

# Environmental Accounting and Corporate Social Responsibility in Realizing the Sustainable Development Goals

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## Abstract

*A descriptive examination of the use of national environmental accounting in Indonesia and its relationship to the corporate social responsibility process, which helps to the fulfillment of sustainable development objectives, is the purpose of this article. To develop the research, we employ descriptive-level research. The type of literature research between the main results of this work is an overview with regulations related to environmental protection and components of the Indonesian Institute of Accountants Financial Accounting System, as well as progress in the categorization and approval of indicators related to environmental protection in each of the sustainable development goals. It is concluded that the implementation and enforcement of indicators for sustainable development goals has required significant effort on the part of the specific institutions in each country; for statistical information on environmental aspects, to put into effect the best decisions made by the government and its agencies, and to implement the best decisions made by the government and its agencies.*

## Keywords

environmental accounting;  
corporate social responsibility;  
sustainable development goals;  
sustainability report; financial  
accounting standards



## I. Introduction

At a global level, economic, social, cultural, and political systems, consciously and unconsciously, influence the planet's natural resources with their decisions, which will affect the quality of life of future generations (Susilastuti, 2011). For this reason, it is essential to obtain measurable results from impacts on the environment, which enable companies and governments to take necessary corrective actions; however, efforts around the world are underway to correct past actions to be socially and environmentally responsible (Oktariani & Neem, 2014). In this way, it is necessary to highlight the importance of accounting as a fundamental tool that allows having measurable data when making decisions. While it is true, accounting was characterized until before the second half of the 20th century, only as a source of information that produces reports on the economic and financial situation of companies; currently, two dimensions are included, which also comprise this discipline, namely social and environmental (Siregar et al., 2019).

The economic condition of the population is a condition that describes human life that has economic score (Shah et al, 2020). Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia (Magdalena and Suhatman, 2020).

Therefore, there is talk of social accounting related to the commitment of economic entities to society, the environment, and their human resources; There is also talk of environmental accounting, which has the aim of measuring the impact of government or company decisions on the environment in economic terms (Suaryana, 2011). The development of human resources is a process of changing the human resources who belong to an organization, from one situation to another, which is better to prepare a future

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responsibility in achieving organizational goals (Werdhiastutie et al., 2020). The current trend is that accounting is not only limited to the presentation of traditional financial statements but reports that reflect the peculiarities of environmental and social realities (Kusumawardani et al., 2018). Therefore, this work aims to analyze the application of environmental accounting in Indonesia and its relationship to corporate social responsibility processes that contribute to achieving sustainable development goals.

In this regard, to establish indicators that allow measurement of the impact of natural resources on a country's economy, the United Nations, in collaboration with other international organizations in 2014 presented the final version of the international statistical system called the System of Environmental-Economic Accounting (SEEA). Several Southeast Asian countries such as Singapore, Brunei, Malaysia, Thailand, Vietnam, the Philippines and including Indonesia have begun to implement Environmental Accounting, which is mainly led by the Statistics and Census Institute or the Ministry of the Environment of each country (Hamilton, 2016).

Accounting functions, which are performed in accordance with Financial Accounting Standards, provide information that is used for decision-making and responsibility. Financial reports have so far only addressed the concerns of investors and creditors, who are the key users of financial statements. However, this is changing (Ningtyas et al., 2017). This is specified in Standard Financial Accounting Concepts (SFAC) No.1 (Standard Financial Accounting Concepts). If you pay closely, you will see that the information users do not consist solely of those parties. Many other parties require financial information as well, and they should be treated with the same respect. So far, the corporation has only provided customers with information about the financial results of the company's operations, while ignoring the externalities of its operations, such as air pollution, water pollution, layoffs, and other negative consequences of its operations (Carolina et al., 2009).

Recently, there has been a lot of news in the newspapers about the impact of operating companies that do not pay attention to the environment in which they operate. For example, the news in Kompas daily on June 25, 2010, regarding the exploitation of coal that does not pay attention to the area's carrying capacity continues to threaten environmental sustainability. This will threaten people's lives in the future. The news that has become an important issue lately is about accidents originating from gas cylinders that have claimed several victims. Other news concerns employee welfare or termination of employment. The accounting sector should pay attention to things like this and play a role in overcoming social and environmental problems as a form of corporate social responsibility to stakeholders (Suaryana, 2011).

