

# **Determinants Of Green Accounting Implementation In The Furniture Industry In Jepara, Indonesia**

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## **Abstract**

*This study investigates the determinants influencing Green Accounting adoption in the furniture sector in Jepara, Indonesia. The furniture sector, which relies on natural resources, faces global demands to implement sustainable practices, yet Green Accounting adoption among furniture SMEs remains minimal. This research applies a quantitative method with a causal-comparative design, processing primary data from 100 Jepara furniture companies using structured questionnaires analyzed through multiple linear regression.*

*Research findings indicate that Environmental Awareness ( $\beta=0.287$ ;  $p=0.001$ ), Green Leadership ( $\beta=0.316$ ;  $p=0.000$ ), Regulatory Pressure ( $\beta=0.198$ ;  $p=0.010$ ), and Competitive Advantage ( $\beta=0.245$ ;  $p=0.002$ ) have positive and significant impacts on Green Accounting adoption, with a predictive power of 66.8% on implementation variation. Green Leadership emerges as the strongest determinant, confirming the significance of leadership roles in SME contexts with centralized organizational structures. Another crucial finding demonstrates a substantial gap between elevated driving factors (average  $>4.00$ ) and moderate implementation realization (3.02), indicating structural barriers related to technical competence, financial capacity, and supporting infrastructure availability. Competitive advantage-oriented motivation proves more potent than regulatory pressure in accelerating implementation.*

*This research contributes to literature through the integration of four determinants in a comprehensive framework, strengthening transformational leadership theory and Resource-Based View in the Green Accounting context, and presenting insights regarding implementation complexity in SMEs that differs from large corporations. Practical implications include cultivating green leadership as a priority, simplifying Green Accounting systems for SMEs, and emphasizing competitive benefits in socialization programs.*

**Keywords:** *Green Accounting, Environmental Awareness, Green Leadership, Regulatory Pressure, Competitive Advantage, Furniture SMEs, Jepara*

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## **I. Introduction**

Climate change and environmental degradation have emerged as pressing global issues in the modern era. The manufacturing sector, particularly those intensively consuming natural resources such as the furniture industry, faces progressive pressure to adopt sustainable business practices. Within this framework, Green Accounting adoption becomes a vital instrument for companies in integrating environmental dimensions into their accounting and financial reporting systems.

Green Accounting represents an accounting system that conducts identification, measurement, analysis, and reporting of information related to environmental impacts from company operations with the aim of reducing pollution and supporting sustainability [1]. Green Accounting adoption not only facilitates more efficient environmental cost management but also supports strategic decision-making oriented toward long-term sustainability.

The Indonesian furniture market demonstrates significant potential with valuations projected to reach USD 4.25 billion in 2025 and experience 7.25% CAGR growth until reaching USD 6.03 billion in 2030 [2]. However, pressure from global markets increasingly demanding environmentally friendly products creates specific challenges for the national furniture industry. Jepara, as the epicenter of the largest furniture industry in Central Java and among the most important nationally, provides livelihoods for thousands of small-scale furniture producers and their families [3]. The Jepara furniture industry, based on small-medium craftsmen (SMEs), possesses distinctive characteristics in confronting Green Accounting implementation demands.

## **Research Gap and Research Contributions**

Based on literature review, several significant research gaps exist in Green Accounting implementation studies in the furniture industry, particularly in the Indonesian context: **First**, limitations in contextual studies on SMEs. The majority of Green Accounting research in Indonesia still centers on large corporations listed on the

Indonesia Stock Exchange [4], while the unique characteristics of furniture SMEs dominating the Jepara industry have not received adequate attention in academic research. **Second**, comprehensive antecedent factor analysis. Previous research tends to examine Green Accounting implementation partially without identifying antecedent factors holistically. Existing studies focus more on outcomes such as impacts on profitability and company value [1], yet no study simultaneously analyzes the influence of environmental awareness, green leadership, regulatory pressure, and competitive advantage in one integrated model. **Third**, geographical focus on specific industrial clusters. Although Jepara constitutes a nationally vital furniture industry center [3], no specific research examines Green Accounting implementation with geographical focus on the Jepara furniture industry cluster, whereas socio-economic and local cultural characteristics have significant influence on accounting innovation adoption.

