

THE DIALECTICAL PARADIGM IN ENVIRONMENTAL ACCOUNTING

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ABSTRACT

This article aims to explore a deeper understanding of the phenomenon of dualism of opinion on the existence of environmental accounting. This study examines environmental accounting from the perspective of Hegel. This study proposes a new approach that accommodates both thesis and antithesis, ultimately leading to a synthesis. This study conducts a review and examination of various documents, including books, research results, laws and regulations, and other electronic sources. The study is presented together with the author's critical opinion, which is conceptualised so that this study is a conceptual paper. The study's results begin with the differences in approach between those who accept and those who reject environmental accounting, along with their respective arguments (thesis and antithesis). In the end, the author presents a critical opinion (conceptual) in the form of a synthesis, arguing that regulations are needed to accommodate environmental accounting, so that stakeholders can avoid behaviour that has the potential to cause damage to the ecosystem.

Keywords: Environmental Accounting, Hegel's Thought, Thesis, Antithesis, Synthesis

INTRODUCTION

The increase in environmental damage has made people more aware of the need to protect the environment (Aniela, 2012). Studies on environmental accounting and the use of the term "environmental accounting" in Indonesia are also gaining popularity (Suaryana, 2011). Environmental accounting is also a means to overcome environmental problems in a country (Dewi, 2016; Lako, 2018). Environmental accounting is closely related to environmental information, including environmental audit systems, which encompass identification, tracking, analysis, reporting, and cost information related to the environmental aspects of an organisation (Mulyani, 2011). These facts and phenomena demonstrate that environmental accounting has been overlooked in accommodating the interests of environmental maintenance, as Hegel's opinion suggests that all rationality is reality. This marks the beginning of a shift towards environmental sustainability, driven by the growing problems of environmental damage.

The application of environmental accounting has several objectives: first, to determine the environmental costs incurred in waste management. Second, it can minimise the costs incurred. Third, it can help the company maintain its environmental sustainability. Fourth, it can create environmental cost reports that will be used by management in decision-making (Nilasari, 2014).

Generally, the policies adopted represent the interests of community members. These interests will generate a range of motivations for the application of environmental accounting

(Kusumaningtyas, 2013). It is contrary to the initial objective of environmental accounting, which is to provide significant benefits for environmental sustainability and preservation. Hegel proposed the theory of using dialectics to explain the concept of conflict leading to unity, where all processes that occur inevitably experience conflict before ultimately culminating in unity (Azis, 2021; Hamidah, 2020).

Hegel's thought pattern consists of three stages centred on rational thinking, namely thesis, antithesis, and synthesis (Hardiman, 2011: 257; Suyanto, 2013). This thesis is contrasted with the antithesis, namely the rejection of environmental accounting because its usefulness is questionable. Currently, environmental issues are increasingly becoming a topic of discussion at regional, national and international levels (Anis V.M, 2013). For example, noise pollution, production waste, inequality, and other impacts called externalities (Akbar, 2011). The synthesis stage is included as a form of transformation. It is equipped with the development of financial accounting standards related to the environment, as well as the latest environmental regulations.

The novelty in this conceptual paper is the use of the thoughts of the philosopher Hegel in discussing its relevance to a problem in environmental accounting research.

LITERATURE REVIEW

Environmental damage resulting from human exploitation of the earth has a significant impact on environmental sustainability (Şimşek & Öztürk, 2021). These impacts persist and are long-term. All parties play a role in reducing these impacts. The UN's Sustainable Development Goals (SDGs) program fosters a shared awareness of environmental sustainability and reduces negative environmental impacts (United Nations, 2015). This study examines environmental accounting as a movement initiated by accountants, company management, government and other stakeholders. As explained by Dewi (2016) and Lako (2018), environmental accounting plays a role in overcoming environmental damage.

Hegel's Thought in Environmental Accounting

Hegel developed an idea in the form of a method that fosters the development of self-awareness, aiming to achieve unity and freedom (Hamidah, 2020). Hegel believed that every human being possesses consciousness, where the ideas held by others shape the individual's consciousness. Our minds have been shaped by the thoughts of others (D'agostini & Ficara, 2021; Hamidah, 2020; Sun, 2008). Human awareness will shape patterns of thought and action regarding the importance of protecting the environment. The environment holds a more philosophical and profound significance regarding the interaction between all life and its ecosystem (Darmadi, 2015). Accounting is closely related to corporate activities because accounting details are the basis for corporate decision-making (Pratiwi et al., 2018). Environmental accounting is a form of accounting that considers environmental costs as perceived by stakeholders, aiming to reduce or avoid these costs while also improving environmental quality (Todea, 2010).

According to Hegel, the spirit of preserving the environment evolves through an argument, namely thesis, antithesis, and synthesis (Azis, 2021b). First, there is a thesis, which is an idea or proposition about environmental accounting. Second, the antithesis is understood as the recognition that business actors do not need environmental accounting, which would have an

impact on damaging the natural environment, as it means destroying life, and, at the same time, also destroying one's own life (Azis, 2021a; Darmadi, 2015; Hamidah, 2020).

