

The Green Paradigm in Accounting: A Critique of Capitalist Dominance in Accounting Practice

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ABSTRACT

This study aims to critically examine the dominance of capitalism in accounting practices and to propose a green paradigm as an alternative that is more oriented toward social and ecological sustainability. The study employs a qualitative approach grounded in a critical paradigm based on Habermas's theory of communicative action. Data were collected through in-depth interviews with four informants comprising an academic, an accounting practitioner, an environmental activist, and a corporate manager and supplemented by field notes and the researcher's reflections. Data analysis was conducted critically to identify patterns of ideological domination in accounting practices, while also revealing power relations, interest biases, and their implications for the marginalization of social and ecological dimensions within modern accounting reporting systems in a more comprehensive and reflective manner. The research findings indicate that accounting is not neutral; rather, it functions as an instrument that reproduces a capitalist orientation through its emphasis on profits and shareholder interests. Accounting practices reduce reality to monetary measures, thereby excluding social and ecological aspects from the reporting system. Furthermore, the claim of accounting's objectivity is illusory because it recognizes only realities that can be monetized. The findings also indicate that social and environmental reporting tends to function as a tool for symbolic legitimization without driving substantive change. From Habermas's perspective, this condition reflects the dominance of instrumental rationality, which contributes to the colonization of the lifeworld. Therefore, this study underscores the importance of the green paradigm as an effort to transform accounting toward practices that are more communicative,

participatory, and socially and ecologically just.

INTRODUCTION

In recent decades, the global economy has experienced rapid growth as a result of globalization, the expansion of the industrial sector, and increasingly advanced technological developments. However, behind this growth, the world is facing an increasingly alarming ecological crisis, including climate change, deforestation, environmental pollution, and a decline in biodiversity. These conditions indicate that economic development patterns based on the exploitation of natural resources have exceeded the environment's carrying capacity. According to a report by the Associated Press (2025), more than 1.4 million hectares of tropical forest were lost between 2001 and 2020 due to mining activities. The impact of increasingly extreme climate change is also reflected in the rising intensity of ecological disasters, such as prolonged droughts, major floods, extreme storms, heat waves, and melting ice in polar regions.

In Indonesia, extractive industries—particularly in the mining and oil palm plantation sectors—are major contributors to deforestation and large-scale environmental degradation (Greenpeace Indonesia, 2019). Economic activities oriented toward capital accumulation tend to disregard long-term ecological consequences, thereby reinforcing the link between economic growth and environmental degradation. Therefore, the ecological crisis cannot be understood merely as a natural phenomenon, but rather as an implication of the capitalist economic system that prioritizes growth and profit as its primary goals (Kovel, 2007).

In a capitalist system, companies generally operate with a primary focus on profit (profit-oriented), a concept known as the “single bottom line,” which emphasizes profit as the primary indicator of corporate performance (Friedman, 1970; Elkington, 1997). This orientation is reinforced by conventional accounting practices that focus on measuring financial performance and the interests of shareholders. As a result, various social and ecological impacts that cannot be measured monetarily are often not reflected in financial statements. This indicates that accounting not only functions as a tool for economic recording but also plays a role in shaping reality and providing legitimacy to business practices within the capitalist system.

In response to growing awareness of the importance of sustainability, the Triple Bottom Line concept and sustainability reporting began to be developed to integrate economic, social, and environmental aspects into business practices (Elkington, 1997). However, various studies indicate that the implementation of this concept remains largely symbolic and has not yet yielded substantive changes. In practice, sustainability reporting is often used as a means of legitimization or greenwashing, where companies project an environmentally friendly image without making fundamental changes to exploitative business practices (Milne & Gray, 2013; Bebbington et al., 2008).

Previous research has generally been dominated by technocratic approaches, such as environmental performance measurement and the development of reporting standards. Martadinata's (2024) study reveals that most environmental accounting research remains within a positivistic framework focused on improving corporate performance, rather than critiquing the underlying ideological structures. In line with this, research by Aziz and

Kholmi (2024) shows that green accounting practices remain trapped in the logic of profitability and have not yet deeply addressed ecological values. This highlights a research gap: the scarcity of critical studies that comprehensively examine the relationship between accounting, capitalist ideology, and the ecological crisis.

