LOKA: JOURNAL OF ENVIRONMENTAL SCIENCES
P-ISSN - 2985-6531 (PRINT)
E-ISSN - 2986-3023 (ONLINE)
Indexed By :

# Green Business and Creative Accounting: A Critical Review of Sustainability Reporting in the Era of Greenwashingin

**Ni Luh Anik Listya WATI[1], Shabrina MAULIDA[2], Anak Agung Erna Listya DEWI[3], Cynthia CYNTHIA[4]**
[1,2,3,4]Warmadewa University, Indonesia

**Article Info:**
**Article History:**
Received: 2025-08-09
Revised: 2025-09-23
Accepted: 2025-10-06

**Keyword**:
Digital Suggestion Box, Innovation, Job Satisfaction, Employee Management, Employee Participation

**Corresponding Author:**
Ni Luh Anik Listya Wati
**Email:**
niluhaniklistya7@gmail.com

**Paper Type:**
Research Paper



**Abstract**:

**Purpose**:
This study aims to examine the relationship between green business strategies and creative accounting practices in the context of sustainability reporting. In recent years, companies have been increasingly encouraged to project an environmentally friendly image in order to meet stakeholder demands and strengthen social legitimacy. However, companies often take advantage of the flexibility in financial reporting to construct sustainability narratives that do not fully reflect real conditions, a phenomenon known as greenwashing.

**Methodology:**
This study uses a systematic literature review approach to various national literature published in the last five years, to analyze the ambivalent role of creative accounting as a strategic tool as well as a potential manipulative risk in supporting or obscuring green business strategies.

**Findings:**
The results of the study show that the transparency of reporting largely determines the success of green business implementation, the integrity of management ethics, and the strengthening of sustainability reporting regulations in Indonesia.

**Implication:**
This research provides implications for the academic world, business practice, and public policy in encouraging more credible and accountable sustainability reporting.

## INTRODUCTION

Climate change, environmental degradation, and over-exploitation of natural resources have become increasingly pressing global issues in the last two decades. The world is now facing serious challenges in the form of rising global temperatures, air and water pollution, and threats to biodiversity. International organizations, governments, and civil society are encouraging all sectors, including the business world, to take an active role in creating a more sustainable economic system. In this context, companies are no longer judged solely by their financial performance, but also by their contribution to sustainable development and their concern for the environment.

In response to these demands, the concept of green business emerged, namely a strategic approach in the business world that integrates sustainability values into all business processes. Green business is not just about pursuing profit, but also emphasizes energy efficiency, waste management, social responsibility, and compliance with environmental regulations. According to Rubio-Mozos et al. (2020), companies that adopt sustainable strategies in their management will be more adaptive to changes in the market and global regulations. Green business is not only a moral choice, but also a competitive strategy in the green economy era.

However, the strong push for sustainability is often responded to with a purely symbolic approach. In contemporary accounting practices, there is a tendency for companies to use creative accounting, namely the manipulation of financial information by exploiting flexibility in accounting standards, to present the company's condition as better than it actually is. In the context of sustainability reporting, this practice can be used to create an image as if the company has implemented environmentally friendly practices, even though in reality it has not

LOKA: JOURNAL OF ENVIRONMENTAL SCIENCES
P-ISSN - 2985-6531 (PRINT)
E-ISSN - 2986-3023 (ONLINE)
Indexed By :

made substantive improvements to its environmental impact. Millar & Baloglu (2011) noted that in the hotel sector, there are starred hotels that use environmental reports as a marketing tool, not as a reflection of real operational changes. This phenomenon is known as greenwashing, namely the presentation of false or misleading information regarding the company's environmental commitments.

The relationship between green business and creative accounting is becoming increasingly interesting to study because both can support each other or even eliminate each other. On the one hand, creative accounting practices that are applied ethically can encourage more creative, understandable, and communicative sustainability reporting. For example, Saputra (2023) explains that the application of energy accounting in higher education institutions can be used to compile energy consumption reports systematically, which supports environmental transparency and efficiency. Good reporting not only provides an objective picture to stakeholders but also becomes a strategic tool in decision-making based on environmental data.