Thesis and antithesis are reconciled into synthesis (Azis, 2021), a new idea that combines elements of both where there is a shift and change in values and behavior that emphasizes relationship patterns that prioritize conservation, cooperation to maintain environmental sustainability through regulations made by the government and the Indonesian Accountants Association so that business actors do not only dominate and exploit natural resources only to pursue profit.

Hegel's Thoughts on Environmental Regulation and Financial Accounting Standards.

Environmental accounting is important because companies need to convey information about social activities and environmental protection to company stakeholders (Ethika, 2019). Environmental accounting can be understood as a rational approach to environmental protection and sustainability. "Everything real is rational and everything rational is real" is a proposition that emphasises that the breadth of ideas is the same as the breadth of reality—the reality of the thought process (D'agostini & Ficara, 2021; Habib, 2018; Rodrigues & Craig, 2007). Hegel's philosophy expresses the position of regulators (policy makers), namely the Indonesian government and the Indonesian Accountants Association, which have a superior level above individual humans. As rule makers, the government and the Indonesian Accountants Association can limit the movement of entrepreneurs who tend to exploit the environment to maximise profits.

Hegel views reality as not something simple, but rather a complex system (Rodrigues & Craig, 2007). According to Hegel, policy makers, in this case the government and IAI, are seen as an organic totality (organic unity), a unity that needs each other, and each part has a role in maintaining the rules for environmental sustainability. The concept of corporate social and environmental responsibility is firmly established in law, Government Regulations, and Financial Accounting Standards. The government and the Indonesian Institute of Accountants work together to pursue greater interests, realising big ideas for the benefit of everyone. Therefore, the rules established by the Indonesian government and the Indonesian Institute of Accountants must be adhered to, enabling entrepreneurs to continue producing and utilising natural resources wisely, while ensuring the continuity of their supply and maintaining and improving the quality of their value and diversity through environmental accounting. From the explanation above, we conclude that policymakers need to incorporate environmental accounting to prevent stakeholders from causing ecosystem damage.

METHOD

This research is conceptual. Conceptual research is classified as a qualitative research approach. Conceptual research plays a role in advancing relevant theories and sciences (Kozlenkova et al., 2025). Conceptual papers also create new research streams, consolidate conflicting findings, explain new phenomena, and integrate different research areas. This research presents critical opinions that are conceptual in form, synthesised from the exploration of the thesis and antithesis regarding environmental accounting.

RESULT AND DISCUSSION

In the context of Hegel's thought, consciousness influences human action and facilitates progress for humans (Rosenkranz & Hall, 1872). Hegel's thought explains the development of conventional accounting policy-making to environmental accounting policy makers. Accounting as a business language needs to be involved in critical thinking about corporate social and environmental responsibility. The thesis of environmental accounting is "Policy makers accommodate environmental accounting because ecosystem damage is related to conventional accounting".

Conventional accounting is one of the primary causes of environmental pollution (Johnson, 2012 as cited in Gray, 2013) and environmental damage (Thornton, 1993). Throughout history, humanity has consistently shown a reluctance to stop exploiting the planet (Janus, 2019). This exploitation can occur in both natural resources, including renewable and non-renewable resources, as well as human resources. The primary purpose of this exploitation is to provide benefits to capital owners.

Conventional accounting facilitates the pursuit of profit and provides information for efficient and effective decision-making regarding resource allocation, benefiting investors and creditors. Conventional financial accounting is a basic double-entry bookkeeping system that focuses solely on transaction costs and prices, as well as accounting categories that can be allocated to generate profits for capital owners, while overlooking other characteristics of transactions.

From the capital owner's side, environmental accounting does not need to be developed because ecosystem damage is not related to conventional accounting and will cause additional expenses (costs) for the company. Environmental protection has not been a significant concern for the company. This leads to the rejection of expanding conventional accounting into environmental accounting. The antithesis of environmental accounting is "Capital owners reject environmental accounting because ecosystem damage is not related to conventional accounting".

The responsibility of a business entity extends beyond its ability to generate profits to include social and environmental responsibility. It involves paying attention to the environmental impact of its activities, which can generate long-term profits, while also incurring waste management costs, report preparation, and other environmental expenses. Accounting within the organisation plays a significant role in environmental accounting and environmental and social responsibility.

Environmental accounting encompasses cost calculations and environmental disclosure. Environmental accounting aims to balance the treatment of environmental costs and benefits within conventional accounting practices (Elkington, 1997, p. 80). Environmental protection efforts undertaken by companies are summarised in environmental accounting. As a welfare distribution tool, environmental accounting has benefits for stakeholder welfare and business sustainability. About sustainability reports, industrial companies often 1) report their environmental practices, especially emission management; 2) report economic practices exclusively about their economic performance; and 3) report social practices that focus on the development of their internal stakeholders (López-Santamaría et al., 2021).

Despite the benefits of spending (costs) for the environment, capital owners can still reject environmental accounting if not influenced by policymakers. The role of policymakers at the national (country) level is the main party that helps spread the idea of environmental accounting. The synthesis of environmental accounting is "Policy makers need to accommodate environmental accounting so that stakeholders avoid ecosystem damage."

