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Environmental Accountability through Business Ethics, Responsibility, Morals and Legal Obligations

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ABSTRACT – Government regulations and implementation from the business world regarding environmental accountability are still not optimal. This study aims to analyse the role of moral reasoning in environmental accountability. The approach method is carried out in a normative juridical manner, namely examining in more depth the general principles of environmental accountability in existing laws and regulations. With this study, it is obligatory for every business actor to enforce it as a mandatory that has been regulated in regulations as well as a necessity related to business ethics. The existence of social and environmental responsibility is a company's commitment and obligation to be accountable for the impact of its operations in social, economic and environmental dimensions, and to continuously maintain that these impacts are not damaging but contribute to the interests and benefits of society and environmental sustainability.

Keywords: environmental accountability, morals, business ethics, responsibility, legal obligations.

A. INTRODUCTION

Environmental problems are negative aspects caused by human activities on the environment. Companies are one of the main causes of environmental damage due to errors in the allocation of human and natural resources (Paddock, 2004). Until now environmental accountability is a topic that is still hot for discussion among the public who feel and witness its impact directly as well as for entrepreneurs as the main contributor to environmental problems (Brinkerhoff & Wetterberg, 2016). Companies get many benefits from their social environment, but not a few companies then have a negative impact on the environment. This is related to the frequent finding of hazardous and toxic waste in places where it shouldn't be, such as in public waste dumps, river streams, or factory chimneys that are close to residential areas (Handayani & Mardikaningsih, 2022).

The large number of cases that have occurred due to a lack of attention to the environment has resulted in demands from community groups for companies to show organizational accountability to the environment for the sake of company survival (Handayani *et al.*, 2021). Environmental accountability is one way to reduce environmental damage and this environmental damage needs to be reduced by environmental accountability (Maunder & Burritt, 1991).

The main source of this problem comes from sociocultural factors including anthropocentrism, egoism and ideology that encourage behaviour that wants economic growth, efficiency and private property. Environmental accountability is the responsibility of all stakeholders, business executives, government, society, the accounting profession including accounting students.

Thus, this paper will examine environmental accountability as a mandatory that must be regulated in a regulation or is a voluntary activity based on moral values in business ethics.

B. METHOD

This writing uses a normative juridical approach, which examines in more depth the general principles of environmental accountability in existing laws and regulations, by comparing the existing literature relating to the topic of the issues discussed to then draw a conclusion.

The process carried out by the author in compiling the review is to collect and inventory the statutory regulations with the next stage is to carry out an analysis using the statutory approach and a theoretical conceptual approach.

The source of legal material used comes from library research. Data collection techniques are carried out by analysing various laws and regulations and reviewing various documents such as books, journals, research reports that are relevant to the research problem. After all legal materials have been collected, analysis is carried out using qualitative analysis and concluded with the deductive method.

C. RESULTS AND DISCUSSION

Environmental accountability is an activity shown by the organization and the consequences caused by the organization's activities on the ecological system. Therefore, environmental accountability is believed to be one of the factors that can affect environmental preservation (Gray, 2002).

Support for environmental accountability that is still weak or still far from expectations has raised many questions. This question requires an explanation of the characteristics of stakeholders who have concerns about the environment and provide support for environmental accountability.

The discourse on environmental accountability is a serious concern for governments and businesses (Boydell *et al.*, 2019). This is caused by the need for the government and entrepreneurs to jointly think about ways to save the world from natural resources which are increasingly disturbed by the balance. This is also the mandate of the 1945 Constitution regarding the national economy and social welfare that must be regulated by the state for the prosperity of the people. The government provides obligations for corporations to carry out social and environmental responsibility through Law Number 40 of 2007 concerning Limited Liability Companies and Law Number 25 of 2007 concerning Investment.

Wherever a company operates, it cannot escape from the applicable rules and regulations governing business activities (Matten, 2003). These regulations are mainly related to efforts to control environmental changes and consumer and public safety. As a protective measure, regulations are needed. To maintain environmental changes, companies must comply with laws governing the environment.

Established companies not only behave legally, but also have ethics. There is often a difference between legal and ethical. It could be something that is said to be legal, but not ethical.

In the elucidation of Article 74 paragraph 1 it is stated that a Company (referring to Law No. 40 of 2007 concerning Limited Liability Companies Article 1 paragraph 1) that a Company is defined as a Limited Liability Company) that runs a business in the field of and/or related to natural resources is obliged to run social and environmental responsibility, but it is not explained whether the same responsibility is also required for business entities that are not in the form of a Limited Liability Company legal

entity. Meanwhile, what is meant by a company that carries out its business activities related to natural resources is a company that does not manage and utilize natural resources, but its business activities have an impact on the function of natural resource capabilities.

