

Analysis of the Application of Environmental Accounting in Improving Financial Performance at PDP Kahyangan Gunung Pasang, Panti District, Jember

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Abstract

The increasing development of industry, especially in the manufacturing sector, has a direct impact on the environment from its operational activities. One effort that companies can make to reduce these negative impacts is by implementing environmental accounting. This study aims to determine: (1) The application of environmental accounting in improving financial performance at PDP Kahyangan Gunung Pasang; (2) What factors support and hinder the implementation of environmental accounting at PDP Kahyangan Gunung Pasang; (3) The impact of the implementation of environmental accounting on the company. This study uses a descriptive qualitative method with data collection techniques through observation, interviews, and documentation. Data analysis is carried out by data reduction, data presentation, and drawing conclusions. The results of the study show that PDP Kahyangan Kebun Gunung Pasang has implemented environmental accounting practices through waste management and environmental cost expenditures, but has not been recorded specifically in the financial statements because it is still combined with the company's operational costs. Supporting factors for the implementation of environmental accounting are the company's awareness of the importance of environmental sustainability and compliance with regulations, while inhibiting factors are limited human resources and the absence of a structured environmental cost reporting system. The implementation of environmental accounting has a positive impact on cost efficiency, environmental risk control, and increased stakeholder trust, thereby supporting improved company financial performance.

Keywords

Environmental Accounting; Environmental Costs; Financial Performance



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INTRODUCTION

Industrial development in Indonesia has experienced rapid growth, particularly in the manufacturing sector, which intensively utilizes natural resources in its operations. These industrial activities often have negative impacts on the environment, such as air pollution, water pollution, and other damage caused by company activities. If not managed properly, these issues can lead to environmental issues that can be detrimental to both the company and the surrounding communities. It is crucial for companies to conduct business activities sustainably.

Companies are not only required to generate profits, but must also pay attention to social and environmental aspects in accordance with the triple bottom line concept, which includes profit, people, and planet. Therefore, companies need to implement a good environmental management system as a form of corporate social responsibility to the community and the surrounding environment. One effort that can be made by companies to maintain environmental sustainability is through the implementation of environmental accounting. Environmental accounting is the process of identifying, measuring, recording, presenting, and disclosing environmental costs arising from the company's operational activities. Through the implementation of environmental accounting, companies can determine the amount of costs incurred for waste management so that the company can control costs effectively and efficiently.

The implementation of environmental accounting is also related to a company's financial performance. Good environmental cost management can help companies reduce pollution risks, improve operational efficiency, strengthen corporate image, and increase stakeholder trust. Implementing environmental accounting not only impacts sustainability but also provides economic benefits for companies. In Indonesia, corporate awareness of the importance of environmental management is increasing along with the development of government policies related to environmental protection. Law Number 32 of 2009 concerning Environmental Protection and Management states that every company is obliged to maintain environmental sustainability and manage environmental impacts arising from company operational activities.

One of the largest manufacturing companies in Jember is the Kahyangan Jember Regional Plantation Company (PDP), which has five plantations of varying sizes and locations. Gunung Pasang Plantation is one of the four plantations, covering an area of 1,069.5714 hectares, located in Panti District, Jember. PDP Kahyangan is a Regionally-Owned Enterprise (BUMD) engaged in manufacturing, managing plantation products such as coffee, rubber, and cloves. The company's

operational activities generate solid and liquid waste that requires proper environmental management to prevent environmental pollution.

RESEARCH METHODS

This study uses a qualitative approach with a descriptive type. The qualitative approach is used to understand in depth the application of environmental accounting in improving financial performance at PDP Kahyangan Kebun Gunung Pasang, Panti District, Jember. The location of the study was carried out at PDP Kahyangan Kebun Gunung Pasang, Panti District, Jember. The selection of the research location was based on the consideration that the company is one of the largest manufacturing companies in Jember Regency. The research subjects consisted of internal parties such as managers, administration and finance departments, and employees involved in environmental management. Data collection techniques were carried out through observation, interviews, and documentation. The data obtained were then analyzed to determine the application of environmental accounting carried out at PDP Kahyangan Kebun Gunung Pasang.