This research is expected to contribute several significant aspects. **First**, developing a comprehensive conceptual framework to understand determinants of Green Accounting implementation in manufacturing SMEs. The integration of four independent variables in one research model will enrich literature related to Green Accounting adoption antecedents. **Second**, research findings are expected to provide insights for Jepara furniture industry actors in designing effective Green Accounting implementation strategies. **Third**, developing valid and reliable measurement instruments to measure Green Accounting implementation in the Indonesian furniture SME context. **Fourth**, supporting sustainable and inclusive local economic development.

## **II. Literature Review And Hypothesis Development**

### **Management Environmental Awareness.**

Management environmental awareness represents management's understanding and commitment to environmental issues and ecological responsibility in business operations. This construct reflects the extent to which top management understands the implications of business activities on the environment and the significance of sustainable practices in corporate strategy [5]. This awareness becomes a crucial foundation in accelerating environmentally friendly practice implementation in organizations.

Management environmental awareness is influenced by various factors, including government regulatory pressure, stakeholder demand, and management understanding of long-term benefits of sustainable practices [6]. This awareness is not merely cognitive but also encompasses affective and conative dimensions that drive concrete actions in environmental management.

In the context of natural resource-based industries such as furniture, management environmental awareness becomes a strong predictor of green accounting practice adoption because management more directly experiences the implications of production activities on ecosystems and pressure from various stakeholders to operate sustainably [7].

### **Green Accounting**

Green accounting constitutes an accounting system that conducts identification, measurement, and reporting of environmental costs and benefits in business decision making. This system represents a process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of financial and non-financial information related to environmental activities to facilitate management in making environmentally friendly decisions [8].

Green accounting implementation encompasses several important aspects: (1) environmental cost identification and allocation, (2) environmental performance measurement, (3) environmental reporting, and (4) environmental information integration in strategic decision making [9]. This practice facilitates companies to understand financial implications of environmental activities and identify efficiency opportunities and cost reduction.

Green accounting implementation provides dual benefits for companies, not only enhancing environmental performance but also improving operational efficiency and company reputation in stakeholder perspectives [10].

### **Relationship between Environmental Awareness and Green Accounting Implementation**

Literature demonstrates a strong correlation between management environmental awareness and green accounting implementation. Research on manufacturing companies in Central Java found evidence that management environmental awareness has positive and significant impact on environmental accounting implementation [11]. This study explains that management with elevated environmental awareness tends to allocate more resources for environmental accounting systems and is more proactive in integrating environmental aspects in business decisions.

Management environmental awareness constitutes a key factor in successful green accounting implementation because: (1) environmentally aware management better understands the significance of environmental information in decision making, (2) they are more willing to allocate resources for environmental reporting systems, and (3) they create organizational culture supporting sustainable practices [12].

In the context of the Jepara furniture industry facing significant environmental pressure and global market demands for sustainable products, management environmental awareness becomes an important catalyst for green accounting adoption. Environmentally conscious management will perceive green accounting not as an additional burden but rather as a strategic investment that can enhance efficiency, reduce environmental risks, and increase competitiveness.

**H1: Environmental Awareness has a positive and significant effect on Green Accounting Implementation in the Furniture Industry in Jepara**

### **Green Leadership**

Green leadership represents a leadership concept that emphasizes leader commitment and actions in promoting environmentally friendly practices and sustainability in organizations. This construct is defined as leader behavior that inspires, motivates, and influences followers to achieve organizationally oriented sustainability goals [13]. Green leaders not only verbalize the significance of the environment but also demonstrate real commitment through actions and strategic decisions.

Green leadership possesses several key dimensions: (1) clear environmental vision, (2) sustainability values communication, (3) employee empowerment for participation in green initiatives, (4) modeling environmentally friendly behavior, and (5) recognition and reward for environmental performance. These dimensions reflect how leaders can integrate environmental aspects in their leadership holistically [14].

Green leadership plays a vital role in creating pro-environmental organizational culture [15]. Leaders who demonstrate concern for environmental issues and integrate sustainability values in business strategy tend to encourage all organizational members to adopt environmentally friendly practices.

### **Relationship between Green Leadership and Green Accounting Implementation**

Literature demonstrates a strong correlation between green leadership and environmental management practice implementation, including green accounting. Leaders play a critical role in driving organizational transformation toward sustainability [16]. Through their vision, communication, and actions, green leaders can influence organizational systems, processes, and culture to adopt environmentally friendly practices.

