

Effect of Green Accounting and Environmental Performance on Firm Value Moderated by Profitability

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ABSTRACT

This study examines how green accounting and environmental performance affect the value of companies listed on the Indonesia Stock Exchange from 2020-2024, using profitability as a moderating element. The novelty of this study is the use of PBV as an indicator of company value and testing profitability as a moderating variable. This research uses a quantitative approach, selecting 17 companies through purposive sampling. Annual reports, Sustainability Reports, and PROPER publications are used as secondary data. The study employs SmartPLS 3.2.9 for SEM-PLS method data analysis. The results show that green accounting has a negative and significant effect on firm value, while environmental performance and profitability have a positive and significant effect on firm value. Furthermore, profitability is proven capable of moderating the relationship between green accounting and firm value by strengthening its negative effect, but it does not moderate the relationship between environmental performance and firm value. These findings indicate that firm value is related to how companies manage environmental aspects as well as their financial performance.

Keywords: *green accounting; environmental performance; firm value; profitability.*

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INTRODUCTION

In recent years, the global environmental crisis, marked by the acceleration of climate change and ecosystem degradation, has increased pressure on businesses to address their environmental effect (IPCC, 2023). Environmental conditions influence public health, illness patterns, and healthcare demands, making climate change a major issue (WHO, 2021).

Kementerian Lingkungan Hidup dan Kehutanan (KLHK) Corporate PROPER tracks corporate environmental performance. This program rates company environmental performance from black to gold depending on regulatory compliance, waste and emission management, and the implementation of environmental innovations (KLHK, 2025). The latest statistics indicate a steady rise in the count of firms involved in PROPER. By 2023, 3,694 enterprises were documented, marking an increase from 3,200 recorded during the preceding year (KLHK, 2023). This shows that environmental participation is increasingly widespread, but the data also shows that most companies do not achieve green or gold ratings, with only a small portion receiving high ratings, while the majority remain at blue and red ratings (KLHK, 2023). Recent evidence shows that out of thousands of companies assessed for the 2021-2022 period, as many as 28% of companies received a "non-compliant" rating (red/black), indicating that regulatory pressure alone is not enough to guarantee adequate environmental practices (Rahman, 2022). PROPER owned by the KLHK assesses company environmental performance based on regulatory compliance and environmental innovation (KLH, 2025). However, despite the increase in the number of participants, the compliance rate has actually decreased because many companies are not yet ready in terms of environmental monitoring and reporting (Hadi et al., 2025). This indicates that environmental assessment does not automatically enhance investor perception, Fundamental issues and information transparency still affect corporate value. Sustainability transparency improves reputation and corporate value (Hamdah et al., 2025). Profitability also boosts corporate value and attracts investors (Saraswati et al., 2024).

PT. Kalbe Farma Tbk reports on sustainability and green accounting developments while fulfilling its commitments to uphold various essential environmental responsibilities, supported by a good PROPER rating and a relatively high level of profitability. This condition makes the firm valuation a reflection of how the market assesses performance not only from operational aspects but also from sustainability commitments and environmental risks. If the market appreciates the transparency of environmental reporting, then the firm value, such as PBV can increase (Anggarista et al., 2024). A increasing PBV indicates investor in the company's value creation (Yulianatasya & Manunggal, 2023). From 2019 to 2024, PT Kalbe Farma Tbk's PBV fluctuated and declined.

Table 1 Firm Value Calculation PBV

Year	Stock Price	Book Value	PBV	Description
2019	Rp 1.620	356,384831	4,55	-
2020	Rp 1.480	389,888737	3,80	Down
2021	Rp 1.615	453,670878	3,56	Down
2022	Rp 2.090	471,4084	4,43	Up
2023	Rp 1.610	493,225851	3,26	Down
2024	Rp 1.360	524,594555	2,59	Down

Source: Processed by the author, 2025

Referring on the PBV table of PT Kalbe Farma, the firm value has experienced fluctuations. PBV decreased from 4,55 in 2019 to 3,56 in 2021, indicating a weakening stock price. In 2021-2022, PBV briefly increased to 4.43 along with the rise in stock price, but then fell again to 3.26 in 2023 and 2.59 in 2024. Overall, although PBV is still above one, this inconsistent movement indicates that the firm value is not yet stable and tends to continue declining, making it interesting to further study the factors influencing it. This case reflects a broader issue of related to how the implementation of green accounting and environmental performance does not necessarily get responded to by the market in the form of increased company value. This condition shows that company value is not only influenced by environmental aspects but also other factors such as the company's financial performance, which can affect how this information is interpreted by investors. This example illustrates the importance of examining more deeply the relationship between green accounting, environmental performance, and company value, considering the role of profitability as a factor that can strengthen or weaken this relationship.

