

The Influence of Sustainability Reporting and Green Accounting on The Financial Reporting Performance of Manufacturing Companies Listed on The Indonesian Stock Exchange (Case Study of Manufacturing Companies in The Cosmetics and Household Goods Subsector for The Period 2021-2023)

Brigita Lona Eniyasari ^{1*}, As'adi ², and Sri Andika Putri ³

* Correspondence Author: brigitalona596@gmail.com

^{1,2,3} Accounting, Faculty of Economics, University of Tribhuwana Tunggaladewi, Malang, Indonesia

INDEXING	ABSTRACT
<p>Keywords: Keyword 1; Sustainability reporting Keyword 2; Green accounting Keyword 3; Financial reporting Keyword 4; Performance Keyword 5; Manufacturing</p>	<p>This study aims to examine the influence of Sustainability Reports and Green Accounting on the financial reporting performance of manufacturing companies in the cosmetics and household goods subsector listed on the Indonesia Stock Exchange (IDX) during the period 2021–2023. This research employs a quantitative approach using secondary data obtained from the annual reports of each company. The results indicate that the sustainability report has a negative and significant impact on financial reporting performance. This suggests that in the short term, the disclosure of sustainability reports may require substantial operational costs, and its benefits are not immediately felt in the company's profits. Meanwhile, green accounting has a positive and significant influence on financial reporting performance. This indicates that the implementation of environmentally-based accounting practices, such as recording environmental costs and efficient waste management, contribute to improving the company's financial performance.</p>

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INTRODUCTION

This research is based on the rapidly accelerating era of globalization, which has brought significant changes in the development of the economic sector worldwide. In the context of the modern economy, ongoing technological advancements have created various challenges, especially related to environmental degradation. Environmental management as a form of corporate social responsibility has now become a very important topic for research (Angelina and Nursasi, 2021). In this context, companies must consider the costs associated with efforts to achieve sustainable business goals (Nosratabadi *et al*, 2019). The field of accounting plays a role in supporting environmental preservation, one of which is through voluntary disclosures in financial statements regarding costs incurred for environmental activities.

The sustainability report is a very important communication tool for companies regarding their commitment to social and environmental responsibility, as well as the investments made to achieve profit goals. The report includes three main dimensions that need to be considered: economic, social, and environmental dimensions. The concept known as the Triple Bottom Line (TBL) emphasizes that a business must be accountable for both the positive and negative impacts of these three aspects: people, planet, and profit. The Government of Indonesia, through the Financial Services

Authority (OJK), has established an obligation for companies to publish a report that includes information related to social and environmental activities. Companies in the manufacturing sector often face challenges in managing the environmental and social impacts generated, which can affect the company's value as well as their relationship with stakeholders.

In Indonesia, the frequency of report synchronization is increasing, especially among companies listed on the Indonesia Stock Exchange (IDX). The publication of these reports serves as a proof of corporate accountability to stakeholders and reflects the company's compliance with regulations in conducting its operations. It is hoped that the publication of this report can enhance stakeholder trust in the company. Previous research indicates that sustainability reports can increase company value and attract more investors by providing a clearer picture of the company's responsibilities towards the environment, as well as done by Permatasari and Narsa (2022). Furthermore, other research found that environmental commitment and investment have a positive effect on the company's financial performance.

Green Accounting is a process that involves the collection, analysis, estimation, and preparation of reports that include environmental and financial data with the aim of reducing environmental impacts and related costs (Endiana *et al*, 2020; Mgbobi *et al*, 2024). Green accounting can be a first step in seeking solutions to environmental problems, and its implementation is expected to encourage companies to minimize their environmental impact (Rounaghi, 2019). However, in practice, this implementation is still not effective, and many companies in Indonesia, especially in the manufacturing sector, operate without considering the environmental impact they generate.

The implementation of green accounting has a positive impact on the financial performance of companies as well as an improvement in environmental performance, both in terms of environmental health and environmental resilience. The enhanced environmental performance indicates that the company has effectively applied environmental accounting, which ultimately leads to improved financial performance. Several studies have shown that green accounting can contribute to the company's objectives by integrating environmental factors into cost calculation and financial decision-making (Rangkuti *et al*, 2023). However, there are also studies that indicate that green accounting does not always have a significant impact on the financial performance of companies (Indiani & Fitriyah, 2024).

In the context of green accounting, financial reports play an important role in assessing the environmental impact of manufacturing companies' operations. The manufacturing industry, particularly the cosmetics and household goods subsector, is highly dependent on natural resources and chemicals in its production processes. Therefore, companies in this subsector need to pay more attention to aspects of sustainability in their business activities. Manufacturing companies listed on the Indonesia Stock Exchange (IDX) face the challenge of balancing business growth with environmentally friendly and sustainable business practices. With increasing regulatory demands and expectations from stakeholders, the implementation of green accounting and poverty reporting is becoming increasingly relevant in enhancing the competitiveness of companies in this industry.

