

The Influence of Green Accounting, Environmental and Financial Performance on Company Value with Profitability as a Mediator

NURLIA^{1a}, RINI ADIYANTI^{1b}, MUHAMMAD ARDI^{1c}
¹Institut Agama Islam Negeri Bone, Sulawesi Selatan, Indonesia
Email: *nurliaaa666@gmail.com^{1a}, rini@iain-bone.ac.id^{1b},
ardi6594@gmail.com^{1c}

ABSTRACT

This research aims to examine the extent to which the implementation of green accounting, environmental performance, and financial performance influences profitability and firm value in the basic materials sector listed on the Indonesia Sharia Stock Index (ISSI) during the period from 2019 to 2023. A quantitative approach with a descriptive design was applied. The data analyzed comprised 30 company observations representing 23 selected entities over five years. Data analysis techniques included simple and multiple linear regression through path analysis, Sobel test, and the calculation of the coefficient of determination. Hypothesis testing was conducted using t-test, F-test, and Sobel test, supported by EViews 12 Enterprise software. The findings indicate that green accounting significantly affects company profitability. In contrast, environmental performance and financial performance do not have a direct impact on profitability. However, when considered simultaneously, all three variables contribute to an increase in profitability. Additionally, the results show that environmental performance and profitability have a direct effect on firm value, while green accounting and financial performance do not exhibit a significant direct influence. Overall, all variables collectively influence firm value. Nevertheless, profitability does not act as a mediating variable in the relationship between green accounting, environmental performance, and financial performance on firm value.

Keywords : Environmental Performance; Financial Performance; Firm Value
Green Accounting; Profitability

1. INTRODUCTION

Corporate value is an indicator that reflects investors' perceptions of a company's future performance, prospects, and sustainability. A high corporate value indicates a strong level of market confidence, which is generally reflected in the company's share price and its ability to create added value for stakeholders (Brigham & Houston, 2019). Corporate value is also often associated with the company's primary goal, which is to maximize shareholder wealth in the long term. Indonesia

possesses abundant natural resources, reflected in its diverse geographical conditions. According to information from the Ministry of Energy and Mineral Resources (KESDM), the country holds vast reserves of new and renewable energy. This energy potential is widely distributed across various land areas, placing Indonesia among the countries with high energy consumption rates in the world. Some forms of alternative energy include mini/micro hydro of 450 MW, biomass of around 50 GW, solar energy with an intensity of 4.80 kWh/m² per day, wind speeds between 3–6 meters per second, and nuclear energy potential of 3 GW (Sihombing, 2020) . This abundant potential has attracted the interest of many companies to participate in managing it. However, the utilization of these natural resources often has a significant impact on the surrounding environment. Therefore, some companies have not fully considered the environmental consequences of their production activities. Therefore, an approach is needed that can balance economic activities and environmental preservation, one of which is through the application of the concept of green *accounting*.

Corporate awareness in Indonesia regarding the application of environmentally-based accounting principles remains minimal. This is reflected in 2023 data, which shows that the compliance rate of PROPER participating companies reached only 69.09%, or approximately 2,407 business entities a decrease compared to the previous year, when the compliance rate was 70% of 2,252 companies. (Indonesia, 2023) . Based on the evaluation results conducted by the Directorate General of Pollution and Environmental Damage Control together with the Directorate General of Waste, Waste, and Hazardous Waste Management of the Ministry of Environment and Forestry, and with support from provincial governments and the PROPER Advisory Council, the Minister of Environment and Forestry determined environmental performance ratings for 2,045 companies for the 2022–2023 evaluation period. Of these, only 26 companies managed to achieve a GOLD rating, 174 companies received a GREEN rating, 1,507 were ranked BLUE, 303 were ranked RED, while 2 companies received a BLACK rating. In addition, 13 companies were subject to legal sanctions, while 20 other companies were declared to have ceased operations. The sectoral division of these companies includes 961 entities from the agro-industrial sector, 597 companies engaged in manufacturing and infrastructure services, and 487 companies operating in the mining and oil and gas energy sectors (Ningtyas & Triyanto, 2019) .

A company operating in the basic materials sector in Tuban Regency experienced serious environmental pollution issues stemming from its industrial activities. Between 2019 and 2020, the company faced opposition from residents surrounding the factory, who protested alleged environmental pollution, which was even linked to fatalities. 2019 marked the beginning of an increase in complaints from residents about the dust and coal odor generated by the factory's production process. This problem was not resolved within a year and continued into 2020, with residents accusing dust from the factory of causing several deaths. An investigation later determined that the deaths were not directly caused by exposure to factory dust. Nevertheless, residents' complaints about disruptions to comfort and air quality were still considered legitimate and worthy of attention. Although the company took steps to minimize the dust pollution, this incident still negatively

* Corresponding author's e-mail: nurliaaa666@gmail.com
<http://openjournal.unpam.ac.id/index.php/JIA>

impacted the company's reputation, including a decline in public perception of the company's values and social responsibility (Seputartuban.com, 2020) .