In the framework of corporate reporting and accountability, green accounting is utilized by firms to document and disclose environmental costs and activities in annual or sustainability reports (Islami & Sanjaya, 2025). It signifies financial and operational environmental commitment and shows investors that the firm internalises ecological issues in its core corporate decision-making processes (Lubis et al., 2024). Meanwhile, environmental performance measured through the PROPER rating serves for external indicator on company's environmental commitment. A "green" or "gold" rating reflects a better environmental management reputation and has the potential to increase investor confidence (Koeshardjono et al., 2025). However, environmental reputation does not always guarantee a high firm value because fundamental financial factors still play a significant role (Chairina et al., 2024). Thus, profitability remains vital in framing market assessments regarding sustainability claims, as higher-margin firms possess greater capacity to integrate environmental practices without negatively impacting their overall financial performance and long-term operational success across diverse sectors (Indrastuti, 2024).

Various studies show diverse results, Anggraeni et al (2025) demonstrated a positive contribution of green accounting and environmental performance to entity valuation, both independently and through the mediation of profitability. Conversely, Zhafira (2024) asserted that although green accounting significantly influences firm value, profitability fails to play a moderating role in this relationship. Koeshardjono et al (2025) Green accounting considerably affects corporate value, with profitability

moderating the variable. In contrast, Theresia & Akbar (2024) discovered a negative link with green accounting, even if environmental performance and profitability regularly increased business value. Cahyani & Afkar (2025) found that green accounting and environmental performance increase corporate value. However Kelly & Henny (2023) observed no partial effect, but rather a significant effect through a moderating mechanism. Finally, Hutagalung et al (2024) stated that green accounting and profitability are the main drivers of significant increases in firm value.

The majority of studies rely on Tobin's Q ratio, which is also influenced by investor sentiment and the transparency of company information disclosure (Decourt et al., 2024). This research offers novelty by using PBV which is considered to better reflect market valuation of equity and has stronger predictive ability compared to Tobin's Q (Martini, 2024).

The study examines how green accounting, environmental performance, and profitability effect firm value. The study examines how profitability affects green accounting and firm value or environmental performance and firm value. Enriching the environmental accounting literature and providing PBV on the alternative firm value metric are anticipated theoretical contributions. It is hoped that this study will help companies implement sustainability initiatives, investors evaluate companies, and regulators assess environmental reporting regulations. This study can also assist academics and researchers in conducting future studies.

THEORETICAL FOUNDATION AND HYPOTHESIS DEVELOPMENT

Legitimacy Theory

Legitimacy emphasises that organisations integrate their operations and strategic goals to meet societal standards to acquire public acceptance (Dowling & Pfeffer, 1975). Legitimacy is achieved when company activities are deemed consistent with prevailing social values, whereas inconsistency can pose social, economic, or legal threats. Because social norms are dynamic, companies need to continuously adapt through adjustments in operations and information disclosure to sustain their business continuity (Dowling & Pfeffer, 1975). The incorporation of green accounting and environmental performance is yet another alternative for companies to satisfy social expectations to acquire external legitimacy (Fitriyani & Sungkar, 2024). Thus, legitimacy theory provides a conceptual basis to explain how environmental practices can influence market response and firm value, but also as how profitability plays a role in strengthening or moderating that influence.

