Green Accounting and Sustainable Performance of Micro, Small, and Medium Enterprises: The Role of Financial Performance as Mediation

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Abstract - The performance of Micro, Small, and Medium Enterprises (MSMEs) has become a top priority in all countries due to a global perspective recognizing MSMEs as a tool for economic growth. Therefore, MSMEs must be able to choose strategies to enhance their financial performance towards a sustainable business, one of which is implementing a green accounting strategy. This research aims to explore financial performance's role in mediating green accounting's effect on sustainable performance. Questionnaires were distributed to 420 MSMEs owners in Central Java via the Google form. From the 420 questionnaires, 405 were then analyzed using SmartPLS. The study results show that the sustainable performance of MSMEs can be improved through green accounting and financial performance. In addition, concern for MSMEs towards the environment through green accounting can be an added value for MSME businesses in Central Java, Indonesia.

Keywords: green accounting, sustainable performance, financial performance, Central Java MSMEs


Kata Kunci: green accounting, kinerja keberlanjutan, kinerja keuangan, UMKM Jawa Tengah

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1. Introduction

COVID-19 has caused a decline in people's purchasing power. It is due to people limiting outdoor interactions to prevent the spread of the pandemic. In addition, during the pandemic, consumers tend to make buying and selling transactions digitally. This phenomenon causes conventional Micro, Small and Medium Enterprises (MSMEs) to utilize technology properly to have many obstacles during the pandemic, marketing, capital, and distribution of goods and services. The Ministry of Cooperatives and Small and Medium Enterprises (SMEs) of the Republic of Indonesia also stated that due to the pandemic, 37,000 MSMEs were affected and reported their difficulties. Considering that MSMEs are one of the essential pillars of the economic ecosystem in Indonesia, as evidenced by the contribution of MSMEs to Indonesia's GDP and being able to reduce unemployment. Furthermore, MSMEs contributed 15.6% to non-oil exports, while MSMEs’ participation in the global value chain only reached 4.1%. Therefore, the performance of MSMEs is a top priority in all countries due to a worldwide perspective (Agwu, 2014; Naala et al., 2017).

In addition to the economic aspects of MSMEs development, the issue of resource utilization and ecological sustainability, of course, cannot be separated, where not all MSMEs have adequate attention and understanding regarding the importance of stability of economic, environmental, and social aspects in carrying out their business activities (Riduwan & Andayani, 2018; Yanti et al., 2018). MSMEs are expected to consider these three elements in generating profits (i.e., environmental conservation and social welfare) (Agustina & Tarigan, 2014). MSMEs actors are often more focused on obtaining high profits and focus on products to maintain quantity and quality to remain good in the eyes of consumers, as well as product marketing strategies. Maulita Adham (2020) revealed that most MSMEs are more interested in focusing on profits and income from their business activities than managing the waste generated from their business activities. Waste is also the result of business activities other than the expected products and services (Nasir et al., 2015).

The environmental impact caused by MSMEs comes from using raw materials and product manufacturing processes to pollution and the resulting waste, where industrial
liquid waste is discharged directly into rivers without going through a recycling process, and soil pollution caused by plastic waste cannot be decomposed by soil and noise pollution resulting from the sound of production machines. It may cause damage to the environment caused by such businesses and activities.

Several cases of MSMEs in Central Java include the Soy Sauce Cap Ikan Lele factory in Pati Juwana. The waste generated from the processing of soy sauce ingredients has the potential to cause environmental pollution, where the quality of the waste produced very far meets the quality requirements (Yuliana & Sulistyawati, 2021). It is the same with MSMEs engaged in sawmills, which have positive impacts and can also negatively impact society. Waste that has the potential to pollute the environment and cause diseases, such as Upper Respiratory Tract Infections. The waste generated is solid or gaseous, which worsens environmental sustainability if not appropriately managed (Puspita & Surendra, 2019). Laundry MSMEs in Salatiga, where laundry water waste contains many chemical compounds, both organic and inorganic compounds, which can be harmful to the environment (Cahyaningsih et al., 2013).