FINDINGS AND DISCUSSION

Implementation of environmental accounting carried out by PDP Kahyangan Kebun Gunung Pasang

Maintaining environmental sustainability is one of the important aspects that must be considered by a company, especially companies engaged in the manufacturing sector such as PDP Kahyangan Kebun Gunung Pasang. This company has a direct relationship with the environment and the surrounding community. Therefore, efforts to maintain environmental sustainability are one form of corporate responsibility towards the environment and the community. Based on the results of the study, PDP Kahyangan Kebun Gunung Pasang has implemented environmental accounting practices in managing production waste and incurring environmental costs. Waste management has been carried out through several stages, solid waste is utilized as fertilizer while liquid waste is managed so as not to pollute the environment around the company.

Environmental accounting has not been optimally implemented because the company does not yet have a dedicated account for environmental costs. All environmental costs are still lumped into operating costs, thus not fully aligning with Hansen and Mowen's theory or PSAK No. 1 of 2015 concerning the presentation of financial statements.

Table 1. Comparison of Environmental Cost Classifications

No	Hansen & Mowen Theory	PDP Kahyangan, Mount Pasang Garden
1	Waste Prevention Costs	Expenses for cleaning company areas
2	Environmental Detection Cost	Not issued but carried out in the board of directors' office
3	Internal Failure Costs	Cost of transportation and maintenance services for waste facilities
5	External Failure Costs	Nothing because it has never happened

Source: Data processed by the author

Based on the table, it can be concluded that PDP Kahyangan Kebun Gunung Pasang has not fully classified environmental costs as described by Hansen & Mowen. Kebun Gunung Pasang has incurred costs related to waste management that can damage the environment. However, the company has not recorded these costs specifically but rather incorporates them into the operational costs per unit of product.

Supporting and inhibiting factors for the implementation of environmental accounting

Supporting factors for the implementation of environmental accounting at PDP Kahyangan Kebun Gunung Pasang include the Company's awareness of the importance of maintaining environmental sustainability and compliance with environmental regulations. Furthermore, the company's management's support for waste management is also an important factor in the implementation of environmental accounting. The implementation of environmental accounting is not only influenced by supporting factors but also by inhibiting factors, including limited human resources who understand environmental accounting and the absence of a structured environmental cost recording and reporting system. This indicates that the implementation of environmental accounting has not reached its maximum stage because all stages, from identification, recognition, to disclosure of environmental costs, have not been optimally fulfilled.

In Arfan Ikhsan's book entitled *Environmental Accounting and Its Disclosure*, the optimal implementation of environmental accounting must include a structured process of identifying, measuring, recording and reporting environmental costs as a form of transparency and accountability of the Company, in addition to emphasizing that the success of the implementation of environmental accounting is greatly influenced by management commitment and the availability of adequate human resources in managing and reporting environmental information.

The impact of implementing environmental accounting for the Kahyangan Kebun Gunung Pasang PDP

The results of this study indicate that the implementation of environmental accounting at Kahyangan Kebun Gunung Pasang PDP has generated significant positive impacts on both operational and strategic aspects of the company. Environmental accounting serves not only as a tool for recording and reporting environmental costs but also as a management instrument that supports decision-making processes related to environmental sustainability and corporate performance. Through the application of environmental accounting practices, the company is able to identify, measure, and control environmental expenditures more effectively, thereby contributing to improved operational efficiency and long-term business sustainability.

One of the most evident impacts of environmental accounting implementation is the improvement in operational cost efficiency. By systematically identifying environmental costs associated with waste management, pollution prevention, environmental maintenance, and resource utilization, the company gains a clearer understanding of the financial consequences of its environmental activities. This information enables management to allocate resources more efficiently and implement cost-saving measures without compromising environmental quality. For example, effective waste management practices reduce the amount of waste requiring treatment and disposal, thereby lowering operational expenses. In addition, preventive environmental measures often cost significantly less than corrective actions required after environmental damage or pollution incidents occur. As a result, environmental accounting helps the company optimize its expenditures while maintaining compliance with environmental regulations.

Furthermore, environmental accounting contributes to better environmental risk management. Plantation and agricultural industries often face various environmental risks, including soil degradation, water contamination, air pollution, and ecosystem disruption. Through environmental accounting, the company can monitor environmental impacts more systematically and evaluate the effectiveness of mitigation measures. This process enables early identification of potential environmental problems, allowing management to take corrective actions before these issues develop into more serious environmental liabilities. Consequently, the company can minimize the risk of regulatory sanctions, legal disputes, environmental restoration costs, and reputational damage. Effective environmental

risk management not only protects the company's financial resources but also supports operational continuity and sustainability.