However, on the other hand, without supervision from authoritative institutions and healthy market pressure, creative accounting practices can be easily manipulated. Ng (2018) emphasized that in the context of sustainability reporting, companies can use the report to gain social legitimacy, without changing the pattern of business operations that damage the environment. In other words, reporting that should be a tool of accountability turns into a means of image manipulation. This practice not only damages public trust but also weakens the essence of green business itself.

Another study by Banani & Sunarko (2022) shows that the implementation of green finance and energy accounting can indeed improve company performance, but also opens up space for excessive exploitation of accounting flexibility. If not controlled by ethical values and accountability, creative accounting can actually trigger deviations in reporting. It raises concerns that sustainability will be reduced to a mere marketing strategy, not a real practice in the business system.

This phenomenon becomes even more complex when companies are faced with great pressure from external stakeholders such as investors, customers, regulators, and the public. Amidst the increasing demand for sustainability information, companies have incentives to adjust their reporting narratives to appear green and responsible. In such situations, sustainability reporting can lose its meaning, become merely a formality, or even become a means of avoiding reputational risk.

Given these conditions, this study is important to conduct. A deeper understanding is needed regarding the dual role of creative accounting as both an opportunity and a threat in implementing a green business strategy. This study aims to systematically examine how creative accounting practices are used in sustainability reporting, whether as a tool to encourage transparency or conversely as a greenwashing mechanism that damages the integrity of corporate information. With a systematic literature review approach, this article is expected to provide conceptual contributions to the development of sustainable accounting practices, as well as offer ethical and policy guidelines to minimize the misuse of environmental information in the green economy era.

**Green Business Concept.** The concept of green business is a paradigm that is developing along with the increasing urgency of global environmental issues such as climate change, global warming, pollution, deforestation, and ecosystem degradation. As pressure from stakeholders and environmental regulations becomes increasingly stringent, companies are beginning to realize that environmental sustainability is not only a social responsibility but also a strategic aspect in maintaining long-term business continuity.

In general, green business refers to a business model that not only pursues financial gain (profit) but also integrates environmental (planet) and social (people) considerations throughout its business processes. It is known as the triple bottom line principle. Companies that apply this principle seek to reduce negative impacts on the environment through energy efficiency, waste management, carbon emission reduction, use of sustainable raw materials, and green innovation in daily operations (Wang & Yang, 2021).

Wang and Yang's (2021) research in the context of the manufacturing industry in China found that consistent green innovation can improve operational efficiency while building sustainable competitiveness.

VIKRAMA RESEARCH INSTITUTE
LOKA Journal of Environmental Sciences
P-ISSN - 2985-6531 (PRINT)
E-ISSN - 2986-3023 (ONLINE)
LOKA: JOURNAL OF ENVIRONMENTAL SCIENCES
KSI
Indexed By :
GARUDA Google ROAD ISJD onesearch EBSCO

Furthermore, companies that actively implement green business are not only able to manage environmental risks but also create new business opportunities through the creation of environmentally friendly products and market differentiation.

In the service sector, such as hospitality, green business is also an important factor in shaping consumer perceptions. Saputra (2023), in his research in Bali, showed that the integration of green business with local cultural values, such as the Sat Kerthi philosophy, can strengthen the social legitimacy of the company and increase the loyalty of customers who are increasingly environmentally conscious. It shows that the implementation of green business requires not only a technical approach, but also an approach to business values and ethics.

More than just internal policies, green business also demands external transparency, especially in terms of sustainability reporting. Stakeholders now demand real evidence of a company's environmental commitment, not just marketing narratives. Therefore, honest, verified, and standardized sustainability reporting is one of the pillars of successful green business implementation.

**Creative Accounting Concept.** Creative accounting is an accounting practice that takes advantage of flexibility in financial reporting standards to produce reports that benefit a company's image or financial position, without explicitly violating regulations. This practice is often referred to as "legal accounting engineering" and is generally done to meet market expectations, attract investors, or maintain a company's reputation.