One of the media that can be used to minimize environmental damage is green accounting to improve financial performance (Clarkson et al., 2011) towards the company's sustainability performance by complying with the policies and ordinance (Witjes et al., 2017) that the regulator has set. MSMEs strive to achieve sustainability that aims to achieve or support sustainable values (Pham & Kim, 2019) toward sustainable performance. Sustainable performance is defined as a firm’s performance in all dimensions of corporate sustainability (Schaltegger & Wagner, 2006).

One of the supporting instruments for the firm's sustainable performance is environmental-based accounting. Green accounting can assist managers in improving the economy, contributing to long-term growth (Gray, 2010). Gray (2010) adds that green accounting will continue to play an essential role in addressing the underlying issues related to human-caused change. Green accounting is a concept in which businesses focus on the environment (Aniela, 2012) and the efficient and effective use of resources (Qian et al., 2012). Marota's findings (2017) state that green accounting significantly impacts the firm's sustainability factor. Nakajima et al. (2015) suggest that
environmental awareness affects the amount of information corporate exchange, such as strategies to abuse and arrange the waste generated effectively (Ratulangi et al., 2018). Therefore, the implementation of green accounting can improve sustainable performance (Loen, 2018; Riyadh et al., 2020), the dimensions of sustainability (Marota, 2017), environmental performance (Andries & Stephan, 2019; Aniela, 2012), and the company's financial performance (Aniela, 2012).

Financial performance is an MSMEs business earning income through managing company assets effectively and paying attention to environmental opportunities and threats around the business within a certain period so that it has a positive impact on MSMEs sustainability (Arthur et al., 2013). Lestari et al. (2020), Andries & Stephan (2019), Chasbianandani et al. (2019), and Ezeagba et al. (2017) said that the application of green accounting is believed to affect the firm's profitability it can improve the enterprise's sustainable performance. In addition, financial performance can enhance the quality and reputation of the enterprise (Charlo et al., 2015) so that it impacts its sustainable performance. However, unfortunately, several studies reveal different results. Fakoya (2014) states that green accounting is the firm's activities in utilizing natural resources and managing its production waste properly. Rokhmawati et al. (2015) and Dura and Suharsono (2022) explain that green accounting activities still need to be more popular among the public and business players. It is due to their need for knowledge about environmental conservation efforts. Cuadrado-Ballesteros et al. (2014) and Jan et al. (2018) say that financial performance does not affect sustainable performance.

Several studies have examined the importance of green accounting and financial performance that impact sustainable development. However, only a few still need to focus on green accounting and financial performance towards the sustainable performance of MSMEs. Previous research has shown that green accounting and financial performance are long-term viability indicators for most industries. However, this activity involves a very high-cost increase if the industry is in a period of financial uncertainty, such as the conditions during the COVID-19 pandemic, which is still ongoing today. Based on the problems experienced by MSMEs and the research gap in
previous studies, can green accounting and financial performance increase sustainable performance, and can financial performance mediate green accounting with sustainable performance? Therefore, this study aims to analyze and empirically test the role of financial performance in mediating the effect of green accounting on the sustainable performance of MSMEs.

The urgency of this research is because applying green accounting can encourage the ability to minimize environmental problems faced by companies, including MSMEs. It also can increase the efficiency of environmental management by carrying out environmental activities from the point of view of environmental costs and economic benefits. Green accounting activities will have a positive impact on improving the financial performance and sustainability performance of MSMEs. Thus, this research contributes theoretically and practically. Theoretically, this research contributes to developing knowledge and insight and enriches the literature review on green accounting, financial performance, and sustainable performance. Practically, this research contributes to MSMEs actors that their business sustainability performance is a form of business consistency. In this case, sustainability is a process of ongoing promising business, including growth, development, strategies to maintain business continuity, and business development, all leading to sustainability and existence (resilience) effort.