Research on manufacturing companies in India found evidence that green leadership has significant impact on environmental management system adoption, including green accounting [17]. The study demonstrates that leaders with strong commitment to sustainability tend to: (1) allocate adequate resources for environmental accounting systems, (2) encourage environmental information integration in decision making, (3) create incentive systems encouraging pro-environmental behavior, and (4) ensure accountability for environmental performance.

In the SME context, the leader's role becomes very crucial because decisions to adopt new practices, including green accounting, are highly dependent on leader perception and commitment [18]. This research demonstrates that SMEs with leaders possessing strong green orientation are more probable to implement environmental accounting systems despite facing resource limitations.

**H2: Green Leadership has a positive and significant effect on Green Accounting Implementation in the Furniture Industry in Jepara**

### **Regulatory Pressure**

Regulatory pressure represents external forces sourced from government regulations, environmental policies, and legal standards that obligate or encourage organizations to adopt environmentally friendly practices. This construct constitutes one of the most influential institutional factors in driving companies to adopt environmental management practices, as non-compliance can result in legal sanctions, financial penalties, or even operating license revocation [19].

Regulatory pressure possesses several significant dimensions: (1) stringency (regulatory tightness), (2) enforcement, (3) monitoring, and (4) sanctions [20]. The combination of these dimensions determines the magnitude of regulatory pressure influence on organizational behavior.

In the Indonesian context, environmental regulatory pressure experiences escalation along with government commitment to sustainable development and international agreements such as the Paris Agreement [21]. Multiple regulations have been issued to regulate environmental aspects in industrial operations, including waste management, emissions, natural resource utilization, and environmental reporting.

### **Relationship between Regulatory Pressure and Green Accounting Implementation**

Literature demonstrates consistent correlation between regulatory pressure and green accounting implementation. Research in Italy found that regulatory pressure constitutes one of the strongest predictors of environmental management accounting adoption [22]. The study demonstrates that companies operating in tightly regulated industries have 2.5 times higher probability to implement environmental accounting systems compared to companies in less regulated industries.

Regulatory pressure not only influences decisions to adopt green accounting but also determines the level of formalization and integration of the system in management processes. Companies facing elevated regulatory pressure tend to integrate green accounting more deeply in their management systems, not merely as minimal compliance fulfillment [23].

The export-oriented characteristic of the Jepara furniture industry and facing international certification requirements strengthens the argument that regulatory pressure will drive green accounting implementation. Companies failing to implement adequate systems will face risks of losing international market access, which constitutes a significant revenue source.

**H3: Regulatory Pressure has a positive and significant effect on Green Accounting Implementation in the Furniture Industry in Jepara**

### **Competitive Advantage**

Competitive advantage represents company capability to create superior value compared to competitors resulting in above-average industry performance. Porter (1985) further developed by Barney and Hesterly (2020) explains that competitive advantage occurs when companies implement value creation strategies that cannot be easily duplicated by competitors.

Competitive advantage in the sustainability context can be obtained through several pathways: (1) green product differentiation, (2) operational efficiency through resource consumption reduction, (3) environmentally friendly process and product innovation, (4) reputation and brand image elevation, and (5) access to premium markets appreciating sustainability [24].

In the Resource-Based View (RBV) perspective, it is explained that environmental capabilities can become sources of sustainable competitive advantage if meeting VRIN criteria (Valuable, Rare, Inimitable, Non-substitutable). The capability to manage environmental aspects effectively, including through sophisticated environmental accounting systems, can become a source of competitive advantage because it requires complex organizational learning and is difficult to imitate [25].

### **Relationship between Competitive Advantage and Green Accounting Implementation**

Literature demonstrates complex and multi-directional relations between competitive advantage and green accounting implementation. This relation can be understood from two perspectives: (1) proactive perspective - companies pursuing competitive advantage through environmental differentiation will implement green accounting as a tool to support that strategy, and (2) reactive perspective - companies implement green accounting as a response to external pressure, which then opens opportunities for competitive advantages not previously anticipated [26].

