

Article

The Importance of Green Accounting Readiness for Pioneering Companies: A Review Study

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Abstract: The aim of this research is to examine the previous literature on leading companies' readiness to implement green accounting in the face of environmental pressures and sustainability-driven competition. As regulatory requirements, stakeholder expectations, and market dynamics lean towards responsible business practices, leading companies are increasingly required to incorporate environmental considerations into their strategic and operational frameworks, which reflects their green accounting readiness. Green accounting readiness refers to an organisation's readiness to adopt environmental accounting systems, measure and disclose environmental costs, and integrate sustainability indicators into financial and managerial decision-making processes. Results show that leading companies with higher levels of green accounting readiness are more capable of addressing environmental challenges, engaging investors and environmentally-conscious customers, and enabling innovation in volatile markets.

Keywords: Green Accounting Readiness, Entrepreneurial Companies.

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1. Introduction

The pace of accepting green secretarial has faster due to various regulatory outlines, sustainability reporting standards, and marketplace weights. Financial institutions are increasingly integrating climate considerations into their operations and supporting small and medium-sized (MS) enterprises in their transition to a sustainable economy [1]. This global trend indicates that small and MS enterprises will increasingly face explicit and implicit requirements to demonstrate their environmental responsibility, including through their relationships with suppliers, lender expectations, and market audits, highlighting the importance of applying green accounting [2].

The importance of small and MS enterprises (SMEs) in environmental sustainability cannot be overstated, especially considering their collective environmental footprint and their role as key drivers of innovation and economic growth. Despite their individual small size, SMEs collectively create a significant environmental impact [3]. Evidence from the Organization for Economic Co-operation and Growth indicates that the contribution of SMEs to greenhouse gas emissions is substantial, estimated at about 50-70% of total business sector emissions [4], highlighting that eliminating threats at the level of the entire economy is not possible without the participation of these enterprises. Nevertheless, these companies possess unique characteristics that enable them to adopt sustainable practices rapidly, including organisational flexibility, short decision-making chains, and strong relationships with local communities and stakeholders [5].

Studies have shown that green creativities and cost-reduction plans not only donate to ecological protection but also offer long-term financial welfares, making ecological sustainability does crucial for the competitiveness of small and MS enterprises [6].

Research indicates that the most anticipated benefit for companies adopting environmental sustainability reporting is the enhancement of the company's image. The exposure of the country to climate change [7], the increasing emphasis of the government on sustainable development, and the awareness of the competitive advantage of environmental sustainability in global markets have further heightened the urgent need for small and MS enterprises to embrace green accounting. Small and MS initiatives are an important part of the national economy, which makes a significant contribution to employment and economic development.

2. Research Methodology

1. Research Problem

Given the worldwide trend toward environmental sustainability, more stringent regulations, and social expectations, leading companies must incorporate environmental dimensions into their strategies and administrative and financial systems. Although there has been growing interest in the use of green accounting to aid in sustainability, the concept, dimensions, and implementation mechanisms of green accounting readiness of leading companies are not clear, and the current literature is fragmented and not integrated. There is a lack of research into a comprehensive analytical framework that synthesizes and evaluates the literature on green accounting readiness, clarifies its meaning, and evaluates its potential impact on the performance, sustainability, and competitiveness of leading companies, as well as how this readiness can support innovation, environ

2. Importance of the Research

- a. This research is important because it examines a current issue of interest that focuses on green accounting and entrepreneurship within the context of a global shift towards a sustainable economy, which is relevant because entrepreneurial companies are a source of growth and innovation, but their capacity to survive and compete has been tied to their environmental responsibility and the use of accounting practices that promote sustainability.
- b. The study of green accounting readiness becomes a strategic approach for these companies to incorporate the environmental dimension into their financial and managerial decisions.
- c. The study contributes to the scientific importance of the review study to compile and analyze the previous relevant literature that clarifies concepts of green accounting readiness and identifies its dimensions and key indicators.
- d. Providing rules for decision-makers in business companies on the role of green secretarial willingness in enhancing slide, managing ecological costs, boosting keenness, and enticing sustainability-focused savers.
- e. The research answers can assist controlling and moot bodies in developing rules and training programmes that provision the acceptance of green secretarial in the business setting.

3. Objectives of the Research

- a. Analyse and elucidate the concept of green secretarial readiness by studying previous works and classifying its main sizes and mechanisms.
- b. Examine previous studies on entrepreneurial companies and describe their characteristics and needs in today's business climate.
- c. Establish the relevance of green accounting readiness for entrepreneurial companies and its contribution to environmental sustainability.
- d. Discuss the findings from previous studies on the impact of green accounting readiness on the competitive capacity of entrepreneurial companies.