Based on this gap, this study proposes the Green Paradigm in accounting as an alternative approach that focuses not only on the technical aspects of reporting but also on an epistemological transformation in understanding the role of accounting. This paradigm is grounded in the theory of communicative action proposed by Jürgen Habermas, which distinguishes between instrumental rationality and communicative rationality. In modern accounting practice, the dominance of instrumental rationality has led to the colonization of the lifeworld, where social and ecological values are sidelined by a system-based logic centered on money and power (Habermas, 1984; 1987).

As a solution, the green paradigm promotes a shift toward communicative rationality, which emphasizes dialogue, participation, and socio-ecological accountability. With this approach, accounting is no longer positioned as a neutral technocratic tool, but rather as a social practice that bears ethical responsibility toward society and the environment. This paradigm also opens space for the recognition of non-economic values that have long been marginalized within the conventional accounting system. The contribution of this research lies in its effort to fill a gap in the critical accounting literature by offering an analysis that links accounting practices to the ideology of capitalism and the ecological crisis. Unlike previous reformist studies, this research is critical and emancipatory, positioning accounting as part of a power structure that needs to be transformed. Thus, this study provides a theoretical contribution to the development of a more sustainable accounting paradigm, as well as a practical contribution to promoting accounting practices that are more responsive to social and ecological issues.

The purpose of this study is to critically examine the dominance of capitalism in accounting practices and to formulate a green paradigm as an alternative framework that is more humanistic, participatory, and sustainability-oriented. Thus, this study is expected to provide a more comprehensive understanding of the role of accounting in the ecological crisis and to pave the way for a transformation toward a more just and sustainable accounting system.

METHODOLOGY

This study employs a qualitative approach within a critical paradigm, aiming not only to describe social reality but also to uncover the structures of domination, power relations, and ideologies that shape social practices, including accounting practices. The qualitative approach was chosen because it allows the researcher to explore the meanings, experiences, and subjective perspectives of informants in depth through narrative and contextual interpretation. Theoretically, this study is grounded in the work of Jürgen Habermas, particularly his Theory of Communicative Action (Habermas, 1984; 1987), which distinguishes between instrumental rationality and communicative rationality.

Informant selection in this study was conducted using purposive sampling, based on considerations of relevance, experience, and reflective capacity regarding the phenomenon under study (Nyumba et al., 2023). There were four informants in this study, consisting of an

academic, an accounting practitioner, an environmental activist, and a manager in the industrial sector. Data collection techniques in this study included in-depth interviews, field notes, and the researcher's reflective journal.

The validity of the data in this study was ensured through criteria including credibility, transferability, dependability, and confirmability (Moleong, 2017; Saadah et al., 2022). Credibility was achieved through triangulation of sources and confirmation of results with informants (member checking). Transferability is ensured by providing a detailed description of the research context, enabling readers to understand the relevance of the findings in other contexts. Dependability is maintained through an audit trail, which involves systematic documentation of the entire research process. Meanwhile, confirmability is achieved through the researcher's critical reflection on biases and assumptions that may influence data interpretation, as well as by providing complete data documentation. Thus, this study not only meets methodological validity standards but also maintains the reflective and contextual character that is a hallmark of the critical paradigm.

RESULTS AND DISCUSSION

Accounting as a Tool of Capitalist Power

This study demonstrates that accounting is not neutral but rather a social practice constructed by dominant interests and ideologies. Accounting not only represents but also shapes economic reality by determining what is considered important through reporting mechanisms (Hines, 1988). In this context, accounting functions as an ideological instrument that supports a capitalist orientation through an emphasis on profit and shareholder value (Tinker et al., 1982).

Accounting practices systematically simplify complex realities into monetary measures, so that social and ecological aspects tend to go unrecognized. Impacts such as environmental damage and social inequality do not appear in financial statements because they cannot be monetized. This underscores that accounting functions as a mechanism for selecting reality that prioritizes economic interests (Hines, 1988).