2. Theoretical Framework and Hypothesis Development

2.1 Theoretical Framework

2.1.1 Stakeholder Theory

Deegan (2016) defined stakeholder theory as focusing on the welfare of company stakeholders so that company management must take significant action for stakeholders, who then report these activities to these stakeholders. This understanding can be concluded that all stakeholders (i.e., employees, community, state, and capital market) have the right to receive information about how the company's organization's activities impact the environment (Deegan, 2016). Stakeholder theory is a strategy companies use to maintain an established business, focusing on how they can increase their profits by
increasing profits. However, companies must also consider how they can benefit their stakeholders. As a result, companies and stakeholders have mutually influential relationships.

2.1.2 Green Accounting

Green accounting is a concept where businesses focus on efficiency and effectiveness in the long-term use of resources in their manufacturing processes to integrate corporate growth with environmental functions and benefit society. In this case, the application of green accounting emphasizes the concept of saving materials and energy (land saving, material saving, and energy saving) (Gray, 2010). Furthermore, green accounting aims to improve the efficiency of environmental management by carrying out operations from the perspective of costs (environmental costs) and benefits or impacts (economic benefits), causing environmental protection effects as well as continuous improvement and environmental control (Mowen et al., 2018). In short, green accounting can reveal how much a company or organization contributes positively and negatively to the quality of human life and the environment. Qian et al. (2012) added that green accounting would improve environmental performance, control costs, use environmental technology, and use and manufacture environmentally friendly products.

2.1.3 Sustainable Performance

Corporate actions in terms of sustainability can be related to ethical, environmental, and economic criteria of the company's decision-making process to ensure business continuity. At the same time, corporate social policies may be more related to the company's willingness to take actions that benefit stakeholders (Griffin & Mahon, 1997; Orlitzky et al., 2003; Van Marrewijk & Werre, 2003; Carroll & Shabana, 2010; Sarkar & Searcy, 2016).

2.1.4 Financial Performance

Financial performance assesses a company using excellent and correct financial implementation standards (Wahlen et al., 2018). Arthur et al. (2013) interpreted the financial performance of MSMEs as something that is achieved or an achievement shown by the company within a certain period. Arthur et al. (2013) added that MSME’s
financial performance indicators include profit, sales growth, and business capital adequacy. Furthermore, Padi & Musah (2022) showed that corporate governance practices were positively associated with the financial performance of SMEs in Ghana.

2.2 Hypothesis Development

2.2.1 Green Accounting and Financial Performance

MSMEs business actors can improve environmental performance, control costs, apply environmentally friendly technology, and promote their environmentally friendly products through green accounting activities. Green accounting is beneficial because there are costs for better environmental management, business strategies that pay attention to the environment, calculate production costs more accurately, and look for opportunities to reduce environmental costs and increase profitability (Qian et al., 2012). The characteristics of MSMEs fit green accounting activities such as MSMEs engaged in the food and drink, craft, fashion, and service sectors. Other characteristics are MSMEs that have been operating for at least one Year and are carried out by themselves or employees with a small number.

Furthermore, in line with stakeholder theory that MSMEs green accounting activities are a form of companies maintaining their business, this shows the public that their business is not only focused on how they can increase their profits by increasing profits, but they are considering how they can benefit their stakeholders (Degan, 2016). Furthermore, several studies have shown that green accounting activities can improve a company's financial performance (Lestari et al., 2020; Andries & Stephan, 2019; Chasbiandani et al., 2019; Ezeagba et al., 2017). Similar findings can be obtained from the research of Najihah et al. (2021); Indriastuti & Najihah (2020); Gangi et al. (2019); Ho et al. (2019); Ling (2019); Agyemang & Ansong (2017); Chtourou & Triki (2017); Kurnia & Tandiontong (2015) proved that social activities, namely CSR carried out by companies, can encourage financial performance. Puteri et al. (2018) showed that the CSP significantly affects CSR disclosure, and so does the financial performance. Ariesanti (2017) also implied that the performance of the environmental effect on the company's performance through environmental disclosure.