Company strategic orientation toward sustainability has significant impact on environmental management practice adoption, including green accounting. Companies perceiving sustainability as a source of potential competitive advantage are more proactive in implementing systems that can generate environmental information for strategic decision making. Companies with strategic environmental orientation have 3.2 times higher probability to implement comprehensive environmental accounting systems [27].

In the context of the Jepara furniture industry facing intensive global competition and increasing demand for sustainable products, pursuing competitive advantage becomes a significant driver for adopting new practices. International furniture market characteristics increasingly requiring environmental documentation, sustainability certification, and supply chain transparency create situations where green accounting is not merely nice-to-have but becomes a competitive necessity.

**H4: Competitive Advantage has a positive and significant effect on Green Accounting Implementation in the Furniture Industry in Jepara**

## **III. Research Method**

This research applies a quantitative approach with causal-comparative design to examine the influence of Environmental Awareness (EA), Green Leadership (GL), Regulatory Pressure (RP), and Competitive Advantage (CA) on Green Accounting Implementation (GAI) in the furniture industry in Jepara. The research population is furniture companies in Jepara, Central Java, as Indonesia's largest furniture industry center. Samples were selected using purposive sampling with criteria: operating minimum 3 years, having minimum 5 permanent employees, possessing bookkeeping systems, and willing to participate. The sample size is 100 furniture companies with respondents being owners, directors, or senior managers understanding company management and accounting practices.

The dependent variable is Green Accounting Implementation (GAI), namely the adoption level of environmental accounting systems identifying, measuring, and reporting environmental impacts. Independent variables include: (1) Environmental Awareness (EA) - management understanding and commitment to environmental issues; (2) Green Leadership (GL) - leader behavior in promoting sustainability; (3) Regulatory

Pressure (RP) - government regulatory pressure and legal standards; (4) Competitive Advantage (CA) - management perception of competitive advantage potential from environmental practices. Each variable is measured using 5 indicators with a 5-point Likert Scale (1=Very Low to 5=Very High).

Primary data was collected through structured questionnaires developed based on literature. Instruments were validity tested using Pearson Product Moment Correlation ( $r > 0.361$ ) and reliability tested using Cronbach's Alpha ( $\alpha > 0.70$ ). Data was analyzed using IBM SPSS Statistics version 25 with stages: (1) descriptive statistical analysis to describe data characteristics; (2) classical assumption tests (normality, multicollinearity, heteroscedasticity, and linearity); (3) multiple linear regression analysis with the equation model:  $GAI = \alpha + \beta_1EA + \beta_2GL + \beta_3RP + \beta_4CA + \epsilon$

Hypothesis testing uses F test (simultaneous) and t test (partial) with 5% significance level ( $\alpha = 0.05$ ). The coefficient of determination ( $R^2$ ) is used to measure independent variable contribution to the dependent variable.

#### IV. Results And Discussion

##### Descriptive Statistics

Descriptive statistical analysis of 100 furniture company respondents in Jepara demonstrates variable mean scores: Environmental Awareness (EA) of 4.21; Green Leadership (GL) of 4.12; Regulatory Pressure (RP) of 4.43; Competitive Advantage (CA) of 4.09; and Green Accounting Implementation (GAI) of 3.02. Based on Likert scale interpretation, EA, GL, RP, and CA variables are in "High" to "Very High" categories, yet Green Accounting implementation remains in "Moderate" category, indicating implementation barriers related to resource limitations, technical competence, or system complexity.

##### Data Quality Test Results

Validity testing demonstrates all items have r calculated values  $> r$  table (0.361) with 5% significance. Reliability testing produces Cronbach's Alpha for EA ( $\alpha = 0.847$ ), GL ( $\alpha = 0.823$ ), RP ( $\alpha = 0.862$ ), CA ( $\alpha = 0.839$ ), and GAI ( $\alpha = 0.878$ ), indicating elevated reliability. Classical assumption tests demonstrate: (1) normality fulfilled (Kolmogorov-Smirnov sig. 0.124  $> 0.05$ ); (2) no multicollinearity occurs (VIF  $< 10$ , Tolerance  $> 0.10$ ); (3) no heteroscedasticity occurs (Glejser Test sig.  $> 0.05$ ); and (4) linear relationship fulfilled (sig. 0.156  $> 0.05$ ). The regression model meets BLUE requirements and is suitable for analysis.