Based on article 75 of Law no. 40 of 2007, a company is obliged to carry out social responsibility. This can lead to the interpretation that business entities that are not in the form of a Limited Liability Company are not required to carry out Social and Environmental Responsibility (referring to Law No. 40 of 2007 concerning Limited Liability Companies) article 1 paragraph 3 definition of Social and Environmental Responsibility is the commitment of the Company to participate in sustainable economic development in order to improve the quality of life and a beneficial environment, both for the Company itself, the local community and society in general.

Companies that carry out social and environmental responsibilities require a philosophical understanding and ethical commitment regarding the importance of implementing social and environmental responsibilities (Gray, 2002). Ethically, the company is also responsible for practicing good and right things in accordance with societal values, ethics, and norms (Hickey & King, 2016). Philanthropic responsibility means that companies must contribute to improving the quality of life of the community in line with their business activities.

If this is positioned as a company obligation or legal obligation as stated in Article 74 of Law No. 40 of 2007, which must budget and take into account costs as a burden on the company whose implementation is carried out with due regard to decency, appropriateness and fairness, there must be good faith from the company. You don't have to feel forced and half-hearted in implementing it.

Companies involved in the industry have an obligation to prevent damage and pollution to the environment as stipulated in Article 21 of Law Number 5 of 1984 concerning Industry. In addition to the provision in the Industrial Law, according to Article 87 paragraph (1) of Law no. 32 of 2009 concerning the Protection and Management of the Environment which reads "Every person in charge of a business and/or activity who commits an unlawful act in the form of environmental pollution and/or damage that causes harm to other people or the environment is obliged to pay compensation and/or commit certain action."

Any person in charge of a business and/or activity (company/legal entity) that causes pollution and/or damage to the environment is considered an unlawful act. The person in charge of the business and/or activity has the responsibility to compensate for the losses incurred, insofar as it is proven that they have committed acts of pollution and/or destruction. This proof, whether there is a real causal relationship between errors and losses (liability based on faults) or without the need to prove elements of guilt (liability without faults/strict liability). Therefore, every establishment of an industrial company needs to consider various aspects, namely the prevention of damage and pollution to the environment due to its industrial activities (Berland & Loison, 2008).

Environmental accountability is needed to achieve sustainability. This must be monitored and maintained by each party. According to the findings of Powers *et al.* (2011) stated that environmental accountability can reduce the level of pollution that occurs. This has been proven by many environmental reporting by companies through annual reports, separate environmental reports and through the company's website. Environmental reporting as a form of accountability is mandatory and voluntary. The behavior of companies that reflect their business executives is different in these two conditions. With the existence of regulations regarding environmental reporting which makes reporting mandatory, the quality of reporting becomes better when viewed from the increase in the amount of negative information (Gadene & Ladewig, 2007). On the contrary, in voluntary environmental accountability without being based on regulations regarding environmental issues, companies tend to only disclose environmental information that elevates the image of the organization (Deegan & Gordon, 1996).

The development of the era and technology affect individual attitudes towards the environment. This can be seen from changes in the orientation of human life which tend to be materialistic and hedonistic. In addition, environmental damage can occur due to a wrong perspective and individual understanding of environmental responsibility. An attitude of not caring about the environment is created when individuals have personal values that prioritize their personal interests first without regard to the consequences that arise from that attitude.

Environmental responsibility is an environmental protection instrument for the prevention and compensation for environmental damage. It promotes the personal responsibility of business people. Properly crafted environmental responsibility laws create economic incentives to prevent harm from occurring, paving the way for compensatory payments by polluters for any damage incurred.

However, on the other hand, individuals need a thought process that can distinguish an action taken is good or bad which is called moral reasoning. Kohlberg (1981) defines moral reasoning as a philosophy regarding moral issues. The philosophy is used as a guide to assess and take an action in a moral situation. This moral reasoning is the benchmark for the process of moral maturity. It is better to measure moral reasoning by looking at an individual's reasoning and why an action is said to be wrong, than by looking at an individual's behaviour or simply hearing it is wrong. Therefore, it can be concluded that moral reasoning is the ability (basic concept) of individuals to be able to make decisions regarding socio-moral issues in complex situations by first making an assessment of their social values. Afdal (2012) states that the higher the moral reasoning, the higher the support for environmental accountability.

Moral reasoning can predict or predict the actions that will be taken by individuals in situations involving morals. The level of individual moral reasoning can be determined by measuring the level of moral awareness (Jones, 1991). Hobsons *et al.* (2011) found that the response given by each individual to an incident was different, this was caused by moral considerations that had an effect on the individual's personal values. Universal values and social justice are benchmarks for moral reasoning so that individuals who have a high level of moral reasoning will have concerns and behaviors to protect the environment (Schultz *et al.*, 2005).