H1: green accounting improves financial performance.
2.2.2 Green Accounting and Sustainable Performance

Consistent with stakeholder theory, the company is committed to providing stakeholders with environmental information (Permatasari & Setyasrini, 2019). It indicates that the stronger the corporate and stakeholder ties, the better the company will be, and vice versa. The adoption of green accounting activities in the MSMEs business can increase the dimensions of sustainability (Ratulangi et al., 2018; Marota, 2017; Nakajima et al., 2015), environmental performance (Andries & Stephan, 2019; Aniela, 2012), and sustainable performance (Loen, 2018; Riyadh et al., 2020). Thus, MSMEs green accounting activities can create resource efficiency, such as effective strategies to utilize and manage waste generated by their industrial operations. Therefore, the implementation of green accounting can be applied to several MSMEs, such as MSMEs engaged in the food and drink, craft, fashion, and service sectors.

H2: Green accounting improves sustainable performance.

2.2.3 Financial Performance and Sustainable Performance

The development and growth of the company can be seen from the achievement of its strong financial performance. Selvarajah et al. (2018) revealed that financial performance is a company's effort to earn revenue and growth. It indicates that the better the company's financial condition, the more internal risk can be minimized because investors get good information from financial performance. In line with stakeholder theory, MSMEs will create high financial performance for the welfare of the MSMEs stakeholders, such as MSMEs engaged in the food and drink, craft, fashion, and service sectors that have been operating for at least one year, to the MSMEs’ business can continue to be sustainable in the future. Pedron (2020) proved that companies’ increased financial performance due to environmental information disclosure could push companies toward sustainable performance.


2.2.4 Financial Performance Mediates the Effect of Green Accounting on Sustainable Performance

The costs incurred to carry out environmental management activities will affect society's perception of the company as profitable. Companies that carry out
environmental conservation programs will positively impact public trust, which will generate high trust and loyalty to the corporate community (Lusiana et al., 2021) so that it can improve financial performance, which has an impact on sustainable performance. The greater the application of green accounting, the more it will affect the financial performance and sustainable performance of MSMEs, such as those engaged in the food and drink, craft, fashion, and service sectors. Ramadhan et al. (2021) said that the relationship between green accounting and sustainable performance is mediated by financial performance.

\textit{H4: Green accounting and sustainable performance are mediated by financial performance.}

Figure 1.
Research Model

3. Research Method

All MSMEs in Central Java are a population of this paper. Data from the Department of Cooperatives and MSMEs shows as many as 177,256 MSMEs assisted by Central Java (Satudata, 2023). The number of samples using the Slovin method because the population is more than 100 respondents. The data collection method in this study used a questionnaire distributed via Google form to 420 MSME actors in Central Java. This research consists of 3 variables. The independent variable of this study is green accounting, where green accounting emphasizes the construct of saving, namely material, and energy, as measured by waste recycling activities and environmental costs (Gray, 2010). Financial performance is a mediating variable, which is achieved or an achievement shown by the company within a certain period (Arthur et al., 2013).
Financial performance indicators include profit, sales growth, and venture capital adequacy (Arthur et al., 2013). In addition to these two variables, this study uses sustainable performance as the dependent variable, namely performance that is measured using economic, environmental, and social dimensions (GRI, 2016; 2018). All indicators were measured using a Likert scale and then carried out with the SmartPLS.

