

## THE INFLUENCE OF ENVIRONMENT MANAGEMENT ACCOUNTING, BUSINESS STRATEGY TO COMPANY ENVIRONMENT PERFORMANCE

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### Abstract

Banten Province is one of the areas that can be said to be new where there are many new industries in various fields. Although the industrial area in Banten is still relatively new, there have been many cases of environmental damage caused by industrial waste. The number of cases of industrial waste is one source of environmental damage, so in addition to thinking about economic benefits, economic activity actors should also be more responsible for the environment. With this case, many industrial companies put aside the negative and positive impacts that the company may receive in the future. This study aims to analyze environmental management accounting which refers to environmental costs and business strategy which refers to the differentiation strategy on the company's environmental performance. The sample used in this study is industrial sector manufacturing companies listed on the Indonesia Stock Exchange and participating in the PROPER Program in the Banten region with a period of 5 periods. The type of data used is secondary data from [www.idx.co.id](http://www.idx.co.id). The method used to analyze this research is a quantitative method.

Keywords : Environmental Management Accounting, Business Strategy, Environmental Performance

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### 1. Introduction

A successful company is a company that grows and develops in order to achieve the company's goals by looking at the company's performance. The company's performance does not only consist of its financial performance, but environmental performance is also one of the important assessments in the company's operations. So the company must always pay attention to the company's performance so as not to get bad grades from the wider community and can show that the company is not only concerned with the production process but also concerned with the output of the production process.

Banten Province is a province consisting of 8 regions such as Lebak Regency, Pandeglang Regency, Serang Regency, Tangerang Regency, South Tangerang City, Cilegon City, Tangerang City, Serang City, Banten Province is one area that can be said to be new where many industries stand - new industries in various fields. Many of these industrial sectors have both positive and negative impacts. The positive influence generated by this new industrial activity is to provide job opportunities for the community around the industrial area, improve the economy of the community in the area and can help the development of the industrial area. However, there are not only positive impacts arising from the existence of this industrial activity but also negative impacts such as lack of supervision and management of the environment which can result in environmental

performance that is seen as bad by the wider community. Although the industrial area in Banten is still relatively new, there have been many cases of environmental damage caused by industrial waste. To overcome the potential for environmental pollution in the province, factories and industrial centers in the region must take part in overcoming environmental pollution because they also contribute to the cause of environmental pollution.

According to Ikhsan (2012), environmental performance is the acquisition of results measured from the environmental management system, which is related to the control of environmental aspects. One element of environmental management that can improve environmental performance is environmental management accounting. Environmental management accounting basically demands a full understanding of companies and other organizations that have benefited from the environment. Therefore, it is very important for companies or other organizations to be able to increase efforts in considering environmental conservation in a sustainable manner. With environmental management accounting, companies can learn to manage or perform procedures in order to become a good company in terms of environmental performance. Improve environmental performance by understanding what must be done to achieve company goals.

## **2. Theoretical Background**

This section describes the theoretical framework/review of previous research, and the development of hypotheses (for research articles). Thought (conceptual) articles should present discussions regarding the issues/issues raised in the introduction.

### **2.1 Grand Theory**

#### **2.1.1 Stakeholder Theory**

According to Deegan (2014), Deegan states that stakeholder theory is a theory which states that all stakeholders have the right to obtain information about company activities that can influence their decision making. The first thing about stakeholder theory is that this stakeholder is a system that is explicitly based on a view of the company and its environment, regarding the nature of the interplay between the two which is very clear and complex. The main purpose of this theory is to assist company management in increasing the value of the impact of the activities carried out in terms of aspects of financial performance and aspects of non-financial performance. The reason the researcher chose Stakeholders Theory is because the use of stakeholder theory in environmental management accounting is useful for providing information to company leaders on what to do next to pay attention to the accounting aspects of company environmental management in order to encourage companies to become companies with good environmental performance.

According to Brigham and Ehrhardt (2015), this signal theory is an action taken by the company's management that provides clues to investors about how future management will look at the company's prospects. This signal is in the form of information about what has been done by the company's management to realize the wishes of the owner of the company. The information issued by the company is important because the information contains its influence on the investment decisions of parties outside the company. This information is very important for investors / the public as well as business actors to be able to improve the quality of their companies both in terms of aspects of financial

performance and non-financial performance. The reason the researcher uses signaling theory is because the use of signaling theory in this study is useful for observing the calculation of differentiation strategy as a counter to the use of business strategies that will be a signal to the company to improve its financial and environmental performance.