Research by Qodratilah (2021) indicates that implementing environmentally friendly accounting practices has the potential to increase a company's stock value in the market. These results align with research conducted by Monica & Sulfitri (2023) , which found that implementing green accounting, coupled with corporate social responsibility (CSR) and financial stability, significantly and positively impacts company value. The concept of green accounting itself developed in response to companies' need to maintain environmental sustainability, in line with government regulations. By implementing this principle, companies demonstrate their commitment to environmental sustainability throughout their operations. This not only helps minimize the negative impacts of the production process but also strengthens the company's positive public image.

However, *the research gap* regarding the influence of green accounting on firm value remains unexplained. Differences in research findings, variations in supporting variables, and limitations within the industry sector context and observation period represent important research gaps requiring further study. Therefore, this study was conducted to enrich empirical studies on the role of green accounting in enhancing firm value and to provide academic and practical contributions to the development of the concept of corporate sustainability.

In addition to implementing green accounting, environmental performance also plays a role in increasing company value. According to Sapulette & Limba (2021a), Environmental performance has a significant impact on company value, particularly in the manufacturing sector, which was the object of their research. Based on these findings, it can be concluded that companies' efforts to improve their environmental performance are not only aimed at complying with the provisions of the Environmental Management Law (UUPLH), but also aim to minimize environmental damage. Improving environmental performance has the potential to strengthen a company's financial performance and send a positive signal to investors and other stakeholders, thereby encouraging more profitable investment decisions. Ultimately, improved environmental performance also has an impact on increasing stock prices in the market, which then contributes to increasing company value.

Research by Kumala & Priantilianitiasari (2024) found that a company's financial condition significantly influences the increase in the entity's value. This is in line with the research findings of Mudjijah et al. (2019) , which found that financial performance has a significant positive impact on company *value* . From these two studies, it can be concluded that financial performance plays a crucial role in driving the value of a business entity. Financial performance not only reflects a company's compliance with applicable regulations, particularly in the context of the Capital Markets Law, but also reflects the company's ability to generate profits. Solid performance will send a positive signal to investors and other external stakeholders, thus influencing profitable investment decisions for the company.

However, *the research gap* regarding the impact of environmental performance on firm value has yet to be studied in depth and comprehensively, particularly in the context of its integration with green accounting and financial

performance. Therefore, this study is crucial as a foundation for filling this research gap and strengthening empirical understanding of the factors influencing firm value.

The third accounting factor will be Based on the background description and the inconsistencies in previous research results, the purpose of this research is to determine the extent to which the application of environmentally friendly accounting principles, financial performance, and financial performance affect company *value*, with profitability acting as a mediating variable. The research focus is directed at companies in the energy and basic materials sector, to see how this third factor can influence company activities to form optimal company value.

This research contributes by examining the influence of green accounting and environmental performance on firm value in companies listed on the Indonesian Sharia Stock Index (ISSI) in the energy and basic materials sector, which are characterized by high levels of Sharia compliance and environmental risk. The research is entitled: "*The Influence of Green Accounting, Environmental Performance, and Financial Performance on Firm Value, with Profitability as a Mediator.*"

2. LITERATURE REVIEW AND HYPOTHESIS

Stakeholder Theory

The stakeholder concept has been known since 1963 when it was first introduced by *the Stanford Research Institute* (Freeman, 2018) . This concept emphasizes that the sustainability of an organization is highly dependent on the support of its stakeholders. Furthermore, stakeholder theory was developed by Freeman in 1984 with the aim of emphasizing the importance of corporate accountability and transparency towards related stakeholders. This theory states that companies have responsibilities that are not limited to internal interests alone, but also include various external parties such as investors, regulators, suppliers, consumers, the wider community, and even environmental aspects. (Angelina & Nursasi, 2021) . Thus, stakeholder theory is often seen as part of a company's strategy to maintain undesirable relationships with all stakeholders.

Stakeholder theory is also relevant in explaining the relationship between green accounting, environmental performance, financial performance, profitability, and company valuation. Companies committed to environmental responsibility typically allocate specific costs to environmental management activities, which are then voluntarily disclosed in their financial statements. Disclosure of environmental costs is seen as a strategy that provides benefits and has the potential to increase the company's future *value*. *This increase in company value* can then contribute to sustainable changes in financial performance (Permatasari & Widianingsih, 2020) .

Legitimacy Theory

The notion of legitimacy is removed from Dowling and Pfeffer's (1975) thinking on organizational legitimacy. They stated that organizations aim to ensure that their processes are accepted by society in accordance with prevailing social norms and

* Corresponding author's e-mail: nurliaaa666@gmail.com
<http://openjournal.unpam.ac.id/index.php/JIA>

boundaries, thus seeking recognition and acceptance from external parties (Kumala & Priantilianitiasari, 2024). This means that an organization's sustainability depends heavily on its ability to implement sustainable economic development, achieving equity both within and across generations.