In the context of sustainability reporting, creative accounting can turn into a strategic tool or a manipulative tool. On the one hand, this technique can be used to clarify the sustainability narrative through an unconventional measurement approach. However, on the other hand, when done excessively and without a strong database, it can damage the credibility of the information conveyed. Ng (2018) criticized that in many cases, creative accounting has become a greenwashing tool, namely, conveying information as if the company has carried out environmentally friendly practices, when in fact there has been no substantial change in the company's operations.

Examples of such practices include claiming investments in renewable energy, when in fact the value is very small and has no significant impact. In addition, companies can compile ESG indicators with non-transparent evaluation models to produce sustainability scores that appear high. According to Banani & Sunarko (2022), this practice often occurs in the financial sector, where data related to green finance and carbon emissions are manipulated to meet regulatory incentive criteria.

Almagtome et al. (2020) emphasize the importance of the relationship between energy accounting and sustainability reporting within an integrated reporting framework. However, they also remind that this reporting is vulnerable to manipulation if it is not accompanied by an internal control system, sustainability audits, and ethical professional accountants. Creative accounting that is not balanced with transparency and accountability values will actually eliminate the essence of sustainability itself.

**The Relationship between Green Business and Creative Accounting.** The relationship between green business and creative accounting is ambivalent. Both can strengthen or weaken each other, depending on the intention and how they are implemented. If implemented with high ethics and transparency, creative accounting can be an innovative tool in presenting sustainability information that is more communicative, interactive, and easy to understand by various stakeholder groups.

For example, the systematic use of an energy accounting system can provide detailed information on energy consumption, operational efficiency, and the company's contribution to reducing emissions. It is shown in Saputra's research (2023), which states that energy recording can be used not only for reporting but also as a decision-making tool based on environmental data, thereby improving the company's sustainability performance and cost efficiency.

However, in reality, not all companies have integrity and commitment to delivering honest reports. Companies use accounting flexibility to disguise sustainability failures and create a false green narrative. In the banking sector, Banani & Sunarko (2022) found that green finance reports are often prepared with loose evaluation methods, resulting in information bias that benefits the company reputationally, but misleads the public.

This condition raises the urgency of the importance of stricter and binding sustainability reporting regulations and standards. A transparent, verified ESG reporting system equipped with independent audits is needed so that it does not become a free space for misleading creative accounting. In addition, professional accountants must be equipped with training on sustainability accounting, reporting ethics, and a deep understanding of global environmental issues.

Without strong accountability and an ethical organizational culture, sustainability reporting will only be a meaningless formal document, while green business will be trapped in an empty image strategy. Therefore, the synergy between green business and creative accounting must be directed at strengthening information integrity, public accountability, and real sustainability in business practices.

## METHODS

This study uses a descriptive qualitative approach with a systematic literature review (SLR) method (Abraham & Supriyati, 2022). This method was chosen to provide a comprehensive, critical, and structured understanding of the relationship between green business strategies and creative accounting practices in the context of sustainability reporting. The SLR approach allows researchers to not only identify and summarize the results of previous studies but also evaluate the strength of the findings, reveal thematic trends, and find conceptual gaps that are still open for further research. SLR is also used as an efficient approach to compile literature mapping on topics that are still developing and require integration between fields, such as the relationship between sustainability, reporting ethics, and environmental accounting.

The main objective of this approach is to develop a solid conceptual foundation on how creative accounting practices can play a role in supporting or damaging the integrity of green business. The focus of the study lies in efforts to identify sustainability reporting practices that are compiled in a manipulative manner, or what is known as greenwashing, and to understand how managerial motivations, market pressures, and flexibility in accounting standards shape such reporting. This approach is in line with previous studies conducted by Saputra & Laksmi (2024), in the context of the hotel industry in Bali, which examined how green governance strategies, energy accounting, and sustainability-based HR policies can affect company performance holistically.