Based on the background description that has been outlined, the objectives of this research are as follows:

1. To determine the effect of implementing sustainability reporting on the financial performance of manufacturing companies listed on the IDX.
2. To determine the effect of implementing green accounting on the financial performance of manufacturing companies listed on the IDX.

LITERATURE REVIEW

Legitimacy Theory

Legitimacy theory is the theory that states that companies are a part of society. This theory also explains that companies need methods or tactics to guarantee the sustainability of a company. Legitimacy is obtained by demonstrating that the company operates in accordance with the norms, values, and expectations of society, including aspects of sustainability and green accounting. Legitimacy theory emphasizes that companies continuously strive to convince that they are engaged in activities that comply with the boundaries and norms of the society in which they operate. In the context of Sustainability Report and Green Accounting, this theory explains that companies disclose sustainability reports and environmental accounting practices as efforts to maintain a positive image and avoid the risk of losing public and investor trust, as well as explained by Akhter *et al* (2023), Zik-Rullahi and Jide (2023), and Amos (2024).

Sustainability Report

According to the Financial Services Authority (OJK) Regulation Number 51/POJK.03/2017, a sustainability report is defined as a financial report that will be announced to the public containing the economic, financial, environmental, and social performance of a Financial Services Institution (LJK), issuer, and public company in conducting sustainable business. This definition emphasizes that the SR is a transparent accountability tool, encompassing a broader dimension of sustainability than just financial performance (Mutiha, 2022).

Dewi (2019) defines a sustainability report as a report that not only explains financial performance but also non-financial information consisting of social and environmental activities of the company that allows the company to grow sustainably. A sustainability report is a report created by a company to measure, disclose, and demonstrate how a company endeavors to be responsible to all stakeholders in pursuit of corporate performance towards sustainable development. This report serves not only as a reporting tool but also as a method to internalize and enhance the company's commitment to sustainable development that can be conveyed to stakeholders.

Green Accounting

Green accounting as the process of recognition, measurement, record-keeping, summarization, reporting, and integrated disclosure of financial, social, and environmental objects, transactions, or events. The goal is to produce comprehensive, integrated, and relevant accounting information that is useful for users in making economic and non-economic decisions. Green accounting is a type of environmental accounting that seeks to integrate environmental benefits and costs into economic decision-making or the financial results of a business (Nicholls, 2020; Murni *et al*, 2025).

Financial Performance

Performance is a depiction of a company's ability or level of achievement in realizing the goals, objectives, vision, and mission of the organization that have been outlined in the company's strategic planning. Company performance can be viewed from various aspects, the most fundamental of which can be seen from financial and non-financial aspects. Financial statements represent the financial aspect. Meanwhile, customer satisfaction, employee satisfaction, and the development of the company's business activities are non-financial aspects (Yulianingtyas, 2016).

RESEARCH METHOD

Type of Research

This research uses a quantitative approach method where the objects of this research are manufacturing companies in the cosmetic and household goods subsector listed on the Indonesia Stock Exchange for the period 2021-2023.

Population and Sample

The population in this study is manufacturing companies in the cosmetic and household goods sub-sector listed on the Indonesia Stock Exchange (IDX) during the period of 2021-2023. Companies listed on the IDX are chosen as the population because they represent important segments of the cosmetic and household goods sub-sector in the Indonesian economy. Based on the criteria and results of the search for companies in the cosmetic and household goods sub-sector on the IDX, the companies that meet the criteria and have been selected as samples for this study are:

1. PT Akasha Wira International Tbk (ADES)
2. PT Kino Indonesia Tbk (KINO)
3. PT Morenzo Abadi Perkasa Tbk (ENZO)
4. PT Martina Berto Tbk (MBTO)
5. PT Mustika Ratu Tbk (MRAT)
6. PT Mandom Indonesia Tbk (TCID)
7. PT Unilever Indonesia Tbk (UNVR)
8. PT Paragon Techonology and Innovation (PT PTI)
9. Victoria Care Indonesia Tbk (VICI)
10. PT Pyridam Farma Tbk (TSPC)
11. PT Tempo Scan Pacitic Tbk (TSPC)

Operational Definition and Measurement of Variables

Variables in this research are divided into two, namely independent and dependent:

1. Independent Variables

The independent variables in this study consist of the Sustainability Report and Green Accounting. The Sustainability Report is a document published by the company to provide information to stakeholders regarding the company's performance in economic, social, and environmental aspects. This report includes various issues, such as environmental management, social responsibility, good corporate governance, and the business's impact on society. Meanwhile, Green Accounting is an accounting system that identifies, measures, and reports environmental costs associated with business activities. The aim of Green Accounting is to provide a more comprehensive understanding of the environmental impacts of corporate activities, enabling companies to make more environmentally responsible decisions.