Permatasari & Widianingsih (2020) explained that legitimacy theory encourages companies to optimally implement social responsibilities in order to obtain a positive response from the public. This positive response then contributes to increasing the company's reputation and value, which ultimately provides additional benefits in the form of investor interest in investing their capital. In line with this, Pambudi (2024) stated that legitimacy theory emphasizes the importance of companies to always ensure that their operational activities are aligned with social norms and standards accepted by society, in order to maintain legitimacy in the eyes of the public. The essence of this theory is that companies are not only obliged to prioritize the interests of investors, but must also pay attention to the rights and interests of society as a whole.

Legitimacy theory emphasizes that companies must comply with applicable regulations and social norms in carrying out their operations (Ramdhani & Prijanto, 2024). This compliance indirectly impacts the company's value. When companies ignore these obligations such as failing to maintain environmental sustainability in their operations environmental performance deteriorates, governance becomes suboptimal, and ultimately the company loses revenue, negatively impacting the sustainability of its business and the community.

In line with this view, Hamidi (2019) also emphasized that legitimacy theory requires companies to operate in accordance with agreed-upon rules and norms. Failure to uphold these norms not only harms a company's reputation but also has the potential to reduce its value. Conversely, companies that are able to maintain the legitimacy of their values through compliance with applicable norms and regulations will create a positive image in the eyes of the public. This image then impacts profitability and overall financial performance.

Profitability Variable (Z)

The company's recognition of pursuing profits can be identified through profitability ratios (Ramdhani & Prijanto, 2024). The profitability level reflects how efficiently a company operates to generate profits. This measure indicates the percentage of a company's ability to generate a reasonable profit. Furthermore, profitability also indicates a company's capacity to generate profits over a specific period of time (Hariadi & Nurwanda, 2024b).

Profitability ratios serve to evaluate how effectively a company uses its capital or assets to generate profits over a specific period. One of the main factors in measuring profitability is net profit, which is an important indicator for investors and creditors in assessing a company's ability to maintain and grow its capital. In practice, profitability can be measured through various relevant approaches, including using financial ratios as an analytical instrument for a company's financial condition, operational performance, and profitability level (Pramestya & Sjarief, 2024).

* Corresponding author's e-mail: nurliaaa666@gmail.com
<http://openjournal.unpam.ac.id/index.php/JIA>

Green Accounting Variable (X1)

In practice, *green accounting* is implemented by utilizing data related to environmental costs. This process begins with the collection, analysis, estimation, and compilation of data, generally taken from the company's annual report (Endiana, 2020). *Green accounting* is closely related to the allocation of costs used for environmental management by companies. In Indonesia, provisions regarding environmental costs are regulated through PSAK No. 33 and Government Regulation No. 78 of 2010. This regulation emphasizes that limited liability companies (PT) whose activities interact directly with the environment are required to assume social and environmental responsibility, by providing a tangible positive impact on the surrounding community and environment (Rosaline & Wuryani, 2020).

Environmental Performance Variables

Environmental performance reflects a company's actions and commitment to preserving nature and creating a healthy and sustainable environment. In general, this aspect illustrates the extent to which a company strives to address, control, and manage the environmental impacts arising from its business operations. Its essence lies in reducing the negative impacts of company activities while demonstrating an active role in environmental protection (Maryanti & Hariyono, 2020).

Evaluation of a company's environmental performance is carried out through a program initiated by the Ministry of Environment and Forestry (KLHK) since 2010. Known as PROPER (Company Performance Rating Assessment Program), this program aims to assess a company's ability to manage its environmental impacts and ensure compliance with applicable laws. To obtain a PROPER rating, a company must meet several requirements, including the preparation of environmental documents and reporting environmental information disclosure in its annual report (Dianty & Nurrahim, 2022).

Financial Performance Variable (X3)

A company's orientation in managing its capital structure and liabilities can be assessed through solvency ratios. One indicator used is the Debt-to-Equity Ratio (DER), which represents the proportion of debt used by a company as a source of financing compared to internal capital. This ratio illustrates the relationship between total liabilities and equity. A high DER value indicates a company's greater reliance on debt-based funding, which can increase potential financial risk if not managed optimally (Zalukhu, 2022).

Investors and creditors are very important parties interested in the DER value because this ratio can reflect the level of financial stability company and management skills in maintaining a balance between external and internal funding. For this reason, DER is often used as a key indicator in financial statement analysis to evaluate a company's financial health, level of financial risk, and effectiveness in managing capital sources and liabilities.

Company Value (Y)

Company value reflects the total market value of all securities, both loans and equity, distributed in the market. Generally, shareholders desire a high company value, as this reflects the potential profits for shareholders. Stock market price is a key indicator of a company's wealth and shareholder well-being, which is ultimately influenced by the company's investment, financing, and asset management decisions (Sapulette & Limba, 2021).