The data sources in this study are secondary data obtained from scientific articles published in national and international journals, which are available through trusted academic databases such as Garuda, SINTA, DOAJ, Google Scholar, and Scopus. The literature search process was carried out using a combination of keywords that have been strategically formulated to cover relevant main topics. These keywords include: "green business", "creative accounting", "sustainability reporting", "greenwashing", "green accounting", "triple bottom line", and "green governance". The selected articles come from reputable journals and have gone through a peer-review process, and were published within the last five years (2018–2024) to ensure the relevance and novelty of the findings.

The literature selection process was carried out in three main stages: identification, screening, and synthesis. The first stage was the identification of articles based on predetermined keywords, where a large number of potential articles were found. The second stage involved screening based on the suitability of the title and abstract to the research focus, as well as eliminating duplication and non-scientific publications. In the third stage, a thorough reading of the contents of the selected articles was carried out to assess their methodological quality and contribution to the main discussion. The selected articles were further processed through thematic analysis methods to extract key patterns that emerged consistently in the literature.

Data analysis was conducted by grouping articles based on central themes found, such as: integration of green business strategies in corporate management, creative accounting techniques in ESG reporting, the influence of greenwashing on investor confidence, and the dynamics between reporting accountability and stakeholder pressure. For example, Saputra's study (2023) emphasizes the importance of energy accounting as part of an accountable environmental performance measurement. Meanwhile, Nurhidayat et al. (2020) examine the practice of triple bottom line disclosure, which is often carried out disproportionately and only symbolically. This analysis also considers how factors such as company size, industry, and internal environmental policies influence the tendency of creative accounting practices.

To support the analytical framework, this study uses stakeholder theory as a theoretical basis. This theory views that companies have responsibilities not only to shareholders, but also to all parties affected by their operations, such as consumers, government, employees, local communities, and the environment. Therefore, integrity in sustainability reporting is important because it will affect the perception and legitimacy of the company in the eyes of the public. When sustainability reports are prepared with unethical creative accounting principles, stakeholder trust can collapse. A study by Vijaya (2023) shows that inconsistent ESG disclosures can trigger distrust from institutional investors.

Although the systematic literature review method provides strength in constructing a solid theoretical framework and understanding conceptual dynamics broadly, this study also has several limitations. First, the literature sources are limited to articles in Indonesian and English, so there is a possibility that relevant literature in other languages is not accessible. Second, because it is conceptual, this study does not present primary empirical data and cannot conduct quantitative tests of relationships between variables. Third, the process of interpreting the contents of the literature is greatly influenced by the subjectivity of the researcher, even though a systematic thematic approach has been used.

Nevertheless, the SLR approach still provides an important contribution to a comprehensive initial understanding of the issue of green business and creative accounting. The results of this study are expected to be a strong basis for further research, both quantitatively and, case studies, and the development of measurement instruments for the integrity of sustainability reporting in various industrial sectors in Indonesia.

## RESULTS AND DISCUSSION

The results of the study show that green business strategy is now seen as a managerial approach that is not only oriented towards economic profit, but also considers environmental and social aspects as part of the company's competitive advantage. This strategy has been proven to be able to increase the company's reputation and value when implemented authentically and consistently. Puspitasari et al. (2018) explained that companies that integrate environmentally friendly practices into their business processes tend to receive positive assessments from the market and stakeholders.

However, the reality of implementing green business in Indonesia faces major challenges, especially in terms of sustainability reporting. When reporting does not reflect the actual conditions, the phenomenon of greenwashing arises, namely, the company's efforts to create a false green image through misleading reporting. It is in this context that creative accounting practices play a dual role—they can be an innovative tool or a manipulative tool. Shulthoni et al. (2023) found that many companies tend to only display sustainability achievements symbolically for the sake of image, while the reality of their operations is far from environmentally friendly principles.

In reporting practices, creative accounting is often used to construct a sustainability narrative that "looks good" without any data base and real actions to support it. Gaps in ESG reporting standards and the non-mandatory sustainability reporting in Indonesia provide flexibility for companies to modify the content and format of reports. Nurhidayat et al. (2020) revealed that the imbalance between the disclosure of economic, social, and environmental aspects in annual reports is often not due to limited data, but rather because there is a strategic effort to construct a narrative that benefits the company.