Stakeholder Theory

Referring to Freeman et al (2010) define stakeholders as people who possess the power to affect a company's goals and objectives while also being susceptible to those goals because company value depends on how well a business handles its stakeholder relationships beyond its shareholder obligations. Freeman et al (2010) stakeholder theory creates a link between economic and ethical dimensions which makes every business choice result in social obligations toward business stakeholders. Stakeholder theory explains that fulfilling stakeholder interests can shape positive perceptions of the company, which ultimately affects the company's value. Green accounting functions as a mechanism that enables businesses to disclose their environmental performance through environmental impact assessments (Freeman et al., 2010). Lestari & Khomsiyah (2023) conducted research which found that green accounting creates a positive connection with value because it establishes a mechanism for organizations to meet their stakeholder needs. Businesses that demonstrate strong environmental performance will meet both regulatory requirements and community expectations, which will create opportunities for them to improve their reputation and firm value (Freeman et al., 2010). This positive relationship is also supported by empirical findings (Lestari & Khomsiyah, 2023). Furthermore, profitability is considered as a moderator because profitability enhances the impact of sustainability efforts on corporate value as higher-margin enterprises possess superior financial resources to effectively fund and maintain these initiatives (Kelly & Henny, 2023).

Green Accounting

Green accounting namely a accounting chart that goes beyond conventional financial transactions. documentation to include social and environmental business system impacts throughout organizational development. This approach delivers better decision-making data through its comprehensive system of operational business activities (Almunawwaroh et al., 2022). In this research, green accounting is quantified using a dummy variable based on whether environmental costs are disclosed within the annual

report or sustainability report. A value of zero is assigned if the company fails to reveal environmental expenditures, while a value of one is allocated if the firm discloses costs such as waste management, pollution prevention, and various other essential environmental protection measures and initiatives throughout their reporting (Anggraeni et al., 2025). The use of dummy variables in this study is considered adequate to identify the presence of disclosure in a simple, objective manner and has been used in previous research. However, it has limitations because it cannot capture the level and quality of disclosure in greater depth.

Environmental Performance

Corporate environmental performance reflects the commitment and responsibility in managing operational impacts sustainably, not only focused on profit but also on fulfilling stakeholder expectations through measurement, reporting, and improvement of environmental aspects as part of a corporate social responsibility strategy (Gazi et al., 2024). According to previous research by Anggraeni et al (2025) PROPER becomes an indicator to measure environmental performance. In Indonesia, corporate environmental performance is monitored through PROPER, which promotes corporate environmental compliance, transparency, good governance concepts including responsibility, justice, and community engagement in environmental management (KLH, 2025).

Firm Value

A higher exchange stock price suggests a more optimistic market opinion of a company's profit and risk prospects (Susilowati et al., 2024). A firm's economic worth represents the market's evaluation of business prospects, profitability, and corporate hazards (Siahaan et al., 2025). The PBV ratio, which compares the market price of the stock to its book value per share, is used to determine firm value (Monika et al., 2023). PBV is acceptable since it immediately represents the market's equity valuation based on verified financial reports' stock price and book value (Martini, 2024).

Profitability

Profitability reflects a firm's capacity to produce earnings from its operational activities the effective management of its available resources (Jirwanto et al., 2024). Based on research Anggraeni et al (2025) profitability is used using ROA.

HYPOTHESIS DEVELOPMENT

The Influence of Green Accounting on Firm Value

The implementation of green accounting reflects the integration of environmental aspects into the accounting system to enhance transparency and accountability to stakeholders. In legitimacy theory, this explains the behavior of companies in responding to social demands (Dowling & Pfeffer, 1975). Stakeholder theory asserts that a company is responsible not only to its shareholders but also to all parties affected by its activities (Freeman et al., 2010). Several studies show a positive impact for firm value Zhafira (2024), Hutagalung et al (2024), Koeshardjono et al (2025), and Anggraeni et al (2025) as it is considered to reflect social responsibility and regulatory compliance. Referring to the explanation above, it will be formulated as follows:

H1: There is an influence of green accounting on the firm value.

The Influence of Environmental Performance on Firm Value

Environmental performance shows sustainability commitment and regulatory compliance. This is supported by stakeholder theory, which explains that good environmental performance reflects a company's ability to meet the expectations of external stakeholders, particularly regulators and the public (Freeman et al., 2010). Legitimacy theory also explains that improving environmental performance can encourage a better market response (Dowling & Pfeffer, 1975). Several investigation by Anggraeni et al (2025), Koeshardjono et al (2025), and Theresia & Akbar (2024) demonstrate that environmental performance positively impacts corporate value, suggesting that PROPER rankings contain profitable signals to various investors around the world the capital market. Based on this, it can be stipulates that:

H2: There is an influence of environmental performance on firm value.