- e. Identify research gaps in the literature and suggest potential areas for future research in this area.

Theoretical Literature

The idea of green secretarial has arose as a fundamental outline for integrating environmental thoughts into old-style accounting practices, chiefly in the setting of slight and MS creativities [8]. Green accounting involves identifying, measuring, and reporting environmental costs and benefits, enabling organisations to better understand their environmental impact and make informed decisions regarding sustainable business practices [9]. With the growing global focus on sustainable development and environmental responsibility, the role of small and MS enterprises in implementing green accounting practices has become crucial, given their significant collective impact on economic development and environmental sustainability [10].

Most studies consistently indicate that the majority of small and MS enterprises across various regions show a limited understanding of green accounting principles and insufficient application of them [11]. Small and MS enterprises in Tempe city, Sika province, lack adequate understanding of how to comprehensively apply green accounting concepts in their financial reports [12]. Additionally, most small and MS enterprises lack understanding of green accounting and do not apply it in their financial reports, with the main obstacles being low levels of human resources and insufficient awareness [13].

The global shift towards environmental sustainability has fundamentally transformed the business operational environment and financial reporting practices, making environmental accounting a critical component of contemporary corporate governance [14]. With the world facing mounting climate risks and mounting regulatory demands, small and MS initiatives that create nearly 99 percent of all businesses worldwide and drive much of the world's economic growth are increasingly required to assimilate ecological factors into strategic decision-making and monetary disclosures [15]. As small and MS enterprises constitute a major source of ecological impact, the acceptance of green secretarial does has become a key mechanism for small and MS enterprises to meet sustainable development goals, improve corporate reputation, and access sustainable financing opportunities [16], [17].

Green accounting, or the formal identification, measurement and reporting of environmental costs and benefits within traditional accounting frameworks, has become more important as organizations attempt to demonstrate their environmental and social responsibility [18]. While challenges related to understanding and applying green accounting remain significant [19], research has consistently demonstrated that it can lead to better sustainable performance and funding opportunities [20] for small and MS initiatives. The integration of environmental considerations into accounting allows organizations to assess the true cost of their operations, including externalities that were not previously measured or reported [21]. Environmental management accounting has also been shown to contribute positively to sustainability [22].

In essence, the relationship between green accounting readiness and entrepreneurial companies is that this type of readiness offers a structured framework for companies to incorporate the environmental dimension into their financial and administrative processes, while entrepreneurial companies, which are usually based on innovation and flexibility, can then measure environmental costs, evaluate the environmental impact of their activities, and disclose their environmental performance.

Previous Theoretical Literature

1. Study [23]

The drive of this education is to examine empirically whether there is a positive relationship between green accounting and profitability, between environmental

performance and profitability, or both. The study population was the 107 companies listed on the Indonesia Stock Exchange in the mining and consumer goods sectors, using purposive sampling, with criteria to produce 77 observational data points, with the goal of maximizing the number of data points. The data were collected from documents, including annual reports and corporate sustainability reports. The findings of this study suggest that while green accounting is voluntary, its effect on profitability is stronger than environmental performance. The results of this study provide an example of how a company can enhance environmental cost efficiency, which can be utilized as the basis for estimating the anticipated level of profitability.

2. Study [1]

This paper aimed to examine the meaning of green accounting as part of corporate sustainability reporting and how it is used to measure and communicate the environmental impact of business activity. This study utilized an exploratory research method, utilizing secondary data, specifically content analysis, to fill a gap in empirical literature on the practice of environmental accounting and reporting. Findings indicated that there is a moderate integration between green accounting and sustainability reporting across sectors, with reporting frameworks, such as the Global Reporting Initiative and the Task Force on Climate-related Financial Disclosures (TCFD), being mostly used, indicating a trend towards standardisation in reporting, with various key performance indicators being employed, reflecting the multidimensionality of sustainability, and stakeholder engagement being a critical element in ensuring the reports are accurate and relevant. Recommendations: Greater emphasis on standardisation, more rigorous measurement and key performance indicators, and the incorporation of stakeholder engagement in reporting were recommended.

3. Study [24]

This study explores the way in which green accounting can improve environmental efficiency and competitive advantage. Sources of data are literature review, observation, interviews, and documentation, and data validity is achieved by broad participation, lexical accuracy, and multiple sources. The findings indicated that Luminato Farm had implemented green accounting in stages: identifying the costs of reducing negative externalities that affect production, acknowledging the costs, quantifying the costs, showing the costs in the income statement, and reporting the costs incurred by the company for environmental management. Ratios of environmental and financial performance yielded positive results for environmental efficiency, with an environmental efficiency of 52%, an increase of 54%, and a rise of 2%. The use of green accounting, by consistently allocating environmental costs.