In Indonesia, the dominant policy makers are the Indonesian Institute of Accountants (IAI) and the Government. Both institutions create regulations that govern their operations. The following are the fundamental roles of IAI and the government in the development of environmental accounting in Indonesia.

Indonesian Institute of Accountants (IAI)

The role of the Indonesian Institute of Accountants (IAI) is evident in the Statement of Financial Accounting Standards (PSAK) and Interpretation of Financial Accounting Standards (ISAK). Several PSAK and ISAK regulations govern environmental impact disclosure and will take effect starting in 2020 (<http://iaiglobal.or.id/v03/standar-akuntansi-keuangan/sak-efektif-18-sak-efektif-per-1-januari-2020>), that is:

Standards in Indonesia that are considered related to environmental activities are regulated in the Financial Accounting Standards Statement (PSAK) No. 1, paragraph 9, with an explanation regarding the presentation of environmental impacts as follows:

“...Companies present additional reports on the environment (or added value), especially for industries with primary resources related to the environment (or employees and other stakeholders as important users of financial reports)”.

PSAK No. 1 does not explicitly regulate, but rather regulates the disclosure of environmental impacts.

- PSAK No. 57 concerning the measurement of a company's constructive obligations related to ecosystems.
- PSAK 64 on mineral resource mining exploration and evaluation activities, which regulates the accounting treatment of expenditures during exploration and evaluation activities.
- ISAK 9 regarding changes to liabilities for decommissioning activities, restoration and similar liabilities and evaluation of mineral resources, which regulates the accounting treatment of expenditures during exploration and evaluation activities.

These PSAK and ISAK serve as guidelines for companies to prepare higher-quality financial reports for their users. If new government regulations regarding environmental costs are introduced, IAI has prepared ISAK 9, which enables companies to record estimated obligations related to environmental pollution cleanup. In addition, IAI regulates the disclosure of social and environmental responsibilities in sustainability reports and develops into integrated reporting. It demonstrates IAI's commitment to environmental accounting.

Indonesian Government

The government needs to focus on aspects of policy implementation related to the value and benefits of biodiversity conservation for producers when certified, as well as increasing engagement with stakeholders (Astari & Lovett, 2019). The role of the government is evident in the rules of social and environmental responsibility, namely:

- Article 3 (1) of Law Number 25 of 2007 concerning Investment states that investment is carried out based on the principle: ... h. environmentally conscious;...”.
- Article 74 of Law Number 40 of 2007 concerning Limited Liability Companies regulates the Company's obligations in preserving the environment, stating that companies carrying out their business activities in the field of and/or related to natural resources are required to fulfil their social and environmental responsibilities. The Company's obligations must be budgeted and calculated as company costs, with

implementation carried out in consideration of propriety and fairness. Companies that fail to fulfil these obligations will be subject to sanctions.

- Article 2 of Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies concerning the obligation of companies to report social and environmental responsibility activities states that "every Company as a legal subject has social and environmental responsibility".
- All articles in Government Regulation Number 22 of 2021 concerning the Implementation of Environmental Protection and Management. This regulation regulates environmental approval,, the protection and management of water quality,, the protection and management of air quality,, the protection and management of marine quality,, the control of environmental damage,, the management of hazardous and toxic waste (B3),, the management of non-B3 waste,, and guarantee the provision of data for the restoration of environmental functions.

CONCLUSION

Environmental accounting practices are carried out to assess the benefits obtained or costs incurred by the company related to its environmental improvement efforts (Iskandar & Febriyantor, 2019). This assessment is integrated into the company's accounting information system, ensuring that the resulting financial reports reflect the impact of environmental activities on the increase or decrease in assets and liabilities. The role of the government and the Indonesian Institute of Accountants as environmental accounting regulators at the national level is vital to reform, reconstruct and transform the paradigm of corporate or business responsibility towards a more environmentally friendly direction.

According to Hegel's view, the debate on the importance of environmental accounting is structured in terms of thesis, antithesis, and synthesis. Thesis and antithesis are two opposing views regarding environmental accounting, specifically whether to accept the notion that ecosystem damage is related to accounting or reject it because ecosystem damage is not related to accounting. This paper concludes a synthesis that establishes the need for regulations to accommodate environmental accounting, enabling stakeholders to avoid behaviours that have the potential to cause damage to the ecosystem. This synthesis is supported by Astari & Lovett, (2019) who stated that government attention is needed to regulations that focus on aspects of policy implementation related to the value and benefits of biodiversity conservation for producers when certified, as well as increasing stakeholder involvement. Although there is rejection because it is considered part of the capitalists who manipulate environmental accounting as stated by Andrew dan Cortase (2013), this rejection can be reduced by the existence of better regulatory processes and products through several regulations, such as Law No. 40 of 2007 concerning Limited Liability Companies, Law No. 25 of 2007 concerning Investment, PP No. 47/2012 concerning Social and Environmental Responsibility of Limited Liability Companies, Government Regulation Number 22 of 2021, Financial Accounting Standards Statement, and several other regulations, forcing corporate entities in Indonesia to be more socially responsible towards their environment by preserving the environment in which the company operates.

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