The Influence of Profitability on Firm Value

Profitability determines a company's ability to generate profits and is a key indicator in investor assessment because it shows prospects, financial stability, and the effectiveness of resource management. In the stakeholder theory, companies with high profitability have greater resources to meet stakeholder demands (Freeman et al., 2010). Research by Hutagalung et al (2024), Theresia & Akbar (2024), Kelly & Henny (2023), and Anggraeni et al (2025) indicates that profitability positively significantly affects firm value, hence profit escalation is directly proportionate to investors' impression of increasing firm worth.

H3: There is an influence of profitability on the firm value.

The Influence of Green Accounting on Firm Value Moderated by Profitability

The execution of green accounting reveals a firm's commitment to managing ecological costs, although its influence on corporate value is not always immediate. Based on stakeholder theory and legitimacy theory, green accounting reflects the fulfillment of stakeholder interests and efforts to gain legitimacy, while profitability affects the strength of this relationship because more profitable companies have greater capability in its implementation. Investigation by Kelly & Henny (2023) indicates that green accounting lacks direct significance but becomes impactful when moderated by profitability, as robust earnings ensure environmental practices are viewed more favorably by various market participants. This perspective is reinforced by Koeshardjono et al (2025) who confirm that profitability strengthens the correlation on green accounting or firm value.

H4: There is an influence of environmental performance on firm value, which is moderated by profitability.

The Influence of Environmental Performance on Firm Value Moderated by Profitability

Based on stakeholder theory, environmental performance shows a company's ability to meet the expectations of stakeholders who can influence the company's value (Freeman et al., 2010). Meanwhile, legitimacy theory explains that environmental performance serves as a means to obtain and maintain legitimacy (Dowling & Pfeffer, 1975). In this case, profitability plays a role in strengthening this relationship because companies with higher profits have greater resources. Environmental performance determines a company's capabilities to manage operational impacts, but it is often accompanied by additional costs. High profitability allows these costs to be covered, so environmental performance is perceived positively by investors. Research by Kelly & Henny (2023) shows that environmental performance affects firm value, with profitability moderating this effect.

H5: There is an influence of environmental performance on firm value moderated by profitability.

Referring to the hypothesis presentation, Figure 1 establishes the conceptual.

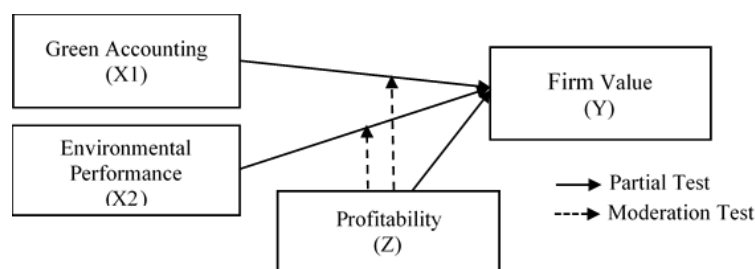


Figure 1 Conceptual Framework

RESEARCH METHOD

This quantitative research uses secondary data from annual reports and sustainability reports on the IDX website as well as PROPER publications from the KLHK to analyze them using the SEM-PLS method with SmartPLS 3.2.9 software. The use of SEM-PLS in this study is considered appropriate because it is capable of testing partial relationships and is more flexible in examining moderation effects in the research model. Although the variables are measured using single indicators, SEM-PLS can still be used because SmartPLS not only focuses on latent constructs but also can process observed (manifest) data (Ghozali & Kusumadewi, 2023). In addition, SEM-PLS has the advantage of accommodating

various types of different data scales, making it suitable for the characteristics of the data in this study (Hamid & Anwar, 2019). To test each hypothesis, the structural model is specified as follows:

$$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + \beta_4 (X_1 * Z) + \beta_5 (X_2 * Z) + \varepsilon$$

The model is employed to examine both direct effects and the moderating role of profitability using the SEM-PLS approach. Furthermore, this study examines four operational variables that involve both causal and moderating relationships. The operationalization of variables in this study is presented in the following table.