Research findings indicate that the meaning of profit has been reduced to a purely financial indicator. Informant Tenriwaru (2025) asserts that a company's success should also encompass societal well-being and environmental restoration, not just monetary profit. This perspective aligns with Gray (2010) and Deegan (2019), who criticize the dominance of financial performance in accounting that overlooks sustainability dimensions.

On the other hand, practices at the organizational level indicate that accounting remains oriented toward the interests of shareholders. Informant Nasrun (2025) revealed that reporting is focused on profit, efficiency, and market stability, while social and environmental aspects are merely supplementary. This reflects the decision-usefulness paradigm, which positions investors as the primary users of information (Beaver, 1968; Staubus, 1961).

From Habermas's perspective (1984; 1987), this condition indicates the dominance of instrumental rationality, where actions are evaluated based on efficiency and financial calculations. Accounting functions as a systemic medium that coordinates actions through numbers, thereby shifting its communicative function. Consequently, a colonization of the

lifeworld occurs, where social and ecological values are marginalized because they cannot be translated into the language of accounting.

Thus, this study asserts that modern accounting practices act as a mechanism of power that normalizes financial orientation and limits the definition of success to monetizable aspects. Accounting not only reflects but also reproduces the dominance of capitalism by disregarding social and ecological dimensions in performance evaluation.

Pseudo-Neutrality in Accounting Practice

In conventional practice, accounting is often understood as an objective and value-free system. However, the findings of this study indicate that such claims are illusory. Accounting operates through processes of selection, classification, and measurement that determine which realities are acknowledged and which are ignored. Thus, the objectivity of accounting is not a neutral reflection of reality, but rather a socially constructed framework laden with interests (Hines, 1988; Tinker, 1985).

Research findings indicate that the limitation of accounting lies in its ability to recognize only aspects that can be quantified. As expressed by an informant in Tenriwaru (2025), various social and ecological impacts—such as environmental damage and societal suffering—have no place in financial reports because they cannot be measured monetarily. This underscores that accounting practices systematically exclude socio-ecological realities. These findings align with the critical accounting perspective, which asserts that accounting is not a neutral practice but an ideological instrument that reproduces the interests of capital and excludes realities that cannot be quantified (Tinker, 1985; Gray & Bebbington, 2001).

Within Habermas's framework (1984), this condition reflects the dominance of instrumental rationality—a mode of thinking that evaluates reality based on efficiency and calculation. Accounting then functions as a mechanism for filtering reality, where only aspects relevant to the economic system are recognized. Consequently, the lifeworld is colonized, meaning that social values and people's lived experiences are neglected because they cannot be translated into monetary terms (Habermas, 1987).

Another finding from this study also indicates that accounting and sustainability reports often function as tools of formal legitimization. Informant Slamet (2025) revealed that corporate reports tend to highlight compliance and narratives of success, but do not represent the suffering of communities and environmental damage occurring on the ground. This indicates that reporting does not always function as a mirror of reality, but rather as a perception management strategy to maintain legitimacy (Suchman, 1995; Deegan, 2019).

From the perspective of the political economy of accounting, this condition indicates that corporate reports are shaped by dominant power relations and interests, thus tending to highlight aspects that benefit the stability of the system and minimize negative impacts (Gray et al., 1995; Tinker, 1985). Consequently, reporting becomes a one-sided corporate claim that does not open space for dialogue regarding the experiences of affected communities.

Based on these findings, this study concludes that accounting neutrality is a pseudo-construction born of the dominance of instrumental rationality. Accounting not only fails to represent socio-ecological reality but also actively filters and ignores it. Thus, accounting practices play a role in maintaining the legitimacy of the capitalist system by restricting the definition of reality to monetizable aspects.

Accounting Practices and Socio-Ecological Inequality

Research findings indicate that accounting practices within the capitalist system contribute to social and ecological inequalities through a dominant orientation toward profit and shareholder interests. Accounting functions not only as a reporting tool but also as a mechanism that shapes corporate priorities by positioning profitability as the primary performance indicator. This aligns with Tinker (1980) and Gray et al. (1996), who state that accounting reproduces the interests of capital and disregards social and environmental impacts.

