "no effect non-mediation", meaning that corporate social *Disclosure* cannot mediate the CSR relationship with the company's *Financial Performance*.

4. Discussion

Overall, the study highlights that while *Environmental Performance* influences *Corporate Social Responsibility Disclosure*, it does not necessarily lead to better *Financial Performance*, and *Corporate Social Responsibility Disclosure* itself may not enhance *Financial Performance*.

H1: *Environmental Performance* has a negative and significant effect on *Corporate Financial Performance*

The first hypothesis of this study is that *Environmental Performance* has a large and positive impact on the *Financial Success* of businesses. With a path coefficient of -0.094 and a P-value of $0.005 < \text{sig.} (0.05)$, this hypothesis is unsatisfactory since it suggests that *Environmental Performance* has a negative impact on *Financial Success*. This suggests that enhancing the *Environmental Performance* of a manufacturing organization does not always translate into higher *Financial Success*. Low growth rate companies lack an organic management style and have not been able to increase earnings through *Environmental Performance* investments. Darnall, 2005. The results of the research align with those of Hartanti (2004) and Darnall (2005), They found that *Financial Performance* and *Environmental Performance* were negatively correlated. This is due to the fact that Slack theory is more prevalent in the corporate sector than

sound management philosophy. Businesses with excellent *Environmental Performance* charge more for their goods and services, which makes it difficult for customers to be interested in purchasing or requesting the goods and services. This study is at odds with Fitriana et al.'s (n.d.) discovering a significant relationship between CSP and the quality of risk management and CSR. As opposed to Rakhiemah and Agustia's (2008) findings, which indicated that *Environmental Performance* had *no effect* on *Financial Performance*. This may be the result of capital market players still not responding to all of the information from the *Environmental Performance* evaluation.

H2: Environmental Cost cannot have a positive and significant effect on Corporate Financial Performance

The study's second premise is that environmental expenses either reject or have no effect on business *Financial Performance*. The results of the P-value test, which come out at 0.409, demonstrate that this hypothesis is supported. This demonstrates that *Financial Performance* is not impacted by the amount spent on environmental management.

The results of the study corroborate those of Mauliddina's (2018) investigation, which did not identify any connection between *Environmental Costs* and *Financial Performance*. This might be the outcome of the company's socially conscious attention to its management's interests and ambitions at the expense of the community's needs. The study of Al Sharairi (2005) and Fitriani (2013), which discovered that *Environmental Costs* can positively impact competitive advantage, is not consistent with this research. Advantages over competitors as well as higher-quality, ecologically friendly items might draw in customers. (Commer Soc Sci and others, 2024).

H3: Environmental Performance can have a positive and significant effect on Corporate Social Responsibility Disclosure

Environmental Performance having a good and considerable influence on *Corporate Social Responsibility Disclosure* is an acknowledged premise. The analytical test yielded a P-value of $0.020 < 0.05$ for this hypothesis. This suggests that there's a favorable and substantial correlation between *Environmental Performance* and increased *CSR Disclosure*. Manufacturing enterprises may engage in waste-generating activities that disturb the local population and have the potential to contaminate the environment. Businesses may reduce this by revealing their social responsibility, which attests to the quality of their *Environmental Performance*. The PROPER predicate, an indicator used to assess *Environmental Performance* in Indonesian businesses, was generally obtained by the industrial enterprises included in this study.

This study supports previous studies showing a positive relationship between *Environmental Performance* and *Corporate Social Responsibility Disclosure*. A company's strong *Environmental Performance* demonstrates its capacity to foster a healthy environment. This result is contradicted by research by Sudaryanto (2013) and Rakhiemah and Agustia (2009), which found that *Environmental Performance* had a significant influence on *CSR Disclosure*. (Widarto and associates, 2015; Bhernadha and associates, 2017).

H4: Environmental Cost cannot have a positive and significant effect on *Corporate Social Responsibility Disclosure*

The P-value for this hypothesis was determined to be 0.128 based on the findings of the preceding study, indicating that it was rejected. Put otherwise, the rise in *CSR Disclosure* is unaffected by the rising expenses associated with the environment. The findings of Mustika's (2017) and Adyaksana and Pranosokodewo's (2020) studies, which demonstrate that the price of environmental management has no influence on *CSR Disclosure*, corroborate the findings of this study. This may occur because annual environmental management initiatives undertaken by businesses typically follow a similar pattern.