Table 2 Operational Definitions and Measurement of Research Variables

Variable	Indicator	Scale
Independent Variable (X ₁) Green Accounting (Anggraeni et al., 2025)	Disclosure of Environmental Costs Using Dummy: Score 0: Does not disclose environmental costs. Score 1: Discloses environmental costs.	Nominal
Independent Variable (X ₂) Environmental Performance (Anggraeni et al., 2025)	PROPER	Ordinal
Independent Variable (Y) Firm Value (Martini, 2024)	$PBV = \frac{Stock\ Price}{Book\ Value}$ Description: PBV = Price to Book Value	Ratio
Moderation variable (Z) Profitability (Anggraeni et al., 2025)	$ROA = \frac{EAT}{Total\ Assets}$ Description: ROA = Return On Assets EAT = Earning After Tax	Ratio

This analysis includes all companies listed on the IDX and uses purposive sampling based on certain criteria, as listed in Table 2.

Table 3 Sample Withdrawal Criteria

No	Total Population	954
	Criteria	
1	The company is listed on the Indonesia Stock Exchange (IDX) after 2019.	(350)
2	Does not include financial sector companies.	(105)
3	Companies that are not listed on the main board.	(341)
4	Companies that were not registered for PROPER during the period 2019-2024.	(140)
5	Companies that do not use the Rupiah (IDR) in financial statements.	(1)
	Total Sample	17
	Data from 5 years of research	85

Source: Processed 2025

RESULTS AND DISCUSSION

RESULTS

Outer Evaluation Model

Convergent Validity Test

The convergent validity test evaluates the degree of correlation on indicators within a specific construct to determine if they accurately represent the measured variable. Average Variance Extracted (AVE) is commonly used to assess this validity, where a value above 0,50 indicates adequate convergent validity (Ghozali, 2021). In this study, each construct is measured using a single indicator; therefore, the AVE value reflects the direct representation of the construct by its indicator.

Table 4 Results of Convergent Validity Test

Variable	AVE
Green Accounting (X1)	1,000
Environmental Performance (X2)	1,000
Firm Value (Y)	1,000
Profitability (Z)	1,000

Source: Data by the author, 2026

The use of a single indicator resulted in an AVE value of 1.000, which indicates that the construct is represented directly by its indicator.

Discriminant Validity Test

This study tested discriminant validity to guarantee model constructs can be discriminated. To prevent build indicator overlap, this test is crucial. To ensure that each construct reflects a different notion or does not repeat, discriminant validity is needed. In this research, the discriminant validity test was conducted using the HTMT approach; if the HTMT value is below 0.90, it indicates that the relationship on different constructs is still within an acceptable limit (Ghozali, 2021).

Table 5 Results of Discriminant Validity Test

Variable	X1	X2	Y	Z
<i>Green Accounting</i> (X1)	-	0,238	0,285	0,132
Environmental Performance (X2)	0,238	-	0,033	0,020
Firm value (Y)	0,285	0,033	-	0,757
Profitability (Z)	0,132	0,020	0,757	-

Source: Data by the author, 2026

Discriminant validity estimation using the HTMT approach demonstrated that all cross-construct correlation coefficients were below the established significance threshold of 0,90. Green accounting factors were associated with environmental performance at 0,238, company value at 0,285, and profitability at 0,132. Furthermore, environmental performance scored 0,033 on firm value and 0,020 on profitability. Finally, profitability is related to firm value at 0.757. Based on these findings, all variables in this model have been empirically tested to establish discriminant validity requirements.

Reliability Test

Instrument reliability testing assesses an instrument's consistency and stability in assessing a construct. In this research, Composite Reliability was used, where a construct is considered reliable if the figure is greater than 0.70 (Ghozali, 2021). However, since this study uses single indicators, reliability values are interpreted as reflecting the stability of the measurement rather than internal consistency among multiple indicators.

Table 6 Reliability Test Results

Variable	Composite Reliability
Green Accounting (X1)	1,000
Environmental Performance (X2)	1,000
Firm value (Y)	1,000
Profitability (Z)	1,000

Source: Data by the author, 2026

A reliability value of 1.000 was obtained because each construct is measured with a single indicator. Therefore, this value is interpreted as a form of measurement stability of the indicators used.