So, from the above, it can be shown that the SDGs, the goal, is aimed at ensuring the sustainable use of natural resources in such a way that the government, through public policies, also seeks to be socially responsible (Purba et al., 2020). Today, social responsibility, along with politics, is part of a global movement encompassing environmental responsibility, business ethics, citizen ethics, and political responsibility, which together form a new humanist ideology, the aim of which is to raise living standards, but more especially the quality worldwide (Neron & Norman, 2008)

Therefore, the challenge facing the countries of Southeast Asia, Asia, and the world is to produce statistical information that allows measurement of the evolution of each SDGs through the proposed indicators, in which all fields of knowledge must collaborate to achieve this goal. The basic assumption of the SDGs is that the future is not only a series of past relationships and dynamics but can also be shaped by recent decisions (Kumi et al., 2014). To that end, the countries in Southeast Asia that are members of ASEAN began the heavy work that began in 1999, supporting regional governments in generating knowledge

and systematizing the use of environmental accounts and statistical information that enables them to make the best decisions about sustainable development. Regarding the level of implementation of environmental accounts at the regional level up to 2030.

## **II. Research Method**

This paper is descriptive in nature, analyzing and interpreting the current situation in Indonesia in terms of national environmental accounting, SDG compliance, and corporate social responsibility. This research involves a literature review with the following phases: Getting data on variables review of relevant databases, scholarly journals, and official papers from international and national organizations. The criteria for selecting source documents are the relevance of the content that contributes to the work, updating the content, the authenticity of the data presented, and its accessibility (Danandjaja, 2014). The results make it possible to obtain relevant conclusions on this issue so that the reader formulates his opinion on national and international realities related to achieving the goals and targets set.

## **III. Results and Discussion**

The concept of sustainable development was formalized in 1987 to improve people's quality of life. It arises from all the adverse effects that nature suffers due to indiscriminate conditions created by the extraction of natural resources affecting environmental sustainability. In short, the concept of sustainable development involves several multicausal and multidimensional categories related to improving humankind's economic, social, and environmental conditions and the performance of institutions and governance. It also has a transverse and intertemporal character under several principles. which transcends the immaterial growth and intangible conditions of man and the environment. (Rizhan, 2018). In short, the concept of sustainable development involves several multicausal and multidimensional categories related to the improvement of the economic, social, and environmental conditions of humankind and the performance of institutions and governments, also has a transverse and intertemporal character under several principles that go beyond the immaterial growth and intangible conditions of humans and the environment. . (Elliot, 2012).

In general, we all commit to contributing to sustainable development, especially the state and the business sector, with programs, plans, and projects oriented towards social and environmental responsibility. In Indonesia, in the last few decades, the government has been very committed to the issue of fulfilling international commitments that were initially aimed at achieving the MDGs and now with the SDGs (Panuluh & Fitri, 2016). The planning is contained in a document called the National Development Plan, which is currently projected for 2017-2021, in which statistical information presented by the Central Statistics Agency seeks to articulate the indicators needed to measure following national development goals and, in turn, the SDGs (Hudaef, 2020).

As noted above, the Indonesian state seeks to be socially responsible. It obtains reports that allow this management to be evaluated. Still, collaboration and initiatives from the business sector are also needed to minimize environmental impacts and, therefore, the importance of social responsibility projects. It was implemented in the company. To achieve this, the government, through the relevant ministries, has created incentives that reward companies from both the public and private sectors that stand out for their work in contributing to caring for the environment. Through this incentive, it is sought to engage

the business community in this critical work as a mechanism that allows the creation of a management model based on the principles of social responsibility to obtain projects or products that can be patented and distributed as a contribution to improving the process of measuring and evaluating the results of CSR projects or other information. Form owned by the organization.

Beyond legal obligations, CSR allows a firm to incorporate environmental and social issues into its operations and stakeholder interactions. Company social responsibility information is only disclosed voluntarily in Indonesia because financial accounting requirements do not mandate it (Mustafa & Handayani, 2014). Companies will consider the costs and benefits gained when they decide to disclose social information. If the benefits gained by disclosing the information are more significant than the costs incurred, the company will voluntarily disclose the information (Simaremare & Gaol, 2018).

Financial and nonfinancial data on an organization's interactions with its physical and social environment can be characterized as CSR. Activities that can improve the well-being of communities and the environment are examples of forms of responsibility, as are the provision of scholarships for deserving students, the provision of funds for the upkeep of public facilities, and the donation of goods to villages or community facilities that benefit the community at large, particularly those in the immediate vicinity of the company (Sudana & Arlindania, 2011).