Moral reasoning as an individual internal factor is a principle that is upheld by individuals so as to encourage these individuals to support environmental accountability. In addition, Karpiak and Baril (2008) also stated that high moral reasoning is positively related to caring attitudes towards environmental issues. The characteristics of individuals who have a high level of moral reasoning can be reflected in their concern for and behavior in protecting the

environment. This is evidence that individuals do not have asocial attitudes and show support for environmental accountability as a form of individual obligation that is more universal in nature. Principles and moral values in the applicable regulations do not become principles and foundations of moral reasoning, but go far beyond these rules and foundations so that voluntary accountability will still be supported.

Many studies have examined attitudes towards environmental issues, but there is still a lack of research examining the determinants of attitudes of stakeholders towards environmental issues (Shafer, 2006). Other studies seeking to understand the factors driving environmental responsibility have focused on the institutional level, such as industry (Aragon-Correa & Sharma, 2003), legitimacy (Wilmshurst & Frost, 2000) of stakeholders, and regulatory pressures (Henriques & Sadorsky, 1999; Buysse & Verbeke, 2003), environmental institutions (Liu *et al.*, 2010), and strategy-related activities (Aragon-Correa, 1998). These various studies broaden understanding of aspects related to environmental issues related to human relations. This is in accordance with what was said by Bansal and Gao (2006) that most research emphasizes theory based on economics and sociology while psychological approaches are still rare so research at the individual level is still rare.

Kohlberg (1973) suggested that moral reasoning has a positive relationship with environmental concerns and environmental behaviour. In addition, Karpiak and Baril (2008) also showed a negative relationship between high moral reasoning and apathy towards environmental issues.

Environmental accountability as a manifestation of personality and environmental behaviour also has compatibility with the characteristics of high moral reasoning. Environmental accountability shows a form of responsibility for broader, more universal aspects and evidence that actions are not asocial so that support for environmental accountability will be higher for individuals who have high moral reasoning. In addition to these reasons, accountability which is voluntary in nature, without regulation from the authorities, will still be supported because high moral reasoning does not base moral principles and values on applicable rules but goes far beyond the rules.

Moral reasoning has an important role in environmental accountability. This can be explained that moral reasoning can be a determinant of support for environmental accountability. Moral reasoning at a high level emphasizes universal principles and social justice that are compatible with the values underlying environmental accountability. As an individual internal factor, principles that are upheld by high moral reasoning will encourage the individual to support environmental accountability. This theoretical relationship is also supported by research by experts that there is a relationship between moral reasoning and support for environmental accountability.

In addition to moral reasoning, institutions must increase their pro-social orientation, namely support for social and environmental accountability is getting higher. Companies must build knowledge, capabilities, and capacities to prevent environmental damage. They must understand their obligations and comply with them (Ai H., 2020). This is like assessing the risk of harm to human health and the environment; implement processes to minimize risk; make changes, when necessary, work to minimize environmental impact and repair damage (Radjawane & Darmawan, 2022).

Companies that implement policies, processes and actions to ensure compliance with environmental regulations have learned that they not only avoid a large number of health and other risks, but also find opportunities to lower operating costs while reducing environmental impact. Companies must comply with environmental sustainability best practices. The realization of upholding social and environmental accountability is by controlling corporate behaviour so that it is socially and environmentally responsible and trying to make it happen. Employees should also be involved in making conscious choices and supporting social and environmental accountability (Chang *et al.*, 2019).

D. CONCLUSION

The normalization of social and environmental responsibility to become a legal obligation is a legal policy that forms laws to regulate and implement social and environmental responsibility with a sanction. This is motivated by social and environmental conditions that were damaged in the past where company practices ignored social and environmental aspects resulting in losses for the surrounding community in particular and the environment in

general. In addition, there should be the creation of a uniform law regarding responsibility for environmental damage.

Environmental accountability is a company's moral responsibility towards its stakeholders. With or without the rule of law, a company must uphold morality, especially the community or society around its work and operational areas. Companies that work by prioritizing moral and ethical principles will provide the greatest benefits to society.

Companies must realize that carrying out environmental compliance can bring business benefits. Many businesses recognize that acting in a socially and environmentally responsible manner goes beyond a legal obligation. This affects the long-term profits and success of the business.

The existence of social and environmental responsibility is a company's commitment and obligation to be accountable for the impact of its operations in social, economic and environmental dimensions, and to continuously maintain that these impacts are not damaging but contribute to the interests and benefits of society and environmental sustainability.

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