The implementation of environmental accounting also has indirect benefits related to corporate reputation and stakeholder relations. In today's business environment, stakeholders increasingly expect companies to demonstrate responsibility toward environmental preservation and sustainable development. Transparent environmental reporting and responsible environmental practices enhance public perception of the company. Communities surrounding the plantation area, government agencies, investors, customers, and other stakeholders are more likely to trust organizations that actively manage and disclose their environmental performance. This increased trust creates a positive corporate image that can provide competitive advantages in the marketplace.

A positive corporate image plays an important role in strengthening stakeholder confidence. When stakeholders perceive that a company is committed to environmental responsibility, they are more willing to support its operations and long-term development plans. Local communities become more cooperative and supportive because they recognize that the company is taking measures to minimize environmental impacts and contribute to social welfare. Likewise, investors may view environmentally responsible companies as lower-risk investments because they are less vulnerable to environmental liabilities and regulatory penalties. Customers are also increasingly inclined to support businesses that prioritize sustainability and environmental stewardship. Therefore, environmental accounting indirectly contributes to the development of stronger relationships with various stakeholder groups.

Another important impact of environmental accounting implementation is its contribution to improved financial performance. Although environmental management activities often require initial investments, these expenditures can generate substantial economic benefits over time. Cost reductions achieved through efficient resource utilization, waste minimization, and pollution prevention contribute directly to profitability. Additionally, enhanced corporate reputation can lead to increased customer loyalty, better market opportunities, and improved investor confidence. These factors collectively support revenue growth and long-term financial stability. Therefore, environmental accounting should not be viewed merely as an additional administrative requirement but rather as a strategic investment that creates both economic and environmental value.

The findings of this study are consistent with the principles of Triple Bottom Line (TBL) theory, which emphasizes the importance of balancing three dimensions of organizational performance: profit, people, and planet. Traditional business models often focus primarily on financial gains, whereas the Triple Bottom Line approach encourages companies to integrate social and environmental considerations into their decision-making processes. The implementation of environmental accounting at Kahyangan Kebun Gunung Pasang PDP reflects this holistic perspective by recognizing that business success depends not only on profitability but also on responsible environmental management and positive social contributions.

From the profit perspective, environmental accounting enhances efficiency and financial performance through better cost management and risk reduction. From the people perspective, the company's commitment to environmental responsibility strengthens relationships with local communities, employees, and other stakeholders. Environmental protection efforts help safeguard public health and contribute to social well-being, thereby creating social value that extends beyond financial outcomes. From the planet perspective, environmental accounting supports sustainable resource management, pollution control, and environmental conservation efforts, helping to preserve natural ecosystems for future generations.

Ultimately, the implementation of environmental accounting at Kahyangan Kebun Gunung Pasang PDP demonstrates that environmental responsibility and economic performance are not mutually exclusive objectives. Instead, they can reinforce one another when managed effectively. By integrating environmental considerations into financial and managerial processes, the company achieves greater operational efficiency, reduces environmental risks, enhances stakeholder trust, and supports long-term business sustainability. The resulting combination of economic, social, and environmental benefits strengthens the company's competitive position and contributes to sustainable development. Therefore, environmental accounting can be regarded as a valuable strategic tool that enables organizations to achieve balanced growth while fulfilling their responsibilities toward society and the environment.

CONCLUSION

This study shows that PDP Kahyangan Kebun Gunung Pasang has implemented environmental accounting through waste management and incurred environmental costs, but the implementation of environmental accounting has not been carried out optimally because there has been no recording and reporting of

environmental costs specifically in the company's financial statements. Supporting factors for the implementation of environmental accounting include company awareness of the importance of environmental management and company management support. While inhibiting factors are limited human resources and the absence of a structured environmental cost recording system. The implementation of environmental accounting has a positive impact on cost efficiency, environmental risk control, and increasing stakeholder trust so that it can support the improvement of the company's financial performance. Therefore, companies are advised to start preparing separate environmental cost reports so that the implementation of environmental accounting can run more optimally and transparently.

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