A company's value can be measured using various financial indicators, one of which is the valuation ratio. This ratio serves as an important tool for linking the stock price in the market with its book value. Furthermore, this ratio also provides management with insight into how investors view the company's performance and its potential for future growth. One method of measuring company value based on valuation ratios that is considered superior is Tobin's Q, as it provides a comprehensive interpretation of all company activities (Hariadi & Nurwanda, 2024).

3. RESEARCH METHODS

This research employs a quantitative approach. As explained by Sugiyono in Afiyah et al., a quantitative approach is a research method that prioritizes the principles of objectivity and is scientific in nature, with data collected in numerical form or measurable statements analyzed through statistical procedures. This approach is based on a positive thinking framework (Afiyah & Junjunan, 2023).

This research uses a descriptive approach, which aims to provide a comprehensive overview of the actual conditions in a population in order to test hypotheses regarding the actual situation of the object being studied. Furthermore, this research is associative-causal, meaning it is designed to analyze the cause-and-effect relationship between variables. The independent variables in this study consist of Green Accounting (X1), Environmental Performance (X2), and Financial Performance (X3). Furthermore, Profitability (Z) is used as an intervening variable, while Firm Value (Y) is set as the dependent variable.

Data collection technique

This research uses secondary data collection techniques, namely data obtained from indirect sources related to the research object. The data was collected through documentation of annual reports of basic materials sector companies for the period 2019–2023, which were accessed through the official website of the Indonesia Stock Exchange at <https://www.idx.co.id/id>. In addition, this study also uses a literature study method, relying on various relevant literature sources to support the discussion of the research topic. This technique is used to collect information on green accounting, environmental performance, financial performance, profitability levels, and company value, with data used in this study sourced from information available on the Indonesia Stock Exchange. In addition, the data collection process also includes sample selection that has been adjusted to the characteristics of the population determined in this research.

* Corresponding author's e-mail: nurliaaa666@gmail.com
<http://openjournal.unpam.ac.id/index.php/JIA>

Research Variables

Green Accounting (X₁)

Green accounting is the process of allocating environmental costs in a company's financial statements arising from operational activities that have an impact on the environment. Green accounting is measured by comparing the company's total CSR costs to its net profit, using the following formula:

$$\text{Environmental Cost} = \text{CSR Activity Cost} / \text{Net Profit}$$

Environmental Performance (X₂)

Environmental performance refers to a company's ability to manage environmental aspects in accordance with applicable laws and regulations. In this study, environmental performance is measured using the PROPER rating issued by the Ministry of Environment and Forestry, with the following classifications:

- Gold (5)
- Green (4)
- Blue (3)
- Red (2)
- Black (1)

Financial Performance (X₃)

Financial performance reflects a company's ability to manage its finances to ensure business sustainability. In this study, financial performance is measured using the solvency ratio Debt to Equity Ratio (DER), calculated as:

$$\text{DER} = \text{Total Debt} / \text{Total Equity} \times 100\%$$

Firm Value / Tobin's Q (Y)

Firm value is measured using Tobin's Q ratio by comparing the market value of equity plus total liabilities to total assets. A Tobin's Q value greater than one indicates a higher market valuation of the firm. The formula is as follows:

$$\text{Tobin's Q} = (\text{Market Value of Equity} + \text{Liabilities}) / \text{Total Assets}$$

Profitability / ROA (Z)

Profitability reflects a company's ability to generate profits from its assets. In this study, profitability is measured using Return on Assets (ROA), calculated by the following formula:

$$\text{ROA} = \text{Net Profit} / \text{Total Assets} \times 100\%$$

Data Analysis Techniques

The data analysis technique in this study was conducted through a quantitative approach utilizing panel data regression, considering the characteristics of the data used in the form of secondary data with cross-section and time series

* Corresponding author's e-mail: nurliaaa666@gmail.com
<http://openjournal.unpam.ac.id/index.php/JIA>

dimensions. Data processing was carried out using EViews Enterprise 12 software, which was chosen for its ability to manage panel data efficiently and produce accurate analysis output. The analysis stage begins with selecting the most appropriate panel data regression model through the Chow test, the Hausman test, and the Lagrange Multiplier test. After the best model is determined, the analysis continues with classical assumption tests including normality, multicollinearity, and heteroscedasticity tests to ensure the feasibility of the estimation model.

Next, the relationship between variables was tested using path analysis to examine the role of profitability as an intervening variable in the relationship between green accounting, environmental performance, and financial performance on firm value. To test the significance of the direct and simultaneous effects, the t-test (partial) and F-test (simultaneous) statistics were used, as well as the coefficient of determination (R^2) to assess the model's ability to explain variations in the dependent variable. Furthermore, the Sobel test was used to test the significance of the indirect effect of the independent variables on firm value through profitability. All statistical tests were conducted at a 5 percent significance level.

