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INTEGRATING CSR AND GREEN ACCOUNTING: IMPACT ON CORPORATE FINANCIAL PERFORMANCE IN INDONESIA

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Abstract
This study investigates the impact of Corporate Social Responsibility (CSR) and Green Accounting on the financial performance of companies in emerging markets, focusing on the Indonesian manufacturing sector during the period 2020–2024. A total of 220 manufacturing firms listed on the Indonesia Stock Exchange (IDX) were selected using purposive sampling, based on the availability of sustainability and annual reports. The analysis employed multiple linear regression with the support of EViews 12 software to examine the relationship between the independent variables (CSR and Green Accounting) and financial performance. The findings reveal that both CSR and Green Accounting have a significant positive influence on financial performance, indicating that firms engaging in socially and environmentally responsible practices are likely to achieve better financial outcomes. These results highlight the strategic importance of integrating sustainability initiatives into corporate operations. Future research is recommended to explore additional variables and extend the analysis across different sectors or timeframes.

Keywords: Corporate Social Responsibility, Green Accounting, Financial Performance, Sustainability Reporting, Emerging Markets.

1. Introduction

In today's increasingly competitive and sustainability-driven business environment, the pursuit of financial profitability must be balanced with broader responsibilities toward society and the environment. Traditional financial indicators, such as Return on Assets (ROA), remain essential in measuring corporate efficiency in asset utilization and profitability. However, financial performance alone no longer suffices as the sole benchmark for organizational success. In emerging markets, including Indonesia, fluctuations in ROA during the period of 2020–2024 have highlighted the challenges companies face in maintaining financial consistency amidst growing environmental and social expectations.

To address these challenges, businesses are increasingly expected to integrate sustainable development goals into their strategic frameworks. Among the most prominent approaches are Corporate Social Responsibility (CSR) and Green Accounting, which represent a shift from profit-maximization to value-driven, sustainable business practices. CSR refers to a company's voluntary commitment to contribute to societal well-being and environmental stewardship, going beyond regulatory compliance and immediate economic interests. When effectively implemented, CSR initiatives can enhance corporate reputation, build stakeholder trust, and ultimately strengthen the firm's market competitiveness and profitability (Faizah, 2020).

On the other hand, Green Accounting provides a mechanism to internalize environmental costs and benefits into financial decision-making. It enables companies to measure and report their environmental impacts, offering transparency to investors and stakeholders. Green accounting practices not only reflect a company's environmental consciousness but also support long-term financial resilience by identifying cost-saving opportunities, reducing environmental risks, and improving resource efficiency (Pratama et al., 2022).

Although numerous studies have explored the nexus between CSR, green accounting, and corporate financial performance, empirical findings remain inconclusive. Some research demonstrates a significant positive association, while others report negligible or contradictory effects (Effendi, 2021). These inconsistencies suggest that the influence of sustainability practices on financial outcomes may be context-specific, influenced by industry characteristics, regulatory environments, and organizational maturity. This is especially relevant in emerging economies, where sustainability integration is still evolving and often constrained by institutional and infrastructural limitations.

Given these considerations, this study aims to investigate the impact of Corporate Social Responsibility and Green Accounting on the financial performance of manufacturing firms listed on the Indonesia Stock Exchange (IDX) over the 2020–2024 period. The study seeks to provide empirical evidence on how sustainability-driven initiatives can contribute to corporate financial success, particularly within the context of a developing economy. By examining the financial implications of CSR and environmental accounting, the research aims to offer strategic insights for business leaders, investors, and policymakers committed to promoting sustainable economic growth.

2. Theoretical Background

2.1. Stakeholder Theory

Stakeholder theory, introduced by Freeman (1984), highlights that a company's long-term success is closely tied to its ability to align and respond to the diverse needs and expectations of its stakeholders. These stakeholders include shareholders, employees, customers, suppliers, regulatory bodies, and the broader community. The theory asserts that companies should not operate solely for profit maximization, but should also address social and environmental concerns in a balanced and inclusive manner. Stakeholders possess the right to access information about the company, both financial and non-financial, whether disclosed mandatorily or voluntarily. Companies that actively manage stakeholder relationships by demonstrating environmental responsibility, transparency, and social contributions tend to gain higher trust, stronger reputations, and better investment appeal, all of which positively influence financial performance.