Environmental accounting is one of the means to present information, whether the company implements environmental policies in its operations. The role of accountants in this matter is quite crucial. Currently, companies are required to seek profit/profit alone and have to pay attention to social responsibility in society. From an economic point of view, the company is expected to get the highest profit. But in the social aspect, the company must contribute directly to the community, namely improving the quality of community life and the environment (Suartana, 2010).

Environmental accounting has been a concern of accountants for a long period of time. This concept is critical because businesses must tell stakeholders about their social and environmental responsibilities. Companies must not just communicate financial information to existing investors and creditors, but also to prospective investors and firm creditors. They must also consider the social interests of the communities in which they operate. Thus, the company's responsibility is to investors or creditors, as well as to other stakeholders, including employees, consumers, suppliers, the government, society, the media, industrial organizations, and other interest groups (Pratiwi, 2013).

Social and environmental stewardship fall under the purview of financial accounting. Corporate Social Responsibility (CSR) and Sustainability Reporting are two terms used to refer to this type of social responsibility accounting (SR). Reports on social responsibility accounting might be included in or distinct from the annual report. According to the legitimacy thesis, CSR and SR accounting are important to the business. The company strives to meet the expectations of all parties involved in order to earn the community's support and trust. CSR accounting is described as the methodical development of relevant information for evaluating a company's social performance and communicating this information to interested social groups, both inside and outside the organization (Suaryana, 2011).

SR is a new issue that was later developed related to sustainable development. Sustainable development is a development that meets the needs of the world today without compromising the ability of future generations to meet their own needs. This is related to the need to protect the environment. SR reports how to preserve the environment, waste disposal, and social impacts on the company's operations and includes the company's

programs and performance on community development, especially in the company's operational areas. The impact of company activities needs to be reported as a manifestation of the company's responsibility to stakeholders. Several reporting constraints cause the low awareness of environmental impact reporting. The importance of environmental accounting, known as SR, needs to be made to improve its application (Dewi & Sudana, 2015).

The Indonesian Institute of Accountants (IAI) is expected to develop SR guidelines to have SR guidelines. The existence of standard and mandatory standards governing SR will increase SR reporting for companies whose activities affect the community and the environment. Aras & Crowther (2008) show a need for standards in analyzing and measuring sustainability and provide complete model guidance regarding distribution implications and is developed into an operationalized model. The need for reporting standards is also related to Law no. 25 of 2007 concerning Investment and Law no. 40 of 2007 concerning Limited Liability Companies, which regulates the company's efforts and obligations in preserving the environment. This effort may encounter obstacles related to measurement and obstacles in the preparation process because environmental accounting standards are related to the economic consequences of companies. Measurement issues can be addressed with non-financial reporting.

In Indonesia, regulations regarding social responsibility accounting have been regulated in the Statement of Financial Accounting Standards (PSAK) No. 57 issued by the Indonesian Institute of Accountants (IAI). Accounting for the environmental impact of the company's activities has also been regulated by SAK. PSAK No. 1 paragraph 9 has explained the presence of environmental impacts. "...Companies provide additional environmental (or value-added) reports, especially for industries with major resources related to the environment (or employees and other stakeholders as users of important financial statements)". PSAK No. 1 has not explicitly regulated but regulates the disclosure of environmental impacts. Environmental impact accounting treatment is also regulated in PSAK No. 32 concerning Forestry Accounting and PSAK No. 33 concerning General Mining Accounting. PSAK No. 32 and 33 should be sufficient to regulate environmental accounting treatment.

To have SR guidelines, IAI is expected to develop SR guidelines. The existence of standard and mandatory standards governing SR will increase SR reporting for companies whose activities affect the community and the environment. Aras and Crowther (2008) state a need for standards in analyzing and measuring sustainability and provide complete model guidance regarding distribution implications and is developed into an operational model. This effort may encounter obstacles related to measurement and obstacles in the preparation process because social and environmental accounting standards are related to the economic consequences of companies. Measurement issues can be addressed with non-financial reporting.

Environmental accounting has benefits for internal companies to provide reports on internal management, namely management decisions regarding pricing, controlling overhead costs, and capital budgeting. In short, environmental accounting is beneficial for companies as one of the points of consideration to achieve a green company. If we continue the habits that do not contribute to caring for the planet, the consequences will be disastrous for future generations; let us ask ourselves: what do we want to pass on to the new generation? (Brown & Fraser, 2006).