In addition, pressure from investors, consumers, and the government is an external factor that can encourage or force companies to present certain sustainability information, either honestly or fabricated. (Handayani & Haryati, 2023) emphasize that although not all creative accounting practices have negative impacts,

LOKA: JOURNAL OF ENVIRONMENTAL SCIENCES
P-ISSN - 2985-6531 (PRINT)
E-ISSN - 2986-3023 (ONLINE)
Indexed By : GARUDA Google ROAD ISJD EBSCO

their use in the context of ESG reporting must be closely monitored so as not to damage the integrity of the report and reduce public trust.

On the other hand, some companies take green business strategies seriously and use them as a basis for operational innovation and cost efficiency. Wibowo (2022) shows that companies that apply sustainability principles in their internal management systems, such as energy efficiency and waste reduction, experience significant increases in productivity and customer loyalty.

However, a company's reputation can still be damaged if the sustainability report submitted to the public is indicated as not authentic. Muttaqin & Muhidin (2021) noted that the mismatch between sustainability policies and their reporting can trigger doubts from institutional investors, who are now increasingly making ESG aspects a major factor in making investment decisions.

Theoretically, this finding strengthens the perspective of stakeholder theory, which emphasizes that corporate accountability is not only to shareholders, but also to all stakeholders. Therefore, companies are required to present sustainability information that not only meets technical standards but also able to reflect the values of transparency, ethics, and social responsibility. When creative accounting is used only to form a positive perception without being accompanied by real action, the company is at risk of losing its social legitimacy.

Thus, the results of this discussion show that the relationship between green business and creative accounting is highly dependent on the context of its implementation. When used honestly, creative accounting can enrich sustainability reporting through innovation in form and narrative. However, when used opportunistically, it will lead to greenwashing practices that are detrimental to stakeholders and create a crisis of trust in sustainability reporting. Therefore, it is necessary to strengthen ESG regulations, involve independent auditors, and internalize sustainability values in corporate culture so that green business strategies truly reflect authentic and measurable sustainability practices.

## CONCLUSION

This study concludes that green business and creative accounting are two concepts that have a complex relationship in the context of corporate sustainability. On the one hand, green business functions as a strategy to improve environmental performance, operational efficiency, and the company's long-term reputation. On the other hand, creative accounting has the potential to be a supporting tool when used ethically, but can also be a manipulative instrument in forming an inauthentic image of sustainability.

Greenwashing practices emerge as a form of deviation from the objectives of sustainability reporting, where companies convey an environmentally friendly narrative that is not in line with actual conditions. It reinforces the urgency of strengthening sustainability governance, independent audits, and stricter ESG reporting regulations.

Using a systematic literature review approach, the findings of this study show that creative accounting can be used strategically to present sustainability information that is more interesting and communicative. However, if not accompanied by integrity and transparency, this practice actually weakens the company's legitimacy in the eyes of stakeholders.

## REFERENCE

Abraham, I., & Supriyati, Y. (2022). Desain Kuasi Eksperimen Dalam Pendidikan: Literatur Review. *Jurnal Ilmiah Mandala Education, 8*(3), 2476–2482. https://doi.org/10.58258/jime.v8i3.3800

Almagtome, A. H., Al-Yasiri, A. J., Ali, R. S., Kadhim, H. L., & Bekheet, H. N. (2020). Circular economy initiatives through energy accounting and sustainable energy performance under the integrated reporting framework. *International Journal of Mathematical, Engineering and Management Sciences, 5*(6), 1032–1045. https://doi.org/10.33889/IJMEMS.2020.5.6.079

Banani, A., & Sunarko, B. (2022). Nexus between Green Finance, Creativity, Energy Accounting and Financial Performance: Banks' Sustainability Analysis from a Developing Country. *International Journal of Energy Economics and Policy, 12*(6), 447–455. https://doi.org/10.32479/ijeep.13806