4. Results and Discussion

4.1 Result

Descriptive Statistics

Table 1 shows that the sample in this study consisted of MSMEs in Central Java, with 420 questionnaires distributed. Four hundred and five (405) questionnaires were returned and processed, so the response rate is 96.43%. The minimum value for green accounting, financial, and sustainable performance is 1. The maximum value for green accounting, financial, and sustainable performance is 5. The mean values of green accounting, financial performance, and sustainable performance are 3.92, 4.22, and 4.38. The standard deviation of green accounting, financial performance, and sustainable performance is 0.850, 0.708, and 0.755.

Table 1. Descriptive Statistic

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Accounting</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>3.92</td>
<td>0.850</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>405</td>
<td>1</td>
<td>5</td>
<td>4.22</td>
<td>0.708</td>
</tr>
<tr>
<td>Sustainable Performance</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>4.38</td>
<td>0.755</td>
</tr>
</tbody>
</table>

Overview of Respondents

The identities of the 405 respondents can be grouped according to the type of product produced, the number of employees, and the company's age as follows.
Based on table 2, it can be seen that the number of respondents with the type of food and beverage business was 119 respondents or 29.38%, the type of craft business was 87 respondents or 21.48%, the type of fashion business was 75 respondents or 18.52%, the type of service business was 67 respondents or 16.54% and other types of business as many as 57 respondents or 14.08%. It indicates that the food and beverage business type is the most numerous because the community needs this need.

Table 3.
Number of Employees

<table>
<thead>
<tr>
<th>No.</th>
<th>Number of Employees</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2-5 people</td>
<td>341</td>
<td>84.20</td>
</tr>
<tr>
<td>2.</td>
<td>6-10 people</td>
<td>46</td>
<td>11.36</td>
</tr>
<tr>
<td>3.</td>
<td>10-30 people</td>
<td>12</td>
<td>2.96</td>
</tr>
<tr>
<td>4.</td>
<td>&gt; 100 people</td>
<td>6</td>
<td>1.48</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>405</td>
<td>100</td>
</tr>
</tbody>
</table>

Based on table 3, it can be seen that the number of respondents with 2-5 employees is 341 respondents or 84.20%, 6-10 employees are 46 respondents or 11.36%, 10-30 employees are 12 respondents or 2.96%, and the number of employees more than 100 as many as six respondents or 1.48%. It indicates that the number of MSME employees used as respondents was 2-5.

Based on table 4, it can be seen that the number of respondents with a business age of 1-2 years is 65 respondents or 16.05%, employees aged 3-6 years are 152 respondents or 37.53%, respondents aged 6-10 years are 115 respondents or 28.40%, business age more than ten years as many as 73 respondents or 18.02%. It indicates that the length of
the MSMEs business that was used as the most significant number of respondents was 3-6 years.

Table 4.
Company Age

<table>
<thead>
<tr>
<th>No.</th>
<th>Company Age</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1-2 years</td>
<td>65</td>
<td>16.05</td>
</tr>
<tr>
<td>2.</td>
<td>3-6 years</td>
<td>152</td>
<td>37.53</td>
</tr>
<tr>
<td>3.</td>
<td>6-10 years</td>
<td>115</td>
<td>28.40</td>
</tr>
<tr>
<td>4.</td>
<td>&gt; 10 years</td>
<td>73</td>
<td>18.02</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>405</td>
<td>100</td>
</tr>
</tbody>
</table>

The Result of Measurement Model (Outer Model)

Table 5 shows the value of outer loadings more than 0.70, and the average variance extracted (AVE) has a value greater than 0.50.

Table 5.
Outer Loadings and AVE

<table>
<thead>
<tr>
<th></th>
<th>Green Accounting</th>
<th>Financial Performance</th>
<th>Sustainable Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Accounting</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Performance</td>
<td></td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Sustainable Performance</td>
<td></td>
<td></td>
<td>1.000</td>
</tr>
<tr>
<td>AVE</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Table 6 shows that the composite reliability value and Cronbach’s alpha results are more than 0.70, equal to 1,000.