2.2.Agency Theory

Agency theory, proposed by Jensen and Meckling (1976), explains the relationship between principals (owners) and agents (managers) as a contractual arrangement in which agents are entrusted with decision-making responsibilities on behalf of the principals. This delegation creates the potential for agency problems, especially when the goals of principals and agents are not aligned and when information asymmetry exists. Managers typically possess more operational knowledge than shareholders, which may lead to opportunistic behavior if proper governance mechanisms are absent. To reduce agency conflicts, companies are encouraged to adopt practices such as transparency, clear reporting standards, and incentive alignment. Environmental and social disclosures including CSR and green accounting serve as mechanisms to bridge this informational gap and align agent behavior with the long-term interests of the company, ultimately supporting better financial performance.

2.3.Review of Previous Research

A growing body of literature has examined the impact of Corporate Social Responsibility (CSR) and green accounting on financial performance, though findings remain varied.

Several studies support the positive financial impact of CSR. Dewi and Narayana (2020) found that socially responsible companies tend to enjoy better financial outcomes, partly due to enhanced stakeholder trust and stronger corporate reputations. Similarly, Kholmi and Nafiza (2022) observed that firms engaging in social and environmental disclosures were more likely to attract investor interest, which contributes to financial growth. These findings reinforce the relevance of stakeholder theory in today's business environment.

Research on green accounting also points toward its positive correlation with profitability. Ramadhani et al. (2022) provided empirical evidence showing that companies with transparent environmental disclosures performed better financially. The study emphasized that integrating environmental costs into accounting systems not only enhances transparency but also builds investor confidence and supports efficient resource utilization.

While the positive influence of CSR and green accounting is generally supported, some studies report insignificant or mixed results, suggesting that contextual factors such as industry type, company size, and regional regulation may influence the strength of the relationship. Hence, further empirical research is needed, particularly in emerging markets like Indonesia.

2.4. Hypothesis Development

2.4.1. The Effect of CSR on Financial Performance

CSR reflects a company's voluntary commitment to address environmental and social issues while maintaining economic viability. By investing in CSR initiatives, firms can improve their public image, gain consumer loyalty, and enhance stakeholder relationships. These social benefits, in turn, may contribute to improved profitability and financial stability. Supported by stakeholder theory and prior empirical evidence, the following hypothesis is proposed:

H1: Corporate Social Responsibility has a positive effect on financial performance.

2.4.2. The Effect of Green Accounting on Financial Performance

Green accounting enables companies to internalize environmental impacts into their financial management systems. Firms that transparently disclose their environmental performance and allocate resources to mitigate ecological risks can reduce future costs, avoid regulatory sanctions, and improve operational efficiency. Empirical research supports the view that green accounting has a positive effect on financial outcomes by reinforcing corporate sustainability. Based on this rationale, the following hypothesis is formulated:

H2: Green Accounting has a positive effect on financial performance.

3. Methods

3.1. Research Design

This study employs a quantitative research design to analyze the influence of Corporate Social Responsibility and Green Accounting on financial performance in manufacturing companies. Quantitative methods are suitable for this study as they allow for the empirical testing of hypotheses using measurable, numerical data analyzed through statistical tools. As suggested by Sugiyono (2018), quantitative research is grounded in positivist thinking, where observable data and statistical calculations provide the foundation for objective conclusions. This research aims to identify the degree and direction of the relationship between the independent variables (CSR and Green Accounting) and the dependent variable (financial performance, proxied by Return on Assets/ROA).

3.2. Population and Sample

The population in this research consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) that consistently published annual reports and financial statements over the 2020–2024 period. These firms are relevant for the study due to their substantial environmental impact and frequent disclosure of CSR activities.

A purposive sampling method is used to select companies that meet specific inclusion criteria, as follows:

1) The company must be listed on the IDX during the full 2020–2024 period;
2) It must publish complete annual reports and financial statements for each of the three years;
3) The reports must include CSR disclosures and information relevant to environmental or green accounting practices;
4) Financial performance data, specifically Return on Assets (ROA), must be available and consistently reported.

These criteria ensure the sample is composed of firms that provide sufficient and relevant data for analysis. The use of purposive sampling enhances the research's validity by focusing on companies with observable sustainability practices and transparent reporting.