2. Dependent Variable

The dependent variable in this study is Financial Reporting Performance, which reflects the financial performance of the company as stated in the financial report. This performance can be measured through various financial indicators, such as net income, Return on Assets (ROA), and Return on Equity (ROE).

Data Analysis Techniques

The data analysis technique used in this research is multiple linear regression analysis. Multiple linear regression is a statistical technique used to model the relationship between one dependent variable and two or more independent variables.

This technique allows researchers to assess the relationship between the dependent variable and the independent variables after controlling for the presence of other independent variables.

RESULT AND DISCUSSION

Descriptive Test Results

Table of Descriptive Test Results					
Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
SUSTAINABILITY REPORT	33	.11	2.03	1.0926	.45937
GREEN ACCOUNTING	33	.13	.23	.1768	.02582
FINANCIAL REPORTING PERFORMANCE	33	16.27	22.65	19.9190	1.68318
Valid N (listwise)	33				

Source: Primary data processed (2025)

Based on the results of descriptive statistical tests (mean), Sustainability Report X1 = 1.0926 indicates that the average score of sustainability report disclosure is around 1.09 on the scale of the indicators used, while GREEN ACCOUNTING (mean) = 0.1768 shows that the average score of environmental accounting disclosure is still quite low, because the range of the scale is small (maximum only 0.23) and financial performance (mean) = 19.919.

Results of Classical Assumption Test

The Normality Test results aim to determine whether the data used in this study is normally distributed or not. One way to observe the shape of the data distribution is through the Normal Probability Plot (P-P Plot). The following is a figure showing the Normal P-P Plot of Regression Standardized Residual from the dependent variable of Financial Report Performance normality test.

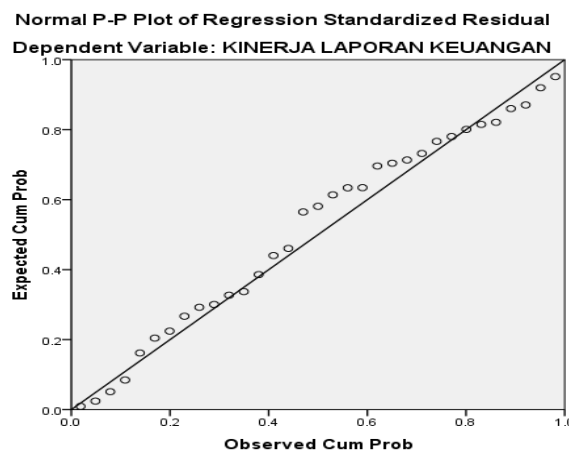


Figure 1. Normality Test Distribution Chart

Source: Processed primary data (2025)

Based on the image above, it can be concluded that the data has met the normality test criteria. This is indicated by the pattern of the residual points spreading around the diagonal line and following the direction of that line.

The multicollinearity test is conducted to determine if there are deviations from classical assumptions in the regression model, particularly related to the presence of a

linear relationship or high correlation among independent (explanatory) variables. The results of the multicollinearity test in this study are presented in the table below:

Table 2. Multicollinearity Test Results

Coefficients ^a		Collinearity Statistics		Description
		Tolerance	VIF	
1	SUSTAINABILITY REPORT	.900	1.111	There is no multicollinearity
	GREEN ACCOUNTING	.900	1.111	There is no multicollinearity

a. Dependent Variable: Financial Reporting Performance

Source: Processed primary data (2025)

Based on the table above, a tolerance value of 0.900 and a VIF value of 1.111 are obtained for both independent variables, namely Sustainability Report and Green Accounting. All of these values meet the criteria, namely: Tolerance > 0.10, and VIF < 10.

The heteroskedasticity test in this study was conducted using graphic analysis through a scatterplot between the predicted values (ZPRED) and the unstandardized residuals (ZRESID) produced from the regression model. This analysis aims to detect whether the pattern of residual distribution shows a specific pattern (for example, a straight line, curvature, or fan) that indicates the presence of heteroskedasticity.