Table 6.
Composite Reliability and Cronbach’s alpha

<table>
<thead>
<tr>
<th></th>
<th>Green Accounting</th>
<th>Financial Performance</th>
<th>Sustainable Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Accounting</td>
<td>1.000</td>
<td>0.889</td>
<td>0.833</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>0.889</td>
<td>1.000</td>
<td>0.872</td>
</tr>
<tr>
<td>Sustainable Performance</td>
<td>0.833</td>
<td>0.872</td>
<td>1.000</td>
</tr>
</tbody>
</table>


**Determinant Coefficient (R2)**

Table 7 shows that the R-Square Adjusted value on the financial performance is 0.312 (31.2%) and the sustainable performance is 0.398 (39.8%).

<table>
<thead>
<tr>
<th></th>
<th>R-Square</th>
<th>R-Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Performance</td>
<td>0.221</td>
<td>0.312</td>
</tr>
<tr>
<td>Sustainable Performance</td>
<td>0.282</td>
<td>0.398</td>
</tr>
</tbody>
</table>

**Hypothesis Result (T-Test)**

Table 8 shows that the p-value and t-statistic for green accounting on financial performance, green accounting on sustainable performance, and financial performance on sustainable performance are 0.001 and 7.664; 0.000 and 5.112; 0.000 and 7.511. So it is concluded that H1, H2, and H3 are accepted.

<table>
<thead>
<tr>
<th></th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>T Statistics (O/STDEV)</th>
<th>P-Values</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Accounting Financial Performance</td>
<td>0.556</td>
<td>0.558</td>
<td>0.146</td>
<td>7.664</td>
<td>0.001</td>
<td>H1 Accepted</td>
</tr>
<tr>
<td>Green Accounting Sustainable Performance</td>
<td>0.165</td>
<td>0.160</td>
<td>0.120</td>
<td>5.112</td>
<td>0.000</td>
<td>H2 Accepted</td>
</tr>
<tr>
<td>Financial Performance Sustainable Performance</td>
<td>0.400</td>
<td>0.403</td>
<td>0.114</td>
<td>7.511</td>
<td>0.000</td>
<td>H3 Accepted</td>
</tr>
</tbody>
</table>
4.2. Discussion

4.2.1. Green Accounting and Financial Performance

Green accounting has a significant positive effect on financial performance, meaning that the greater the green accounting activities carried out by MSMEs, the greater the financial performance of MSMEs. It indicates that MSMEs business actors are aware of the environment, as seen from using environmentally friendly technology and promoting environmentally friendly products. In line with stakeholder theory, through green accounting activities, MSME actors consider how they can benefit their stakeholders (Degan, 2016).

It results same with Najihah et al., (2021); Indriastuti & Najihah (2020); Lestari et al., (2020); Andries & Stephan (2019); Chasbiandani et al., (2019); Gangi et al., (2019); Ho et al., (2019); Ling (2019); Agyemang & Ansong (2017); Chtourou & Triki (2017); Ezeagba et al., (2017) that green accounting can increase the firm's financial performance. In contrast to Fakoya's (2014) findings, which state that green accounting does not guarantee that companies use and manage their production waste properly, it impacts decreasing financial performance because consumers respond negatively.

4.2.2 Green Accounting and Sustainable Performance

Green accounting has a significant positive effect on the sustainable performance of MSMEs, meaning that the higher the application of green accounting, the higher the sustainability performance of MSMEs. Consistent with stakeholder theory, the company is committed to providing stakeholders with environmental information (Permatasari & Setyasrini, 2019). It is expected to produce costs or prices that are more accurate for products from processes in the desired environment and meet the needs of customers MSMEs who expect products/services that are more environmentally friendly so that the MSMEs will continue and develop.