### **2.1.2 Environmental Management Accounting**

Environmental Management Accounting or Environmental Management Accounting is a sub of environmental accounting that describes a number of issues regarding the company's business impacts. The United Nations Division for Sustainable Development (UNSD) provides a different definition of environmental management accounting. The definition of environmental management accounting is information obtained from internal decision-making, where information can be focused on physical or monetary. Environmental management accounting can also be used as a measuring tool in environmental performance. This is because for many organizations, managing environmental costs is a top priority, but the main reasons are twofold. First, environmental regulations in countries are significantly increasing, even more stringent is expected, and the costs of complying with them can be a major goal.

To meet this objective, the costs for compliance must be measured and the root causes identified. Second, the successful resolution of environmental problems has become a collaborative issue. Environmental management accounting can also be used as a benchmark in environmental performance. Environmental Management Accounting was developed to overcome the limitations of traditional management accounting with respect to management activities and regarding decisions involving environmental issues such as costs and environmental impacts. But now environmental management accounting has been widely used as a tool to balance the interaction between economic, social and environmental factors. The rapid growth in the number of companies obtaining ISO 14001 certificates has increased the development of environmental management accounting worldwide, even governments are also involved in promoting environmental management accounting.

### **2.1.3 Business Strategy**

According to David (2012), business strategy is an effort or a company's way to implement, evaluate and make organizational decisions to achieve a predetermined goal, both long-term and short-term goals. The researcher defines that business strategy is an important form of tool and is used to create competitive advantage in various aspects of business. From the two notions of business strategy, researchers can conclude that business strategy is a way made by companies so that companies can compete and achieve company goals.

## **2.3 Conceptual Framework**

Based on the descriptions that have been stated previously and reviewed by the literature, the related variables in this study can be formulated through a framework of thought as follows:

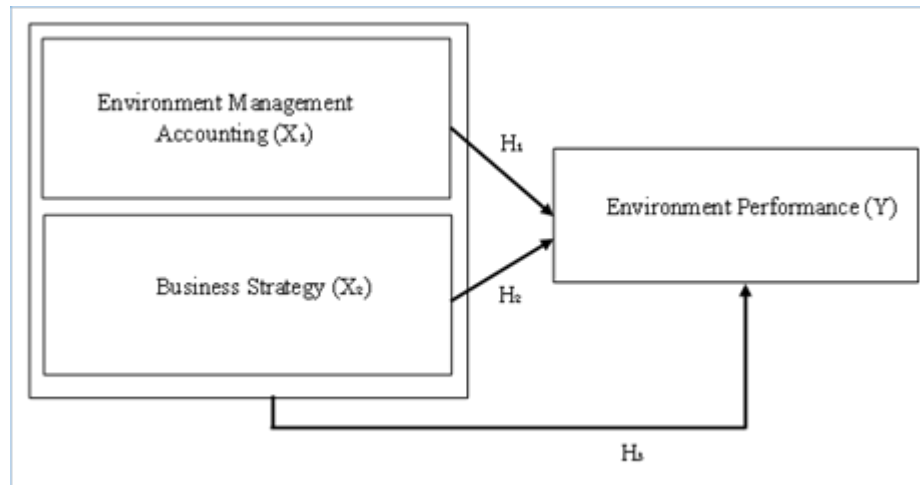


Figure 1 Conceptual Framework

## 2.4 Hypothesis Development

### **The Effect of Environmental Management Accounting Application on the Environmental Performance of Manufacturing Companies**

The existence of environmental management accounting where the process of managing and monitoring the company's performance is one of the important factors for the company. Environmental management accounting is a part of environmental accounting that carries out activities of identifying, measuring, recording environmental cost allocations, and disclosing monetary and non-monetary information to make decisions. Environmental performance is the result of a company's achievement in protecting the surrounding environment from activities implemented within the company. According to Ayuningtyas (2016), also stated that the company's success in protecting the environment will get criteria as an environmentally performing company, namely those that can reduce the burden of environmental pollution, thus providing a good image for the company. So it can be concluded that the application of environmental management accounting has a positive effect on environmental performance. The better the implementation, the company will get a good image in the community for the company's performance, both financial performance and environmental performance.

H1: The application of Environmental Management Accounting affects the Environmental Performance of Manufacturing Companies.