4. RESEARCH RESULTS AND DISCUSSION

Research result

Determining the most appropriate model among the three available options *the Common Effect Model (CEM)*, *the Fixed Effect Model (FEM)*, and *the Random Effect Model (REM)* was conducted through several testing stages, namely the Chow test, the Hausman test, and the Lagrange Multiplier test. The purpose of this series of tests was to find the estimation method that best fits the analyzed data. Based on the test results, this research used the Common Effect Model (CEM) for substructure I and the Fixed Effect Model (FEM) for substructure II. Statistical analysis was also applied to each model. After the best model was obtained, the research process continued with testing against classical assumptions. In addition, this research applied path analysis to assess the indirect effects mediated by intervening variables.

Although the empirical findings of this study show results that are relatively consistent with some previous literature, the main contribution of this research lies in the empirical context used, namely basic materials sector companies included in the Indonesian Sharia Stock Index (ISSI). The characteristics of sharia companies that prioritize the principles of sustainability, business ethics, and compliance with sharia values provide a different perspective in assessing the effectiveness of green accounting and environmental performance on financial performance and firm value. Furthermore, this study enriches the literature by examining the role of profitability as a mediating variable within a panel data framework, which shows that although green accounting influences profitability, this mechanism is not yet strong enough to translate into increased firm value. These findings confirm that the implementation of sustainability practices in sharia companies still faces challenges in creating long-term economic value that is responded positively by the

* Corresponding author's e-mail: nurliaaa666@gmail.com
<http://openjournal.unpam.ac.id/index.php/JIA>

market. The following description presents a discussion of the results of the various tests conducted in this research:

Green accounting has a direct impact on profitability.

The results of this study align with various previous empirical findings showing that the implementation of green accounting, particularly through environmental expenditures, has a positive impact on corporate profitability. Several studies have concluded that companies that consistently allocate funds for environmental management tend to achieve operational efficiency, reduce environmental risks, and improve corporate reputation, which impacts profit performance. Environmental costs are not viewed merely as an expense, but rather as a long-term investment that can improve business sustainability and the stability of corporate profits.

The relationship between these findings and grand theory can be explained through stakeholder theory and legitimacy theory. From a stakeholder theory perspective, environmental expenditures reflect a company's responsibility to the interests of non-economic stakeholders, such as society and the environment, which ultimately contributes to the creation of a harmonious and sustainable relationship between the company and its environment. This relationship can reduce the potential for social conflict and external costs, thereby supporting increased profitability. Meanwhile, legitimacy theory explains that green accounting practices are a company's effort to gain social acceptance through compliance with applicable environmental norms and regulations. This social legitimacy plays a role in maintaining the company's operational sustainability, which indirectly impacts financial performance, particularly profitability.

A number of national studies have found evidence of a positive relationship between the implementation of green accounting and corporate profitability (Sparta & Reska, 2022). The significant influence of green accounting on profitability indicates a paradigm shift in how companies view environmental costs. In the context of this research, environmental expenditures serve as a risk management mechanism and long-term efficiency improvement, not simply an administrative obligation. Companies that systematically manage their environmental impacts tend to have more controlled and sustainable operational processes, thus generating more stable profits. Therefore, green accounting plays a strategic role in strengthening profitability through the creation of economic value derived from sustainable business practices.

Performance environment does not show a significant impact on profitability.

The results of this study align with several previous empirical findings, which suggest that environmental performance, as measured by the PROPER indicator, does not always directly impact a company's profitability. Several studies have shown that even if a company achieves a good PROPER rating, this does not necessarily translate into increased profits in the short term. This is because the benefits of environmental performance are more long-term and indirect, such as

* Corresponding author's e-mail: nurliaaa666@gmail.com
<http://openjournal.unpam.ac.id/index.php/JIA>

reduced environmental risks, improved reputation, and operational sustainability, whose effects on profitability are only felt over a longer period of time.

From a stakeholder theory perspective, these results indicate that corporate compliance with environmental standards through PROPER is more directed at meeting regulatory and public expectations, rather than directly improving economic performance. Environmental performance, in this context, serves as a form of corporate social responsibility toward non-economic stakeholders, so its impact on profitability is not immediate. Meanwhile, within the framework of legitimacy theory, the PROPER rating reflects a company's efforts to gain social legitimacy through compliance with environmental regulations. However, the legitimacy gained is still limited to normative or administrative legitimacy, so it has not yet been fully converted into market legitimacy that directly impacts corporate profits.

The author's argument asserts that the insignificant effect of environmental performance on profitability indicates a gap between environmental compliance and economic value creation. In the context of this research, PROPER represents a company's level of compliance with environmental regulations rather than a business strategy oriented toward creating added value. Furthermore, the benefits of improved environmental performance tend to be indirect and require time to be internalized within a company's operational processes. Therefore, although environmental performance is important in supporting a company's sustainability and reputation, its impact on profitability was not directly perceived during the observation period of this research.

Financial performance does not show a significant impact on profitability.