3.3. Data Source and Analysis Technique

This study utilizes secondary data sourced from official publications available on the Indonesia Stock Exchange website (www.idx.co.id) and the respective company websites. The data includes:

1) CSR disclosures (qualitative and quantitative indicators);
2) Environmental reporting or green accounting practices;
3) Financial ratios, with a focus on Return on Assets (ROA) as a measure of financial performance.

To examine the relationship between the variables, the study applies multiple linear regression analysis using EViews 12 software. This statistical technique is used to simultaneously assess the effect of the two independent variables: CSR and Green Accounting on the dependent variable, ROA.

The regression model is specified as follows:

$$ROAit=\beta 0+\beta 1CSRit+\beta 2GreenAccit+\epsilon it$$

Description:

ROA	= Return on Assets (indicator of financial performance),
CSR	= Corporate Social Responsibility disclosure score/index,
GreenAcc	= Green Accounting or environmental disclosure score,
ε	= error term,
i	= firm,
t	= year (2020–2024).

This model allows the researcher to determine whether CSR and green accounting independently and significantly influence the financial performance of manufacturing firms in Indonesia during the study period.

4. Results and Discussion

4.1. Descriptive Statistics Test

Table 1. Descriptive Statistics Test Results

	CSR	GreenAcc	RoA
Mean	0.241	3.176	0.013
Median	0.119	2.986	0.022
Maximum	0.884	4.000	0.501
Minimum	0.000	3.000	-0.877
Std.Deviasi	0.212	0.785	0.112
Skewness	0.773	2.133	-1.236
Kurtosis	3.150	5.744	22.865
Jarque-Bera	23.871	222.113	2145.318
Profiability	0.000	0.000	0.000
Sum	71.413	705.00	11.107
Sum Sq.Dev.	7.831	71.223	3.554
Obervations	215	215	215

Source: processed data (2025)

Table 1 presents the results of the descriptive statistical analysis for the three primary variables in this study: Corporate Social Responsibility (CSR), Green Accounting (GreenAcc), and Financial Performance, which is measured using Return on Assets (ROA). The study is based on 215 data observations, collected from 43 manufacturing companies listed on the Indonesia Stock Exchange (IDX) that consistently published annual reports and financial statements during the 2020–2024 period.

The ROA variable has an average value of 0.013 or 1.3%, with a maximum value of 0.501 (50.1%) and a minimum of –0.877 (–87.7%). This indicates that while some companies achieved high profitability, others experienced significant losses during the study period. The skewness value of –1.236 suggests a left-skewed distribution, and the kurtosis value of 22.865 indicates a highly peaked distribution (leptokurtic), pointing to the presence of outliers. A standard deviation of 0.112 reveals a relatively high level of variation in financial performance across the companies.

The CSR variable shows an average disclosure score of 0.241 or 24.1%, indicating that most companies disclosed only a portion of the expected CSR elements. A minimum value of 0.000 shows that some companies made no CSR disclosures at all, while a maximum of 0.884 reflects companies with near-complete disclosure. The skewness value of 0.773 indicates a right-skewed distribution, meaning that most companies scored below the average, while a few reported high CSR performance. The kurtosis value of 3.150 suggests a distribution that is close to normal.

For the Green Accounting variable, the mean value is 3.176 on a scale of up to 4.000, showing that companies generally paid considerable attention to environmental disclosure. The minimum value is 3.000 and the maximum is 4.000, indicating a relatively narrow range, although the standard deviation of 0.785 still reflects a moderate level of variation. The data distribution is highly right-skewed (skewness = 2.133) and leptokurtic (kurtosis = 5.744), implying that most firms cluster around similar disclosure scores, with a few scoring significantly higher.

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The Jarque-Bera test results for all three variables return probability values of 0.000, indicating that none of the variables follow a normal distribution. As a result, further regression modeling and hypothesis testing should take into account the non-normal distribution of the data, potentially requiring data transformation or robust estimation methods.

Overall, the descriptive statistics highlight significant variability in CSR and green accounting practices across firms, which is expected to influence their financial performance over the 2020–2024 period.

4.2. Model Selection Test

4.2.1. Chow Test

Table 2. Chow Test Results

Effect Test	Statistics	d.f.	Prob.
Cross-section F	3.115	(40.156)	0.000
Cross-section Chi-Square	165.873	42	0.000

Source: processed data (2025)

The probability value of the cross-section F-test is 0.0000, which is less than the 0.05 significance level, indicating that the null hypothesis is rejected based on the Chow test results. Therefore, the most appropriate model for estimating the regression equation is the Fixed Effect Model (FEM).