### **The Effect of Business Strategy Implementation on the Environmental Performance of Manufacturing Companies**

With increasing competition between companies in managing their companies both in terms of financial performance and environmental performance, it will lead to motivation for companies to develop their companies again in terms of factors. Business strategies are needed by companies, for example, business strategies are needed by companies to get investors, companies can use environmental performance improvements to facilitate or become one of the new strategies for the company.

H2: Business Strategy Affects the Environmental Performance of Manufacturing Companies.

**The Effect of Environmental Management Accounting and Business Strategy Implementation on the Environmental Performance of Manufacturing Companies.**

Environmental performance created with good and complex management will be one of the reasons investors are interested in investing in the company. With the investment will motivate the company to develop in order to be able to provide results or return a return on investment to investors. One way to manage a company is by implementing environmental management accounting. Several studies have shown that environmental management accounting can improve environmental performance. As stated by Aniela (2012), that based on field practice, literature review, as well as empirical and academic research, it is known that environmental accounting has a positive impact on improving environmental performance. This increase in environmental performance is due to the company's willingness to comply with government policies and regulations to obtain environmentally oriented products. And business strategy can have a good influence in motivating the improvement of company operations.

H3: Application of Environmental Management Accounting and Business Strategy have a simultaneous effect on the Environmental Performance of Manufacturing Companies.

### **3. Methods**

This type of research uses quantitative research methods. According to Suryani & Hendryadi (2015), quantitative research is research that uses data analysis in the form of numbers. The data used comes from the collection of secondary data on PROPER Management Level data in Banten Province and data on manufacturing companies by the Ministry of Industry of the Republic of Indonesia and the Indonesia Stock Exchange. The population in the preparation of this study are all manufacturing companies registered in the data of manufacturing companies of the Ministry of Industry of the Republic of Indonesia in Banten Province in the period 2017-2021. Sampling was done by using purposive sampling method. According to Sugiyono (2014), the purposive sampling method is a sampling method based on the subjective considerations of the researcher, containing the requirements to be used as criteria that must be met by the sample. The researcher uses one of the manufacturing fields, namely the industrial sector whose population consists of 317 companies, but the researchers took 18 samples, including manufacturing companies that took part in PROPER within 5 years which were tested consecutively and manufacturing companies that had complete supporting data, either on the Indonesia Stock Exchange. The data analysis technique used to test the hypothesis is descriptive statistical analysis, multiple linear regression analysis, hypothesis testing consisting of t test, F test and the coefficient of determinant (R).

Environmental performance (Y) is the measurable results obtained from the environmental management system, which is related to the control of environmental aspects. To measure the environmental performance of a company, the Indonesian government through the Ministry of the Environment has created a Company Performance Rating Program in Environmental Management (PROPER) which aims to improve the performance of the company's environmental management in accordance with what has been stipulated in the legislation. Environmental management accounting can be measured by measuring environmental costs which are observed from "The greater the ratio of environmental costs incurred, the greater the costs that must be

incurred by the company for environmental management financial management". Strategy is actions taken on the basis of decision making by the company to achieve its business targets and objectives. Strategy measured by Sales / COGS.

#### 4. Results dan Discussion

The t-test or partial test is carried out to see how much significant value describes the influence exerted between environmental management accounting and business strategy on environmental performance:

Table 4.7 t Test (Uji Partial)

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.605	0.164		15.860	0.000
	EMA	-0.065	0.113	-0.061	-0.578	0.565
	BS	0.302	0.108	0.293	2.792	0.006
a. Dependent Variable: Environment Performance						

Each table is written without a vertical line and is equipped with a source of years of processing research data. The image or graphics are at least clearly displayed and readable. Tables, images and graphs are placed at the top or bottom with the title placed above for the table and placed below for left-aligned images and graphs. Avoid explaining tables and images by using the words "Table above, figure below, Table following, etc" but mention the table clearly using names such as Table 1, Figure 2, etc. The wording Table 1, Figure 2 should be bolded.

For the first hypothesis, it is known that the significant value for the effect of environmental management accounting (X1) on environmental performance (Y) is 0.565 > 0.05 and the t value - 0.578 < 1.99, so it can be concluded that the first hypothesis cannot be accepted or with other words rejected, which means that there is no influence given by environmental management accounting on environmental performance. Then the regression equation is as follows:

$$Y = 2.605 + (-0.065) X_1 + e$$

The constant value of 2.605 as stated in the regression equation above shows that environmental management accounting will remain at 2.605 without the influence of the independent variables. The environmental management accounting variable which shows the number - 0.065 indicates that if every 1 unit increase in the environmental management accounting variable will increase the environmental performance variable by - 0.065.