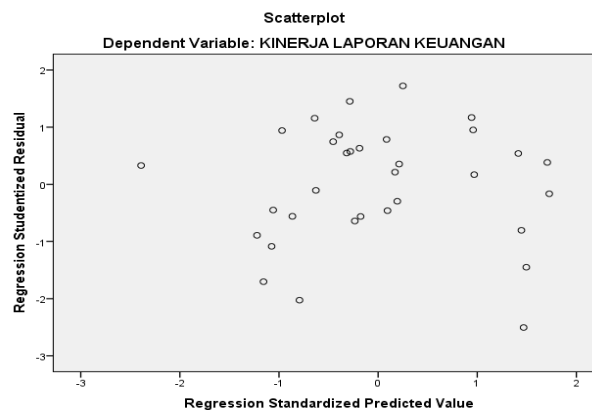


Figure 2. Heteroskedasticity Test Results

Source: Processed primary data (2025)

Based on the Figure above, it shows that the data indicates that there are no signs of heteroskedasticity because the data distribution on the diagram is located between the values of 0 from the X-axis and the Y-axis and the data distribution does not have a clear pattern.

The Autocorrelation Test aims to examine whether there is a correlation among the disturbance errors in the regression model. Conventionally, it can be said that a regression equation is said to meet the autocorrelation assumption if the value of the Durbin Watson (d) test is greater than the upper bound (dU) and less than (4-dU) then the data is stated to have no autocorrelation, the test results are as follows.

Table 3. Autocorrelation Test Result

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.482 ^a	.232	.181	1.52342	1.964

a. Predictors: (Constant), GREEN ACCOUNTING, SUSTAINABILITY REPORT
b. Dependent Variable: KINERJA LAPORAN KEUANGAN

Source: Processed primary data (2025)

Based on the results of the Durbin-Watson test in Table 4.3, a value of 1.964 was obtained. With a sample size of 33 and two independent variables, this value lies between the upper limit ($dU = 1.5770$) and $4 - dU$ (2.423).

Results of Multiple Linear Regression Testing

Table 4. Multiple Linear Regression Test Results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	17.806	1.864		9.552	.000
SUSTAINABILITY REPORT	-1.696	.618	-.463	-2.745	.010
GREEN ACCOUNTING	22.429	10.992	.344	2.040	.050

a. Dependent Variable: FINANCIAL REPORTING PERFORMANCE

Source: Processed primary data (2025)

Hypothesis Test

The t-test is conducted to determine the extent to which each independent variable has a partial effect on the dependent variable. In this research: Dependent variable (Y): Financial Report Performance Independent variable (X1): Sustainability Report Independent variable (X2): Green Accounting.

Table 5. T-test Result

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	17.806	1.864		9.552	.000
SUSTAINABILITY REPORT	-1.696	.618	-.463	-2.745	.010
GREEN ACCOUNTING	22.429	10.992	.344	2.040	.050

a. Dependent Variable: FINANCIAL REPORTING PERFORMANCE

Source: Processed primary data (2025)

The Influence of Sustainability Report on Financial Performance

The research results show that the Sustainability Report variable has a negative and significant effect on financial performance. This means that the higher the disclosure of the Sustainability Report is actually correlated with a decrease in financial performance. This can be explained that in the short term, the disclosure of sustainability aspects such as environmental, social, and governance (ESG) often involves considerable operational costs, thereby affecting profits and financial performance indicators. Fitriana and Suryaningsih (2021) reveal that the preparation of

a good sustainability report can build investor trust and enhance the company's reputation, which subsequently has a positive impact on financial performance.

The Influence of Green Accounting on Financial Performance Reports

The test results show that the Green Accounting variable has a positive and significant impact on financial reporting performance. This means that the higher the green accounting practices implemented by the company, such as recording environmental costs, energy efficiency, and waste management, the higher the financial performance achieved. This practice indicates that the company actively takes environmental aspects into account in its business activities, which has a positive impact on cost efficiency, brand value, and market preference. The results of this study are consistent with several previous studies that support the effectiveness of green accounting in the context of company performance. Utami and Wijaya (2022) state that the implementation of green accounting can improve company efficiency and strengthen transparency in financial reporting.

CONCLUSION

Based on the results of the multiple linear regression analysis of 33 observations from manufacturing companies in the cosmetic and household goods subsector listed on the Indonesia Stock Exchange for the period 2021–2023, several conclusions can be drawn as follows:

1. The Sustainability Report has a negative and significant impact on the performance of financial reports. This means that the higher the level of sustainability disclosure by the company, the more it tends to reduce financial performance. This may occur because sustainability reporting requires high costs and the benefits are not yet felt directly in the short term.

2. Green Accounting has a positive and significant impact on the performance of financial reports. Companies that implement green accounting principles, such as recording environmental costs and efficient resource management, show better financial performance. This indicates that environmental accounting is not only a form of social responsibility but also a cost efficiency strategy.

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