Inner Evaluation Model

Coefficient of Determination (R-Square)

Serves as a tool for measuring the research model's capacity to forecast outcomes through its endogenous variable assessment. The R-square value enables researchers to study how exogenous variables impact the endogenous variable through evaluation. Referring to Ghozali (2021) the R-square value is categorized as 0,25 for a weak influence level, 0,50 for a moderate level, and 0,75 for a strong level.

Table 7 Determination Coefficient Result

Endogenous Variable	R ²	R ² Adjusted
Firm value (Y)	0,812	0,800

Source: Data by the author, 2026

The R-Square value of 0.812 demonstrates that the independent variables on this research model explain 81.2% of firm value while 18.8% of the value remains determined by factors beyond this study. The research establishes its strength through R-square assessment which categorizes it at strong level assessment. The research model demonstrates decent capability to predict the dependent variable which makes it appropriate for additional research.

The Effect Size (F-Square)

Effect size (f-square) measures how much one variable influences other model variables. A value of 0.02 indicates a modest influence, 0.15 a medium effect, 0.35 a big effect in f-square measurement (Ghozali, 2021).

Table 8 Results of The Effect Size

Relationships Between Variables	F ²	Criteria
Green Accounting (X1) → Firm Value (Y)	0,230	Moderate Effect
Environmental Performance (X2) → Firm Value (Y)	0,021	small effect
Profitability (Z) → Firm Value (Y)	0,822	large effect
Moderating Effect 1 (GA x PR) → Firm Value (Y)	0,969	large effect
Moderating Effect 2 (EP x PR) → Firm Value (Y)	0,005	Almost no effect

Source: Data by the author, 2026

According to the f-square test, each variable affects firm value differently. Green accounting has a modest effect since its f-square value is 0.230, over 0.15 but below 0.35. Environmental performance has a minimal impact on firm at 0.021. Profitability variable 0.822 is in the significant impact category since it surpasses 0.35.

The initial moderating impact of the interaction om green accounting or profitability is 0,969, indicating a substantial influence. This indicates that the moderating role provides a strong contribution in explaining the variation in firm value. Meanwhile, the second moderating effect has a value of 0,005, so it falls into the very small influence category, meaning that the presence of the moderating variable in this relationship indeed gives an additional contribution in explaining the variation in firm value, but its contribution is relatively very low.

Hypothesis Test

The process of hypothesis testing establishes the significance level which research variables have on each other through analysis of path coefficient values together with t-statistic or p-value measurements. The intensity or direction of a variable's link with another is shown by the path coefficient. T-statistic p-value functions assess statistical significance in two-variable relationships. T-statistic p-value measures from the interaction path help researchers evaluate the moderating impact. An impact is significant at 5% when the t-statistic reaches 1.96, the p-value falls below 0.05. The research hypothesis is accepted when these requirements are met (Ghozali, 2021).

Table 9 Hypothesis Test Results

Relationships Between Variables	Path Coefficient	T Statistics	P Values
<i>Green Accounting</i> (X1) → Firm Value (Y)	-0,217	4,659	0,000
Environmental Performance (X2) → Firm Value (Y)	0,065	2,044	0,041
Profitability (Z) → Firm Value (Y)	0,481	10,998	0,000
Moderating Effect 1 (GA x PR) → Firm Value (Y)	-0,473	8,902	0,000
Moderating Effect 2 (EP x PR) → Firm Value (Y)	0,054	1,311	0,191

DISCUSSION

The Effect of Green Accounting on Firm Value

The first hypothesis is accepted, green accounting has a path coefficient to firm value of -0.217, t-statistic of 4.659, p-value of 0.000. The t-statistic is >1.96 p-value <0.05, indicating that green accounting adversely impacts firm value. These findings indicate that the increased application or disclosure of green accounting in this study has not yet been associated with an increase in firm value, because investors view it as an additional cost that does not directly provide immediate benefits. As a result, the market's response to environmental disclosure tends to be less favorable. The implication is that companies need to manage and communicate environmental practices more effectively to provide added value. This is inconsistent with stakeholder theory since the negative connection shows that environmental openness has not enhanced corporate value which shows that stakeholder expectations regarding environmental issues are not yet fully reflected in investor decisions. According to the legitimacy theory, it should increase public awareness and social legitimacy which will increase the company's value but according to research results it actually lowers the company's value. This result is in line with Theresia & Akbar (2024) who found a significant negative effect, but differ from Zhafira (2024) and Anggraeni et al (2025) who showed a positive effect on firm value.