4. Study [25]

This study discusses the influence of scientific investigation to the growth of green secretarial, both hypothetically and almost, and provides references for further research based on a works appraisal. The methodology used was a literature review that used the Publish or Perish software (Windows GUI 8 version) with Google Academic as the search engine by the keyword green secretarial. The results of the study indicate that green accounting enhances financial performance and investor attractiveness, with mutual economic and social benefits, and mixing spiritual standards and local culture reinforces the application of lime secretarial, providing strong social and ethical provision, as well as ecological education to raise awareness and promote future practice of green accounting.

5. Study [26]

This study examines the effect of green accounting disclosure on the value of mining and agriculture companies in Southeast Asia using the green accounting disclosure coverage ratio measured by NVIVO software over a five-year observation period from 2017 to 2021. The research employed control variables such as profitability, sales growth,

financial leverage, and the size of mining and agriculture companies in Southeast Asia. The study relied on secondary data sourced from Capital IQ SnP and annual reports and/or sustainability reports published on the companies' websites. Regression analysis using the fixed effects model was applied. The results indicate that green accounting disclosure, as reflected by the coverage ratio compliant with GRI standards, has no significant effect on the value of companies in the mining and agriculture sectors. Financial leverage is the only variable affecting green accounting disclosure. Although green accounting disclosure in this study is more accurate than the binary variable, it is necessary to develop keywords to identify the factors influencing the green accounting disclosure variable. Although green accounting disclosure is not linked to firm value, additional analysis conducted by the researcher revealed that only a few companies in Southeast Asia disclose green accounting in their reports. Since green accounting disclosure is voluntary, companies remain hesitant to voluntarily disclose it in their reports.

6. Study [27]

This study aims to review the evolution of green accounting from the Fourth Industrial Revolution to the Fifth Society. Incorrect information issued by any department of a company will touch the entire scheme, particularly the secretarial section responsible for recording the company's monetary transactions and preparing the necessary reports for crucial decision-making. The use of brainy schemes contributes to reducing humanoid errors, and the scheme is characterised by quick response times, whereas the system used in old-style accounting is wild. The study was lead through a works review of several technical periodicals, aiming to understand green accounting practices amidst the changes occurring in the Fifth Society era.

7. Study [19]

In this paper, we examine the green accounting material revelation of businesses in the most polluting environmental industries sector of the China Stock Exchange (A-share stocks) from 2012 to 2022, and we study the effect of this revelation on the financial presentation of companies. The answers indicate a strong association: the more comprehensive and see-through the green secretarial material disclosure of a company, the better its financial performance, and green innovation is found to be a mediating factor that enhances the effect of revelation on financial outcomes.

8. Study [28]

The present study examines the effect of green accounting and environmental performance on corporate financial performance using the EViews tool, and the results of this study are highly significant, which means that they show the following: Ecological performance has a robust and optimistic effect on financial presentation, which suggests that the financial importance of sustainability initiatives is significant; however, green accounting methods do not demonstrate any significant impact on financial outcomes, which suggests that the scope of traditional accounting is too narrow to be effective in terms of measuring effective environmental initiatives.

3. Discussion

The literature review and studies cited on the importance of green accounting readiness to entrepreneurial companies reveal that green accounting readiness is the readiness of an organisation to adopt accounting systems and tools that recognize environmental costs, disclose environmental performance, and integrate sustainability into financial and non-financial reporting, beyond environmental compliance, to include organizational structure, information systems, human skills, and an institutional culture for sustainability. In contrast, entrepreneurial or leading companies are usually characterized as innovative, opportunity-seeking, risk-taking, and offering new solutions to the market. Herein lies the importance of green accounting readiness as a strategic

resource that helps entrepreneurial companies to manage their environmental costs, reduce regulatory risks, and improve their performance.

4. Recommendations and Implementation Mechanisms

Building on existing literature, we propose that companies should encourage entrepreneurial firms to adopt green accounting readiness as a strategic choice rather than as a superficial compliance with environmental requirements, integrate the environmental dimension into accounting and management systems so that environmental costs can be measured and disclosed accurately and regularly, and train accountants and administrators in the concepts and tools of green accounting to develop human competencies that result in greater transparency and environmental disclosure to bolster investor and stakeholder confidence, and link green accounting systems to the development of sustainable products and services by encouraging regulatory bodies to develop frameworks and guidelines that support the adoption of green accounting in entrepreneurial business contexts.

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