The probability value of variable X3 of 0.1373, which exceeds the significance level of 0.05, indicates that financial performance as measured by *the Debt-to-Equity Ratio* (DER) does not significantly affect company profitability. This finding is in line with Modigliani and Miller's capital structure theory, which states that under certain conditions, the composition of debt and equity does not affect company value or profitability (Modigliani & Miller, 1958). According to *Pecking Order Theory*, companies tend to prioritize internal funding so that the DER level does not directly determine the resulting profit (Myers & Majluf, 1984). The authors argue that company profitability is more influenced by operational efficiency and asset management than by capital structure, so that DER reflects financial risk more than the ability to generate profits.

Green accounting, environmental performance and financial performance have an impact on profitability.

The probability value of 0.025192, which is below the 0.05 significance level, indicates that green accounting, environmental performance, and financial performance simultaneously have a significant effect on company profitability. Green accounting is represented through the allocation of environmental costs as a form of integration of ecological aspects in accounting reporting, while environmental performance is measured using the PROPER indicator, which reflects the company's level of compliance and commitment to sustainable

* Corresponding author's e-mail: nurliaaa666@gmail.com
<http://openjournal.unpam.ac.id/index.php/JIA>

environmental management. Financial performance is proxied by the Debt-to-Equity Ratio (DER), which describes the company's capital structure and ability to manage financial risks.

Green Accounting Has No Impact on Company Value

The results of the study indicate that green accounting does not significantly influence firm value, as indicated by the probability value of variable X1 of 0.0690 (> 0.05). This finding can be explained through Legitimacy Theory, which asserts that new environmental activities and disclosures will impact firm value if they are perceived as relevant and valuable by investors (Suchman, 2019). In this context, environmental cost disclosure is not yet fully understood as a strategic commitment to sustainability, but is still viewed as an operational expense.

Furthermore, Stakeholder Theory states that corporate value creation depends on a company's ability to effectively manage and communicate stakeholder interests (Freeman et al., 2021). In the authors' opinion, the insignificant effect of green accounting on corporate value indicates that the economic benefits of environmental investments are long-term and have not yet been directly responded to by the capital market, thus their impact on corporate value remains limited.

Environmental Performance Affects Company Value

Conversely, environmental performance was shown to have a significant effect on firm value, with a probability value of 0.0313 (< 0.05). This finding supports Legitimacy Theory and Stakeholder Theory, which state that good environmental management increases social legitimacy and investor confidence, thus positively impacting market valuation (Suchman, 2019; Freeman et al., 2021). In this study, environmental performance was measured using the Corporate Performance Rating Assessment Program (PROPER) issued by the Ministry of Environment and Forestry (KLHK), which assesses companies' compliance and innovation in waste management, energy efficiency, resource conservation, and environmentally friendly practices. The PROPER rating ranging from black to gold serves as a credible signal of a company's sustainability commitment, which in turn drives increased firm value in the eyes of the market.

Financial Performance Has Not Yet Impacted Company Value

Financial performance, as proxied by the *Debt to Equity* (DER) ratio, has not shown a significant relationship with company *value*. DER represents the ratio between total debt and equity and is used to assess a company's funding structure. A high DER ratio indicates a heavy dependence on external financing, which indicates high financial risk due to the debt burden. Conversely, a low DER reflects higher capital stability with more manageable risks. However, in this study, the capital structure was not strong enough to influence market perceptions of company value.

Profitability Affects Company Value

Profitability, measured using Return on Assets (ROA), was found to have a significant influence on company value, with a probability value of $0.0076 < 0.05$. ROA illustrates how efficiently a company uses its assets to generate profits. The

* Corresponding author's e-mail: nurliaaa666@gmail.com
<http://openjournal.unpam.ac.id/index.php/JIA>

higher the ROA, the better the company's financial performance, which can attract investors. Efficiency in generating profits is an important indicator in assessing a company's value by the market and stakeholders.

Simultaneous Effect on Profitability:

A probability of $0.002596 < 0.05$ indicates that green accounting, environmental performance, and financial performance jointly contribute to profitability. Green accounting, through spending on environmental activities, reflects the extent to which a company internalizes ecological impacts into its operational and accounting systems. Environmental performance, as reflected in the PROPER rating, serves as an objective benchmark for compliance with environmental regulations. On the other hand, DER, as a financial performance indicator, shows how a company balances debt and equity in its operations. All three, simultaneously, influence the effectiveness of asset utilization, as reflected in ROA.

Profitability Does Not Mediate the Effect of Green Accounting on Firm Value

The Sobel test results, which showed a statistical value of $-1.867534 < 2.05$, indicate that profitability has not succeeded in becoming a significant mediating variable in the relationship between green accounting and firm value. Based on the perspective of stakeholder theory, green accounting reflects social and environmental accountability to all stakeholders. However, in practice, this form of responsibility has not translated into increased economic value that can attract investors or increase firm value. These findings indicate that profitability is not necessarily the main mechanism in transmitting the influence of other variables on a company's value. Tsania et al. (2025) also show that profitability does not always reflect the actual quality of performance, so its role as an intermediary variable is limited.