##### Hypothesis Testing Results

Multiple linear regression analysis produces the equation:  $GAI = 0.342 + 0.287EA + 0.316GL + 0.198RP + 0.245CA + \epsilon$ . Simultaneous testing produces F calculated = 47.832 (sig. 0.000  $< 0.05$ ), demonstrating the four independent variables simultaneously have significant impact on GAI.  $R^2$  value of 0.668 demonstrates 66.8% of implementation variation can be explained by the model.

**Table 1. Partial Test Results**

Variable	Coefficient	t calculated	Sig.	Decision
EA	0.287	3.542	0.001	H <sub>1</sub> Accepted
GL	0.316	4.128	0.000	H <sub>2</sub> Accepted
RP	0.198	2.634	0.010	H <sub>3</sub> Accepted
CA	0.245	3.187	0.002	H <sub>4</sub> Accepted

Results demonstrate all four hypotheses are accepted. Green Leadership has the strongest influence ( $\beta = 0.316$ ), followed by Environmental Awareness ( $\beta = 0.287$ ), Competitive Advantage ( $\beta = 0.245$ ), and Regulatory Pressure ( $\beta = 0.198$ ).

#### V. Discussion

##### Environmental Awareness and Green Accounting Implementation

Environmental Awareness has positive significant impact on Green Accounting implementation ( $\beta = 0.287$ ;  $t = 3.542$ ;  $p = 0.001$ ). This finding is consistent with Astuti and Wirajaya (2021) and Ulupui et al. (2020) demonstrating management environmental awareness drives environmental accounting practice adoption. In the context of the natural resource-based Jepara furniture industry, awareness of environmental implications becomes an important driver for adopting Green Accounting. However, EA influence is not dominant compared to GL, indicating awareness alone is insufficient, strong leadership is needed to translate awareness into implementation actions.

### **Green Leadership and Green Accounting Implementation**

Green Leadership has positive significant impact on implementation ( $\beta = 0.316$ ;  $t = 4.128$ ;  $p = 0.000$ ) and constitutes the most dominant factor. Findings are consistent with Mittal and Dhar (2016) and Zhou et al. (2021). In the context of Jepara furniture SMEs dominated by centralized organizational structures, the leader's role becomes very crucial. Leaders have authority to allocate resources, create sustainability vision, become role models, and in the personal SME context, innovation adoption decisions are highly dependent on leader personal perception and commitment.

### **Regulatory Pressure and Green Accounting Implementation**

Regulatory Pressure has positive significant impact ( $\beta = 0.198$ ;  $t = 2.634$ ;  $p = 0.010$ ). Although RP has the highest mean (4.43), its influence coefficient is lowest. This "compliance paradox" phenomenon demonstrates that although regulatory pressure is elevated, influence on actual implementation is not as strong as internal factors. This relates to: (1) monitoring and regulatory enforcement not yet optimal at SME level, (2) companies tend to conduct minimum compliance without deep integration, (3) asymmetry in regulatory pressure where SMEs face more lenient monitoring.

### **Competitive Advantage and Green Accounting Implementation**

Competitive Advantage has positive significant impact ( $\beta = 0.245$ ;  $t = 3.187$ ;  $p = 0.002$ ). Findings are consistent with Nguyen and Slater (2020) and Windyastuti et al. (2021). In the context of the Jepara furniture industry facing global competition and increasing demand for sustainable products, Green Accounting provides a data basis for credible environmental claims, facilitates eco-efficiency and eco-innovation, and enhances reputation as a sustainable supplier. Findings that CA has stronger influence than RP indicate that a competitiveness-oriented approach is more effective than pure compliance-oriented. The practical implication is that Green Accounting promotion programs must emphasize competitive benefits and business case, not merely regulatory compliance aspects.

### **Integrative Analysis**

Simultaneous test results demonstrate the four variables collectively have significant impact ( $F = 47.832$ ;  $p = 0.000$ ) with  $R^2 = 0.668$ , indicating Green Accounting implementation is a complex phenomenon influenced by a combination of internal factors (awareness, leadership, competitive motivation) and external (regulatory pressure). The influence order—GL (0.316), EA (0.287), CA (0.245), RP (0.198)—reveals crucial insights: Green Leadership dominance confirms vital leader roles in SMEs; internal factor combination is more potent than external; and proactive motivation is more effective than reactive.