4.2.2. Hausman Test

Table 3. Hausman Test Results

Test Summary	Chi-Sq. Statistics	Chi-Sq. d.f.	Prob.
Cross-section random	13.104	4	0.0039

Source: processed data (2025)

The null hypothesis is rejected based on the Hausman test, as the probability value for the random cross-section is 0.0039, which is below the 0.05 significance level. Therefore, the Fixed Effect Model (FEM) is considered the most appropriate model for conducting the regression estimation.

4.3. Hypothesis Test

Table 4. T Test Results

Variable	Coefficient	Std. Error	t-Statistics	Prob
C	-0.172	0.219	-1.177	0.136
CSR	-0.156	0.046	-2.043	0.000
GreenAcc	0.032	0.014	2.631	0.013

Source: processed data (2025)

Based on the regression output, the probability value for the CSR variable is 0.000, which is less than the 0.05 significance level. This indicates that CSR has a significant partial effect on financial performance. Similarly, the Green Accounting variable has a probability value of 0.013, also below the 0.05 threshold, suggesting that Green Accounting likewise has a significant partial influence on financial performance.

4.4. Discussion

4.4.1. The Influence of Corporate Social Responsibility (CSR) on Financial Performance

The results indicate that Corporate Social Responsibility (CSR) has a significant impact on financial performance, as evidenced by a probability value below the 0.05 significance level. This finding aligns with stakeholder theory, which emphasizes that a company's obligations extend beyond shareholders to include a broader set of stakeholders, such as the surrounding community and the environment. CSR is a tangible form of corporate commitment to fulfilling these broader responsibilities.

When a company effectively implements CSR initiatives that prioritize environmental sustainability and social welfare, it can foster public trust. This trust, in turn, may enhance the company's reputation and contribute positively to its financial performance. These findings are consistent with the research of Kholmi & Nafiza (2022), which concluded that CSR positively influences financial performance, suggesting that rising profitability can encourage firms to further engage in social responsibility efforts.

However, the present study contradicts the conclusions of Sameer (2021) and Pratama et al. (2022), who found no significant link between CSR and financial performance. This discrepancy may be due to the fact that although CSR disclosures are increasingly common, they do not always translate into immediate financial returns or increased profitability in the short term.

4.4.2. The Influence of Green Accounting on Financial Performance

The findings also demonstrate that Green Accounting significantly affects financial performance, with a coefficient value of 0.037036 and a p-value of 0.0144, which is below the 0.05 threshold. While implementing green accounting may involve considerable costs such as training employees, developing environmentally friendly processes, and investing in sustainable technology these efforts are seen as strategic for long-term value creation.

One challenge, however, is that the PROPER environmental performance rating system in Indonesia remains relatively unknown among the general public and investors (Faizah, 2020), which may limit the perceived value of environmental initiatives.

Despite this, the findings diverge from prior studies by Ramadhani et al. (2021), Endiana et al. (2020), and Dewi & Narayana (2020), all of which concluded that green accounting has a positive effect on financial performance. According to Ramadhani et al. (2022), companies that disclose more comprehensive environmental accounting information tend to exhibit improved environmental performance, which in turn enhances financial outcomes.

This supports stakeholder theory, which argues that maintaining good relationships with stakeholders contributes to firm value and performance. Furthermore, legitimacy theory emphasizes the importance of companies addressing the concerns of the broader public, not just investors. Dewi & Narayana (2020) also suggest that higher adoption of green accounting practices is positively associated with higher firm value, while a decline in environmental reporting may reduce both firm value and financial performance.

5. Conclusion

This study aims to provide empirical evidence on the influence of Corporate Social Responsibility (CSR) and Green Accounting on financial performance. The data used in this research are secondary data obtained from the annual reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2020 to 2024.

Based on the results of the analysis, it was found that CSR has a positive effect on financial performance. This suggests that effective implementation of social responsibility initiatives can enhance public trust and the company's image, ultimately contributing to increased profitability. In addition, Green Accounting was also found to have a positive impact on financial performance, indicating that companies that are actively engaged in environmental reporting and management tend to achieve better financial outcomes.

However, this study is limited to only two main independent variables. Therefore, it is recommended that future research incorporate additional relevant variables to obtain more comprehensive and accurate insights into the factors that influence corporate financial performance.

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