Profitability Does Not Mediate the Effect of Environmental Performance on Firm Value

The Sobel test also shows that profitability does not significantly mediate the relationship between environmental performance and firm value, with a statistical value of $1.571703 < 2.05$. In the context of stakeholder theory, companies are required not only to fulfill the interests of shareholders, but also to pay attention to their impact on society and the environment. PROPER as an objective indicator of environmental responsibility has not been proven to be able to drive increased profitability that can significantly strengthen firm value.

The level of profitability has not shown a significant role in mediating the relationship between financial performance and firm value.

Referring to the Sobel test results, which yielded a statistical value of $-0.9505 < 2.05$, it can be concluded that profitability has not played a significant role as a mediating variable in the relationship between financial performance and firm value. Financial performance is identified through the Debt-to-Equity Ratio (DER), which reflects the company's funding composition, specifically the proportion of debt used compared to equity in financing operations. Based on stakeholder theory, the sustainability of a business entity is determined not only by profit but also by

* Corresponding author's e-mail: nurliaaa666@gmail.com
<http://openjournal.unpam.ac.id/index.php/JIA>

the ability to maintain a balance of interests from various stakeholders, such as creditors, shareholders, and investors. A high DER ratio can indicate increased financial risk, which in turn can influence stakeholders' perspectives on the company's stability and long-term prospects.

Overall, this study confirms that environmental sustainability does not automatically generate economic value without a communication strategy, market legitimacy, and adequate policy support. Therefore, integrating green accounting practices, environmental management, and value creation strategies is key for companies, particularly Islamic companies, to achieve a balance between social responsibility, financial performance, and corporate value.

5. CONCLUSION & SUGGESTION

This study shows that green accounting has a direct effect on corporate profitability, and simultaneously, green accounting, environmental performance, and financial performance have an effect on profitability. However, partially, environmental performance and financial performance do not have a direct effect on profitability. Regarding firm value, only environmental performance and profitability have a direct effect, while green accounting and financial performance do not show a significant effect. Simultaneously, all four variables, green accounting, environmental performance, financial performance, and profitability, have an effect on firm value. The absence of profitability as a mediating variable indicates that the firm's value creation mechanism has not fully operated through profit performance.

Theoretically, these findings enrich the study of stakeholder and legitimacy theory by demonstrating that green accounting practices and environmental compliance in basic materials sector companies listed on the Indonesian Sharia Stock Index have not yet fully translated into market legitimacy. The practical implications of this research emphasize the need for sharia companies to integrate sustainability practices into business strategies oriented toward long-term value creation. Furthermore, regulators are expected to design more applicable policies by linking environmental performance to economic incentives or access to green financing, so that environmental sustainability serves not only as regulatory compliance but also as a source of competitive advantage and increased company value.

REFERENCE

- Afiyah, H., & Junjuran, MI (2023). The Influence of Green Accounting and Environmental Performance as Intervening Variables (Empirical Study on Companies Listed on the LQ45 Index in 2019-2022). *Inference: Accounting And Business Economics*, 12 (02).
- Angelina, M., & Nursasi, E. (2021). The Effect of Green Accounting Implementation and Environmental Performance on Company Financial

* Corresponding author's e-mail: nurliaaa666@gmail.com
<http://openjournal.unpam.ac.id/index.php/JIA>

- Performance. *Journal of Aerospace Management* , 14 (2).
- Brigham, & Houston. (2019). *Fundamentals of Financial Management. Cengage Learning* .
- Dianty, A., & Nurrahim, G. (2022). The Effect of Green Accounting Implementation and Environmental Performance on Financial Performance. *Journal of Economics, Management, Business, Entrepreneurship and Accounting* , 4 (2).
- Endiana, IDM (2020). The Effect of Green Accounting on Corporate Sustainability and Financial Performance. *Journal of Asian Finance, Economics and Business* , 7 (12).
- Freeman, R.E. (nd). *Strategic Management: A Stakeholder Approach* .
- Gustinya, D. (2022). The Effect of Green Accounting Implementation on the Value of Proper Participating Manufacturing Companies Listed on the Indonesia Stock Exchange in 2017-2019." *Krisnadwipayana Journal of Accounting and Business*, 9 (2).
- Hamidi. (2019). Analysis of the Implementation of Green Accounting on Company Financial Performance. *Equilibria Journal* , 6 (2).
- Hariadi, S., & Nurwanda, RM (2024a). "The Effect of Carbon Emission Disclosure (CED), Corporate Social Responsibility (CSR), and Green Accounting on Company Value with Profitability as an Intervening Variable." *Lentera Bisnis Journal* , 13 (2).
- Hariadi, S., & Nurwanda, RM (2024b). The Effect of Carbon Emission Disclosure (CED), Corporate Social Responsibility (CSR), and Green Accounting on Company Value with Profitability as an Intervening Variable. *Lentera Bisnis Journal* , 13 (2).
- Indonesia, Ministry of Environment and Forestry (2023). *Report on the Results of the Corporate Performance Rating Program in Environmental Management (PROPER) 2022–2023* .
- Kumala, N., & Priantilianitiasari, R. (2024). The Effect of Financial Performance and Capital Structure on Company Value Moderated by Company Size Variables. *The Effect of Green Accounting, CSR, and Financial Performance on the Value of Mining Companies Listed on the IDX in 2016-2022* , 5 (2).
- Maryanti, IE, & Hariyono. (2020). The Effect of Green Accounting Implementation on the Performance of Companies Listed on the Indonesia Stock Exchange. *Widya Ganecwara Journal*, 10 (4).
- Monica, S., & Sulfitri, V. (2023). The Influence of Green Accounting, Corporate Social Responsibility, and Financial Distress on Company Value in Consumer Goods Manufacturing Companies Listed on the IDX 2019-2021. *Trisakti Economic Journal* , 3 (2).
- Mudjijah, S., Khalid, Z., & Astuti, DAS (2019). The Effect of Financial