For the second hypothesis, it is known that the significant value for the effect of business strategy (X2) on environmental performance (Y) is 0.006 < 0.05 the value of t table count is 2.792 > 1.988, so it can be concluded that the second hypothesis is accepted, which means that there is an influence of business strategy on environmental performance. Then the regression equation is as follows:



$$Y = 2.605 + 0.302X_2 + e$$

The constant value of 2.605 as stated in the regression equation above shows that the business strategy will remain at 2.605 without the influence of the independent variable. The business strategy variable that shows the number 0.302 indicates that if every 1 unit increase in the business strategy variable will increase the environmental performance variable by 0.302

### **The Effect of Environmental Management Accounting Implementation on the Environmental Performance of Manufacturing Companies**

Based on the results of hypothesis testing that has been carried out by researchers, it shows that environmental management accounting has no effect on the company's environmental performance. This is evidenced by the results of the t test or partial test in table 4.7 where the significant value for the influence of environmental management accounting on environmental performance is 0.565 which is greater than the significant value that should be. The results of testing this hypothesis are supported by Afazis (2020) explaining that the company's efforts in the form of implementing environmental management accounting do not promise good environmental performance. Companies that apply environmental management accounting are not necessarily able to produce good environmental performance, which can help companies legitimize their business in the midst of society. This can be seen through the PROPER points of several companies where the company incurs environmental costs that are smaller than the company's income but these costs are not enough to affect the PROPER points which should be ideal. The use of stakeholder theory in environmental management accounting is useful for providing information to company leaders on what to do next when environmental costs are too large or too small.

However, there are some companies where the company incurs more environmental costs than the company profits creating the ideal PROPER value. For example PT Unggul Indah Cahaya Tbk and PT Multi Bintang Indonesia Tbk, both of which carry out different environmental financing. In 2017 PT Multi Bintang Indonesia Tbk delivered more environmental costs than corporate profits and earned a higher PROPER score good because there is more attention to the company's environmental performance. However, for the following year PT Multi Bintang Indonesia Tbk received a good PROPER with a lower environmental cost than the previous year. Meanwhile, PT Unggul Indah Cahaya Tbk in 2017 got a blue PROPER value which means it is sufficient for environmental performance by using environmental costs that are smaller than the company's profit value, but in the following year PT Unggul Indah Cahaya with environmental costs that are lower than profits the company gets a bad PROPER score, which is red. So it can be concluded that the size of the environmental costs that have been regulated to pay attention to environmental management accounting has no effect on the PROPER that the company gets.

### **The Effect of Environmental Management Accounting and Business Strategy Implementation on the Environmental Performance of Manufacturing Companies**

Based on the results of hypothesis testing that has been carried out by researchers, it shows that business strategy has an effect on the company's environmental performance. This is evidenced by the results of the t test or partial test in table 4.1 where the significant value for the effect of business strategy on environmental performance is 0.006 which is

greater than the significant value that should be. The results of this test are supported by Meilani's research (2019) which shows that a business strategy with a differentiation strategy has a positive impact on environmental performance because companies that use this strategy pay more attention to environmental performance around the company to attract investors. A business strategy that refers to the calculation of a differentiation strategy that takes into account how much profit the company gets will make the company tend to increase environmental awareness and environmental performance so that the company gets good marks from the wider community.

The signaling theory in this study is useful for observing the calculation of the differentiation strategy which will be a signal of the company's obligation to improve financial performance that comes from business strategies with non-financial performance, which means the company's environmental performance.

### **The Effect of Environmental Management Accounting and Business Strategy Implementation on the Environmental Performance of Manufacturing Companies**

Based on the results of hypothesis testing that has been carried out by researchers, it shows that environmental management accounting and business strategy have an effect on the company's environmental performance. This is evidenced by the results of the F test or simultaneous test in table 4.8 where the significant value for the effect of environmental management accounting and business strategy simultaneously on environmental performance is 0.011 which is greater than the significant value that should be. The results of this test are supported by Kartika's research (2020) which shows that environmental management accounting and business strategies affect the company's environmental performance because environmental performance is the achievement of companies and business activities in managing interactions between activities, products and services with the environment in which the company carries out its economic activities. . With the application of environmental management accounting and business strategy within the company, it will create good management within the company and improve environmental performance. Combining the application of environmental management accounting and business strategy can have a good effect on environmental performance where good environmental cost management with a good differentiation strategy in selling company products will increase company awareness to build a better company and environmental performance to attract investors.

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