The Effect of Environmental Performance on Firm Value

The second hypothesis on environmental performance and company value has a coefficient of 0.065, t-statistic of 2.044, p-value of 0.041. These characteristics provide a significance level that proves environmental performance positively affects firm value, validating the second hypothesis. These findings indicate that companies with good environmental performance in this study are associated with an increase in company value, so the implication is that companies need to maintain and improve environmental performance as part of efforts to increase company value. These findings support stakeholder theory, which emphasises the need to satisfy social and ecological expectations to improve constituents' impressions of the organization. From a legitimacy theory framework, environmental performance reflects a corporation's manifestation of constructing social recognition through meeting external accountability standards, boosts the company's value worth over time. This is supported by Theresia & Akbar (2024), Koeshardjono et al (2025), Anggraeni et al (2025), and Cahyani & Afkar (2025) which shows that environmental performance has a positive effect on firm value.

The Effect of Profitability on Firm Value

The third hypothesis is accepted with a profitability-firm value coefficient of 0.481, t-statistic of 10.998, p-value of 0.000. This shows that profitability greatly increases firm value. Rising profitability indicates great financial performance and enhances investor confidence, increasing firm value. The implication is that the company needs to maintain and improve financial performance consistently to support the increase in company value. This conclusion supports stakeholder theory, which states that organisational success depends on providing economic benefit to all stakeholders. This confirms Hutagalung et al (2024), Kelly & Henny (2023), Anggraeni et al (2025), and Theresia & Akbar (2024) has a positive effect on firm value.

The Effect of Green Accounting on Firm Value Moderated by Profitability

The coefficient of -0.473, t-statistic of 8.902, p-value of 0.000 support the fourth hypothesis that profitability moderates green accounting on firm value. The role of profitability in this study strengthens the negative relationship between green accounting and firm value, so the implication is that companies need to consider managing and disclosing environmental costs more effectively so that they do not negatively affect firm value. This suggests that high profit firms, green accounting implementation tends to be perceived as an additional cost burden by investors. This situation inconsistent the principles of stakeholder theory, given that the market still shows a higher sensitivity to the cost consequences compared to the long-term benefits of ecological activities. From a legitimacy theory framework, although corporations attempt to construct social recognition through environmental reporting the preponderance of cost disclosure over reputational value especially in highly profitable entities means that this legitimacy does not automatically translate into increased firmvalue. These findings are in line with Koeshardjono et al (2025) and Kelly & Henny (2023), who found that profitability strengthens and moderates the negative effect of green accounting on firm value.

The Effect of Environmental Performance on Firm Value Moderated by Profitability

The fifth hypothesis was rejected, environmental performance on firm value moderated by profitability has a coefficient of -0.054, t-statistic of 1.311, p-value of 0.191. Because this value does not meet the significance requirement, profitability does not moderate the contribution of environmental performance to firm value. The implication is that the relationship between environmental performance and company value remains consistent without being influenced by the company's profit level. Environmental performance is considered a normative responsibility carried out regardless of the profitability situation, in line with the perspectives of stakeholder theory or legitimacy theory that environmental aspects are normative obligations independent of profits. This study is the same as Koeshardjono et al (2025), but differs from Kelly & Henny (2023) who found a moderating role of profitability.

CONCLUSION

This study examines how green accounting and environmental performance relate to firm value, with profitability acting as a moderating variable in companies listed on the Indonesia Stock Exchange. It finds that green accounting has a negative impact on firm value, while environmental performance and profitability have a positive impact on firm value. Profitability moderates the relationship between green accounting and firm value by strengthening its negative effect, but it does not change the relationship between environmental performance and firm value. These findings indicate that companies need to manage and communicate environmental practices more effectively to provide added value and maintain a balance between environmental performance and financial performance. This study has limitations in its relatively small sample size and the use of certain indicators to measure research variables, so the results may not be fully generalizable. Therefore, future research is recommended to use alternative indicators, add other relevant variables, and expand the sample scope and research period to obtain more comprehensive findings.

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