- Performance and Capital Structure on Company Value Moderated by Company Size. *Journal of Accounting and Finance* , 8 (1).
- Ningtyas, AA, & Triyanto, DN (2019). The Influence of Environmental Performance and Environmental Disclosure on Company Profitability (Empirical Study of Mining Companies Listed on the IDX in 2015-2017). *Journal of Accounting, Auditing and Accounting Information Systems* , 3 (1).
- Oktadifa, RM, & Widajantie, TD (2024). The Effect of Green Accounting, Material Flow Cost Accounting, and Environmental Performance on Company Profitability. *Journal of Islamic Economics, Finance, and Business* , 6 (3).
- Pambudi, JE (2024). Tax Aggressiveness, Environmental Performance, Leverage, and Liquidity, Against Corporate Social Responsibility Disclosure with Profitability as a Moderator. *Journal of Accounting, Economics, and Taxation* , 1 (2).
- Permatasari, F., & Widianingsih, LP (2020). “Corporate Social Responsibility Disclosure on Financial Performance with Good Corporate Governance as a Moderating Variable.” *Indonesian Accounting and Taxation Media (MAPI)* , 1 (2).
- Pramestya, VM, & Sjarief, J. (2024). The Effect of Profitability, Company Size, and Green Accounting Implementation on Company Value. *Journal of Economics* , 16 (02).
- Qodratilah, NHI (2021). The Effect of Green Accounting Implementation on Profit Achievement Level and Stock Price Growth in Green Industry Award-Winning Companies Listed on the Indonesia Stock Exchange (IDX) in 2015-2019. *Review of Accounting and Business* , 2 (2).
- Ramdhani, BA, & Prijanto, B. (2024). The Effect of Green Accounting Implementation on Company Value with Profitability as a Moderating Variable. *Sanskara Accounting and Finance* , 3 (1).
- Rosaline, VD, & Wuryani, E. (2020). The Effect of Green Accounting and Environmental Performance Implementation on Economic Performance. *Journal of Accounting and Financial Research* , 8 (3).
- Salsabila, A., & Widiatmoko, J. (2022). The Effect of Green Accounting on Company Value with Financial Performance as a Mediating Variable in Manufacturing Companies Listed on the IDX in 2018-2021. *Mirai Management Journal* , 7 (1).
- Sapulette, SG, & Limba, FB (2021a). The Effect of Green Accounting Implementation and Environmental Performance on the Value of Manufacturing Companies Listed on the IDX in 2018-2020. *Jurnal Akun Nabelo: Jurnal Akuntansi Neutral, Accountable, Objective* , 2 (2).
- Sapulette, SG, & Limba, FB (2021b). The Effect of Green Accounting Implementation and Environmental Performance on the Value of Manufacturing Companies Listed on the IDX in 2018-2020. *Kupna Akuntansi*

, 2 (1).

Seputartuban.com. (2020). *Upset by the Negative Impact of Coal, 5 Residents Demonstrate at PT Semen Indonesia* . <https://Seputartuban.Com/Kesal-Dampak-Buruk-Batu-Bara-5-Warga-Demo-Pt-Semen-Indonesia/>.

Sihombing, G. (2020). Energy Transformer, Potential and Energy Model Testing. *Jurnal Syntax Transformation*, 1 (9).

Sparta & Reska, MN (2022). Analisis Pengaruh Penerapan Green Accounting terhadap Kinerja Perusahaan Manufaktur dalam Bursa Efek Indonesia. *Jurnal Ilmiah Akuntansi Universitas Pamulang*, 10 (2).

Tsania, A. A. F., Mudjiyanti, R., Santoso, S. B., & Santoso, S. E. B. (2025). The influence of institutional ownership, profitability, and company size on earnings quality. *Jurnal Ilmiah Akuntansi Universitas Pamulang*, 13(2),

Zalukhu, RS (2022). *The Effect of Green Accounting Implementation and Capital Structure on Company Performance* . 3 (2).