The focus on financial indicators results in various social and ecological costs (unaccounted costs) not being recognized within the accounting system. As expressed by an informant in Tenriwaru (2025), a company's success is still represented through financial symbols such as profit, assets, and enterprise value, rather than through its actual impact on society and the environment. This finding reinforces the view that accounting constructs reality by prioritizing monetizable aspects (Hines, 1988).

Furthermore, this study found that accounting standards and practices tend to reinforce inequality through a global orientation focused on investor needs. Qualitative and long-term social and ecological impacts are placed outside the core of financial reports and shifted to supplementary mechanisms such as CSR and sustainability reporting. However, as noted by informant Ikram (2025), these aspects cannot be directly recorded due to the limitations of accounting measurement. This highlights the representational limitations within the conventional accounting system (IASB, 2018).

Furthermore, research findings indicate that social and environmental reporting often serves as a legitimization strategy. Informant Slamet (2025) asserts that sustainability reports tend to be produced to meet indicators and attract investors, rather than to represent actual ecological conditions. This aligns with legitimacy theory and the concept of impression management, which state that companies use reporting to maintain their image and social acceptance (Suchman, 1995; Cho et al., 2012).

From Habermas's perspective (1984; 1987), this situation reflects the dominance of instrumental rationality, which prioritizes efficiency and financial calculations as the basis for decision-making. Consequently, there is a colonization of the lifeworld, where society's social and ecological experiences are neglected because they cannot be translated into the language of accounting. CSR and sustainability reports tend to become one-way communication, rather than a participatory ethical dialogue space.

Thus, this study concludes that modern accounting practices not only reflect but also reinforce social-ecological inequalities through the dominance of profit orientation, limitations in representation, and the legitimizing function of reporting. These inequalities are not merely the result of technical limitations but are consequences of the underlying framework of rationality that underpins accounting practices.

CONCLUSION AND RECOMMENDATIONS

This study demonstrates that modern accounting practices are not neutral but operate within the ideological framework of capitalism, which prioritizes profit and efficiency as primary orientations. Accounting does not merely represent economic reality but also

constructs and limits perspectives on corporate value and success through the dominance of financial indicators.

The research findings reveal three main points. First, accounting functions as an instrument of power that reproduces the logic of capitalism by prioritizing profit accumulation and shareholder interests, thereby marginalizing social and ecological dimensions from the reporting sphere. Second, the claim of accounting objectivity is illusory, as it acknowledges only monetizable realities, while social and environmental impacts are selectively ignored. Third, accounting practices contribute to reinforcing social-ecological inequalities through profit orientation, limitations in representation, and the use of reporting as a tool for symbolic legitimization.

Critically, this study argues that the core issue in accounting lies not in technical aspects but in the underlying rationality. The dominance of instrumental rationality has shifted accounting's function from a medium of social communication to a system-oriented instrument prioritizing efficiency and calculation. Consequently, accounting loses its ethical role in fairly representing social-ecological realities. In this context, a green paradigm grounded in communicative rationality becomes crucial as a direction for transformation, where accounting functions not only as a tool for economic calculation but also as a means for dialogue, participation, and socio-ecological accountability.

This study has several limitations. First, the limited number of informants means the findings cannot yet be broadly generalized. Second, the use of Habermas's critical theory perspective provides analytical depth but simultaneously narrows the perspective by focusing on the dimensions of rationality and communication. Third, the qualitative approach used relies heavily on the researcher's interpretation, so the potential for subjectivity cannot be entirely avoided. Additionally, this study has not empirically examined accounting practices across various industrial sectors more broadly.

The implications of this study are both theoretical and practical. Theoretically, this study strengthens the critical accounting literature by affirming that accounting is a socially embedded practice steeped in ideology, and by offering the green paradigm as an alternative framework that is more socially and ecologically just. Practically, this study advocates for changes in accounting and reporting practices, so that they are not solely focused on financial performance but also substantively accommodate social and environmental impacts. For future research, it is recommended to conduct broader studies using a multi-paradigm approach, increase the number of informants, and test the implementation of the green paradigm in accounting practices across various organizational contexts and industrial sectors.

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