Handayani, T. F., & Haryati, T. (2023). Laporan Keberlanjutan dan Profitabilitas terhadap Return Saham dengan Nilai Perusahaan sebagai Variabel Moderasi. *Journal of Management and Business (JOMB), 5*(1), 298–311. https://doi.org/10.31539/jomb.v5i1.5861

Millar, M., & Baloglu, S. (2011). Hotel Guests' Preferences for Green Guest Room Attributes. Cornell Hospitality Quarterly - CORNELL HOSP Q, 52, 302–311. https://doi.org/10.1177/1938965511409031

Muttaqin, M., & Muhidin, M. (2021). Peran Coreporate Social Responsibility Terhadap Hubungan Antara Struktur Kepemilikan Dan Nilai Perusahaan. *Jurnal Akuntansi, 10*(1), 1–15. https://doi.org/10.37932/ja.v10i1.236

Ng, A. W. (2018). From Sustainability Accounting to a Green Financing System: Institutional Legitimacy and Market Heterogeneity in a Global Financial Centre. *Journal of Cleaner Production, 195*, 585–592. https://doi.org/https://doi.org/10.1016/j.jclepro.2018.05.250

Nurhidayat, E., Junaid, A., & Kamase, J. (2020). Penerapan Akuntansi Lingkungan Berdasarkan Triple Bottom Line Pada Rsud H. M. Djafar Harun Kabupaten Kolaka Utara. *Invoice: Jurnal Ilmu Akuntansi, 2*(2), 35–78. https://doi.org/10.26618/inv.v2i2.4111

Puspitasari, Y. A., Astuti, T. P., & -, S. (2018). Pengaruh Corporate Social Responsibility Terhadap Nilai Perusahaan. *Jurnal Bisnis dan Kewirausahaan, 11*(2), 46–66. https://doi.org/10.31001/jbk.v11i2.1011

Rubio-Mozos, E., García-Muiña, F. E., & Fuentes-Moraleda, L. (2020). Sustainable strategic management model for hotel companies: A multi-stakeholder proposal to "walk the talk" toward SDGS. *Sustainability (Switzerland), 12*(20), 1–25. https://doi.org/10.3390/su12208652

Saputra, K. A. K. (2023). Introduction to Energy Accounting in Higher Education: A Theoretical Discussion. *International Journal of Social Science and Education Research Studies, 03*(04), 594–599. https://doi.org/10.55677/ijssers/v03i4y2023-09

Saputra, K. A. K., & Laksmi, P. A. S. (2024). The Influence of Green Governance, Implementation of Energy Accounting, and Green Human Resource Management on Sustainability Performance: An Empirical Study in the Hospitality Industry in Bali. *Jurnal Ilmiah Akuntansi, 9*(1), 113–136. https://doi.org/10.23887/jia.v9i1.66630

Shulthoni, M., Alfan Ainul Yaqin Aulia Rohim, & Bayu Aprillianto. (2023). Pengaruh Kinerja Keuangan Terhadap Harga Saham Perusahaan Sektor Industri Barang Konsumsi yang Terdaftar di Bursa Efek Indonesia. *Al-Muhasib: Journal of Islamic Accounting and Finance, 3*(1), 100–115. https://doi.org/10.30762/almuhasib.v3i1.628

Vijaya, D. P. (2023). Dampak Kinerja Keuangan atas Enviroment Social Governance (ESG) Score Pada Perusahaan Terindeks IDX ESG Leader. *Jurnal Pendidikan Ekonomi Undiksha, 15*(2), 263–268.

Wang, Y., & Yang, Y. (2021). Analyzing the green innovation practices based on sustainability performance indicators: a Chinese manufacturing industry case. *Environmental Science and Pollution Research, 28*. https://doi.org/10.1007/s11356-020-10531-7

Wibowo, A. (2022). *Model Bisnis Ramah Lingkungan.* In Penerbit Yayasan Prima Agus Teknik.