The adoption of green accounting activities in the MSMEs business can increase the sustainability (Ratulangi et al., 2018; Marota, 2017; Nakajima et al., 2015), environmental performance (Andries & Stephan, 2019; Aniela, 2012), and sustainability performance (Loen, 2018; Riyadh et al., 2020). Thus, green accounting
activities can create resource efficiency, such as effective strategies to utilize and manage waste generated by their industrial operations. Nevertheless, several studies reveal different results; Fakoya (2014) states that companies must still be wise in properly utilizing and managing their production waste. Rokhmawati et al. (2015) and Dura & Suharsono (2022) prove that companies are less concerned about environmental conservation.

4.2.3 Financial Performance and Sustainable Performance

Financial performance has a significant positive effect on the sustainability performance of MSMEs, meaning that the higher the financial performance achieved by MSMEs, the higher the MSMEs sustainability performance. High financial performance indicates that the enterprise is experiencing good development and accretion (Selvarajah et al., 2018). Therefore, in line with stakeholder theory, the company will create high financial performance for the welfare of the firm's stakeholders.

In addition, financial performance is used as a basis for planning for MSMEs in the future. It can be used to assess the contribution of a part in achieving the overall goals of MSMEs, namely the sustainability of their business. Pedron (2020) proves that the increase in financial performance obtained by companies due to the disclosure of environmental information can push companies toward sustainable performance. In contrast, Cuadrado-Ballesteros et al. (2014) and Jan et al. (2018) say that financial performance does not affect sustainable performance.

4.2.4 Financial Performance Mediates The Effect of Green Accounting on Sustainable Performance.

The influence between green accounting and MSMEs' sustainable performance is mediated by financial performance. MSMEs that can implement and increase the disclosure of environmental costs can be included as an effort to implement green accounting. It will indirectly increase profitability because it can provide a good reputation for products or services for both environmental and social parties. Conversely, if it is not implemented, it will reduce product sales and decrease profits.
In line with the stakeholder theory, the application of green accounting will significantly impact investors so that investor confidence will be high in the company.

Allocation of environmental costs will increase the value of MSMEs companies and assist in realizing the sustainable performance of MSMEs so that investors and the public will receive a positive impression. Investors will have more confidence in the stability of MSMEs in the future because this is done to avoid negative sanctions where the MSMEs business will suffer losses due to environmental problems. The results of this study are consistent with the findings of Ramadhan et al. (2021) that financial performance can mediate the effect of green accounting on sustainable performance. However, in contrast to the findings of Erlangga et al. (2021) and Febriani et al. (2020), the effect of green accounting on sustainable performance is not mediated by financial performance.

5. Conclusion, Implication, and Limitation

Based on 405 MSMEs respondents in Central Java, green accounting and financial performance can improve the sustainable performance of MSMEs. This study's results imply that applying green accounting to MSMEs can increase the financial performance of MSMEs with environmental benefits that can be managed and appropriately preserved according to government regulations. In addition, green accounting is implemented by MSMEs to produce an assessment of data in the form of numbers about costs and impacts on the environment. The results of green accounting and sustainable performance imply that applying green accounting to MSMEs can reduce and eliminate environmental costs and improve the environmental performance of MSMEs, which have a negative impact on human health and the success of the MSMEs.

Financial performance can mediate the effect of green accounting on the sustainable performance of MSMEs. This study's results indicate that applying green accounting and financial performance indicates MSMEs’ business continuity. This paper implies that as a form of interest for the environment, MSMEs actors should notice financial performance and apply green accounting consistently to create a green environment and positive public image of MSMEs to encourage increased sales and increase MSMEs
profits. This paper has limitations; firstly, the ability of the green accounting variable to explain financial performance is 31.2%, while the green accounting and financial performance variables have the ability of 39.8% to explain the sustainability performance of MSMEs. Secondly, the questionnaires in this paper were through a google form. Thirdly, most of the samples in this study were micro-enterprises (84.20%). Therefore, for future research, firstly, add several independent variables such as innovation, supply chain management, and others. Secondly, apply the interview method to produce accurate data. Thirdly, focus not only on micro-enterprises but also extending to medium-enterprises.

Reference


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