Another crucial finding is the significant gap between elevated driving factors (EA=4.21; GL=4.12; RP=4.43; CA=4.09) and still moderate actual implementation (GAI=3.02). Although 66.8% of variation can be explained, this gap indicates structural barriers in translating awareness into concrete action. Potentially influential factors include: technical competence and knowledge limitations, financial resource constraints, perceptions that Green Accounting is too sophisticated for SMEs, supporting infrastructure deficiencies, and trade-offs between economic survival and long-term investment. This finding confirms challenges identified by Purnama Dewi and Narayana (2020) and Patria et al. (2022) regarding Jepara furniture SME limitations.

## **VI. Conclusions And Implications**

### **Conclusions**

This research produces four main conclusions. **First**, Environmental Awareness, Green Leadership, Regulatory Pressure, and Competitive Advantage are proven to have positive significant impact on Green Accounting implementation in the Jepara furniture industry, both partially and simultaneously, with capability to explain 66.8% of implementation variation. **Second**, Green Leadership constitutes the most dominant factor ( $\beta = 0.316$ ), confirming crucial leader roles in SME contexts with personal and centralized organizational structures. **Third**, the gap between elevated driving factors and actual implementation (GAI=3.02) indicates structural barriers related to technical competence, financial capacity, and supporting infrastructure. **Fourth**, Competitive Advantage-based motivation is more effective than Regulatory Pressure, demonstrating that proactive approaches are superior to reactive in driving Green Accounting implementation in SMEs.

### **Theoretical Implications**

This research provides three main theoretical contributions. **First**, enriching determinant literature on Green Accounting implementation by integrating four variables in a comprehensive framework, filling partial research gaps. Green Leadership dominance findings strengthen transformational leadership theory in sustainability contexts and provide insights regarding innovation adoption mechanisms in SMEs.

**Second**, providing empirical evidence of Resource-Based View (RBV) application in Green Accounting contexts, where environmental capabilities supported by awareness, leadership, and competitive orientation become sources of competitive advantage. This research also confirms Institutional Theory relevance in explaining regulatory pressure roles, although its influence is not as dominant as in large corporations.

**Third**, with focus on furniture SMEs in specific industrial clusters (Jepara), research contributes to literature on sustainable accounting practice adoption in underexplored contexts. Gap findings between driving factors and actual implementation provide insights regarding Green Accounting implementation complexity in SMEs that is divergent from large corporations.

### **Practical Implications**

#### **For Furniture Industry Actors**

Companies need to cultivate green leadership as top priority through elevating owner/director understanding of Green Accounting and communicating sustainability vision. Companies must perceive Green Accounting as strategic investment for competitive advantage, not compliance burden. Considering implementation gaps, simplification and modification of Green Accounting systems aligned with SME capacity are needed, starting from simple practices such as environmental cost identification and resource consumption measurement.

#### **For Government**

The Jepara regional government needs to develop mentoring and capacity building programs targeted to SME leaders, provide Green Accounting implementation guidelines customized to SME characteristics, and provide incentives for sustainable practice adoption. Elevating environmental regulatory enforcement at the SME level is needed to strengthen baseline motivators, but must be accompanied by educative approaches emphasizing competitive benefits.

#### **For Academics**

Further research needs to explore factors explaining 33.2% unexplained variance, particularly resource capacity, technical complexity, and supporting infrastructure. Qualitative research can provide deep understanding of implementation barriers and best practices adaptable by SMEs. Developing simplified and practical Green Accounting models or frameworks for SMEs becomes an important research area.

### **Limitations and Future Research Agenda**

This research has several limitations. **First**, geographical focus on Jepara limits generalizability to other regions. Future research can conduct comparative studies among furniture industrial clusters in Indonesia. **Second**, cross-sectional methods do not capture dynamic temporal changes. Longitudinal research can provide insights regarding adoption processes and Green Accounting implementation evolution. **Third**, self-reported data is vulnerable to perception bias. Future research can use multi-respondent or combinations with observation and document analysis. **Fourth**, the research model explains 66.8% variance, so future research needs to explore other variables such as organizational capacity, stakeholder support, and firm characteristics. **Fifth**, this research does not measure outcomes from Green Accounting implementation. Future research can explore Green Accounting implementation influence on environmental performance, financial performance, and furniture company competitiveness.

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