Because of this sad situation, the countries of the world are taking the initiative in seeking sustainable development through programs aimed at caring for the environment, where the main concern is the unfavorable damage to our planet. SDGs seek sustainable

development and balance in economic, social and environmental protection aspects; a development that will be achieved as long as the commitment of all government actors, the business world and society is based on values that enable the achievement of the goals set out in each of these goals, as stated by Scherer & Palazzo (2007) so that the globalization of economic activities leads to universal prosperity and Sustainably, all those who participate in or are affected by economic activity depend on value-based commercial exchange and cooperation.

As a consequence of global concerns and trends for the protection of our natural habitats and climate change, accounting cannot remain ignorant of the business realities of seeking organizational sustainability from the three environmental, social, and economic dimensions in the order of importance, which in turn have systems that enable measurement and control of results. Organizations that respond to society by building systems that contribute to and repay what it receives from nature with the responsibility for a decent life for present and future generations.

Therefore, environmental accounting seeks to promote sustainable development, to establish environmental and economical procedures and accounts that primarily allow measurement through indicators of natural capital resources used in the production process of a country or enterprise. The results obtained will demonstrate the pressure that natural resources are under due to different economic processes, generating strategies that reduce the impact of adverse outcomes in the use of natural resources. Environmental accounting links the environment to the economy, resulting in long-term change in the development of economic and environmental policies aimed at protecting and conserving the environment, intending to measure natural capital resources used in the production process.

On the other hand, the term Corporate Social Responsibility has evolved over the years until now it is called Environmental Social Responsibility; and, it is closely related to the mission that is lived today to be socially responsible with the planet as the only resource and that if we continue productive processes based solely on the exploitation of resources, we are likely to harm the environment. Quality of life for present and future generations. Organizational social and environmental responsibility has moved within the scope and radius of action, emerged as Corporate Social Responsibility which only refers to large companies, then is considered as Corporate Social Responsibility because it must cover all productive entities; With a broader sense of the entity type, it is called the Social Responsibility of the organization and nowadays, from a more inclusive approach, it is called the Social-Environmental Responsibility. (Santioso & Devona, 2012)

For this reason, companies and institutions seek and innovate processes that enable them to be friendly to the planet and at the same time generate added value that is well received in the market by consumers who are increasingly fond of products and services. Socially and environmentally responsible. Companies today can limit themselves to only wanting to generate profits or profits without thinking about the environment in which they operate both internally and externally, whose social and environmental dimensions and impacts must be measured. Evaluated, then the three-dimensional theory of accounting.

As proposed by the T3C Three Dimensional Theory of Accounting, it goes beyond the environmental, social, and economic responsibilities of organizations, which must go beyond pronouncement to materialize through accounting reports and reports that allow objective verification of the organization's concrete actions. Therefore, three-dimensional sustainability allows the business sector to contribute to sustainable development, becoming an economically, socially, and environmentally responsible company, through programs, plans, or projects that are oriented towards this goal, in the same way establishing sanctions or improvement plans in the case of companies that, on the other



hand, have negative management of the resources they control, with a management model that allows the generation of reports and socializing them with their stakeholders through so-called sustainability reports.

#### IV. Conclusion

Accounting is not limited to only providing the results of the economic wealth of a company or country but also includes social and environmental wealth; therefore, environmental accounting through the use of environmental accounts allows us to have measurable results, which allow us to analyze the positive or negative impacts of using natural resources. Power; aims to achieve qualitative and quantitative assessments of the management carried out by the government and the business world. In Indonesia, work has been carried out to align government policies towards the pursuit and achievement of sustainable development that enables the improvement of people's quality of life and contributes to the excellent care and use of natural resources; Thus, in this country, there are legal regulations that seek to protect natural rights and guarantee a good life in Indonesia. Similarly, the stakeholders have been working on standardizing r that allows management measures to be carried out to achieve each from the goals of sustainable development goals, implying the commitment of each of those involved in training matters as well as on the part of governments to the goals of resources that enable the continued fulfillment of this global pact.

Environmental accounting is a means to report an institution's operations (state/city/company/organization) related to the environment. The aim is to provide information on the company's operational performance based on environmental protection. Companies that only care about profit and do not care about the environment will be exposed to externalities in the form of boycotts from consumers, protests from environmental activists, protests from shareholders, and perhaps from their employees. Although in reality, several companies manipulate financial statements to appear involved in environmental protection. In reality, the company did not. However, companies that behave unethically will eventually be caught and shunned by the public. Companies that are shunned by society will result in bankruptcy.

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