This study, however, contradicts Hadi's (2011) research, which discovered that *Environmental Costs* might significantly increase *Corporate Social Responsibility Disclosure*. This suggests that the industrial firms included in the research have shown care for the environment by funding CSR initiatives.

H5: *Corporate Social Responsibility Disclosure* has a negative effect on *Corporate Financial Performance*

With a P-value of $0.005 < 0.05$ in the fifth hypothesis test findings, the hypothesis is accepted. A company's *Financial Performance* may not always increase as a result of *CSR Disclosure*. CSR cannot be a component of any company's competitive strategy to boost competitiveness, since this would simply result in lower earnings and worse *Financial Performance* from the CSR expenses invested. Solomon and Barnett (2007).

This study supports that conducted in 2017 by Magdalena et al., who found a negative correlation between CSR and *Financial Performance*. Humanist-class businesses continue to allocate funds for *Corporate Social Responsibility* (CSR) despite the possibility of lower revenues. If it has the potential to lower *Financial Performance*, then this is normal. This research, however, contradicts Angela's (2015) findings, which hold that a company's *Financial Success* is unaffected by its *CSR Disclosure*. This demonstrates that a company's high degree of CSR transparency in its annual report has had no impact on its level of *Financial Performance*.

H6: *Environmental Performance* cannot indirectly affect *Corporate Financial Performance* with *Corporate Social Responsibility Disclosure* as an intervening variable

The results of the SEM PLS P-value test for the sixth hypothesis in this investigation are $0.276 > 0.05$. This proves the premise wrong and shows that the link between environmental success and *Financial Performance* has not been mediated by CSR Disclosure. The hypothesis analysis's findings show that although CSR Disclosure may somewhat influence *Financial Performance*, it has not been able to mediate the relationship between success financially and *Environmental Performance*. Stated differently, industrial companies that provide information on their Corporate Social Responsibility (CSR) do not believe that there is a relationship between their financial and *Environmental Performance*.

This analysis confirms the findings of Angela (2015), who found that there is no possibility for CSR Disclosure to function as a mediating factor in the relationship between *Environmental*

Performance and Financial Success (Wulandari et al., 2013). When it comes to CSR Disclosure, it has been shown that a company's *Environmental Performance* has little bearing on its capacity to improve its *Financial Performance*. The results of this study contradict those of Rakhiemah and Agustia's (2009) study, which demonstrated that CSR Disclosure can lessen the relationship between *Environmental Performance* and Financial Success.

H7: Environmental Cost cannot indirectly affect Corporate Financial Performance with Corporate Social Responsibility Disclosure as an intervening variable

The study's seventh hypothesis is that, when *Corporate Social Responsibility Disclosure* acts as an intervening variable, Environmental Cost has an indirect impact on business *Financial Performance*. With a P-value of $0.370 > 0.05$, the indirect hypothesis test findings indicated that this hypothesis was rejected. This implies that an indirect link between Environmental Costs and *Financial Performance* cannot be mediated by CSR Disclosure. Prices The distribution of environmental expenditures may cause financial hardship for the business in the near run. Mauliddina (2018). In the long run, though, it could prove to be an investment that pays off for the business in terms of reduced energy and emissions, ongoing environmental enhancements, heightened productivity, and environmentally conscious branding. Mauliddina (2018).

The findings of this study, which show that environmental expenses cannot be used as an intervening variable to indirectly alter *Financial Performance*, are corroborated by Anggraeni's (2017) research. The findings of this study are not supported by the stakeholder theory, which is the foundation for environmental Disclosure practices and holds that stakeholders can have an impact on a company's sustainability. Nevertheless, this investigation differs with Derila, et al.'s (2020) research. When considering environmental expenses in relation to a company's Financial Success, CSR Disclosure may be consistently supported. Manufacturing businesses are recognized to have a detrimental effect on the environment. Examples of these effects include the appearance of environmental harm, global warming, a rise in trash that can contaminate the air and soil, and more. That manner, CSR Disclosure may be rated as excellent based on the evaluation of the PROPER predicate. If Environmental Costs are substantial, stakeholders' claims will be lessened, which will encourage businesses to provide social and environmental data in their annual reports with responsibility.

5. Reference

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