



Do Green Accounting and Sustainability Reports Matter? Insights from Emerging Market Manufacturing Firms

DINI LESTARY^{1, a}, VERDIANTI^{2, b} and DAFIT RONALDI^{3, c}

¹IAIN Pontianak, Indonesia

²IAIN Pontianak, Indonesia

³IAIN Pontianak, Indonesia

^adinilestary@iainptk.ac.id, ^bverdianti@iainptk.ac.id
& ^cdavitronaldi@gmail.com

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Abstract

This study aims to analyze the effect of green accounting and sustainability reporting on the firm value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. A quantitative approach was employed using panel data analysis and purposive sampling of 43 companies, resulting in 129 observations. Green accounting was measured using the PROPER rating, while the sustainability report was assessed based on the GRI-G4 disclosure index covering economic, environmental, and social aspects. The regression results show that both green accounting and sustainability reporting have a significant partial effect on firm value, with p-values of 0.028 and 0.031, respectively. The simultaneous test (F-statistic) also indicates a significant joint effect of the independent variables on firm value. These findings suggest that the integration of sustainability disclosure and green accounting practices provides a positive signal to investors and stakeholders, thereby strengthening the company's economic value. This research contributes to the advancement of corporate sustainability practices and encourages companies to go beyond compliance by embedding sustainability into their core business strategies.

Keywords: Green Accounting, Sustainability Report, Firm Value

1. Introduction

Contemporary corporate accounting practices are undergoing a fundamental shift in response to the growing global focus on sustainability and environmental responsibility. This paradigm transformation compels companies to consider not only financial dimensions in their reporting but also broader environmental and social aspects. Globally, the adoption of green accounting and sustainability reporting has become an integral part of corporate social responsibility frameworks, reflecting a company's commitment to sustainability and the integrity of natural resource management (Wibowo et al., 2022; Susanto & Prasetyo, 2021; Taqi et al., 2020). As pressure from stakeholders—including governments, communities, and investors—continues to rise in demand for environmental transparency and accountability, the manufacturing sector, as a significant contributor to emissions and industrial waste, has come under particular scrutiny (Ardika et al., 2024; Astari et al., 2023; Wulandari & Mulyadi, 2021). Green accounting, which integrates environmental costs and benefits into financial reporting systems, has gained widespread attention, especially in the manufacturing sector where production activities significantly impact the environment. The implementation of green accounting is believed to enhance a company's reputation, operational efficiency, and ultimately contribute to the firm's value in the eyes of investors and other stakeholders (Alaika & Firmansyah, 2024; Ardika et al., 2024; Susilo & Cahyono, 2022). However, empirical studies have produced inconsistent results regarding the relationship between green accounting and firm value. While Astari et al. (2023) found a significant positive effect of green accounting on manufacturing firm value, Alaika & Firmansyah (2024) reported a significant negative effect in the palm oil sector. These inconsistencies highlight an empirical gap that warrants further contextual investigation, both sectorally and temporally.

In addition to green accounting, sustainability reporting plays a critical role in communicating a company's sustainability performance to the public. Sustainability reports are not merely supplementary documents but also serve as instruments of accountability and transparency in a company's social and environmental policies (Farouk et al.,



2021; Ghani et al., 2023; Saputra & Rahmawati, 2020). Despite the introduction of standards such as the Global Reporting Initiative (GRI) that promote consistency in disclosure, the effectiveness of sustainability reporting in enhancing firm value remains contested. Astari et al. (2023) noted a negative influence of sustainability reports on firm value, potentially indicating that the market has yet to fully appreciate sustainability information. In contrast, Farouk et al. (2021) emphasized the importance of quality and depth in sustainability disclosures as key determinants of investor trust. This suggests the existence of a theoretical gap regarding the role of sustainability reporting as a determinant of firm value, especially in the context of developing countries. A practical gap also emerges from the limited integration of green accounting and sustainability reporting practices in a holistic manner within Indonesian manufacturing firms. Although environmental regulations and sustainability incentives are being progressively strengthened, their implementation at the corporate level remains fragmented and often fails to align strategically with long-term value creation goals (Puspitasari et al., 2022; Rahardjo et al., 2023; Sari et al., 2023). As a result, there is a disconnect between sustainability strategies outlined in sustainability reports and the financial records in environmental accounting. This situation presents an opportunity to explore whether the integration of these two practices can make a tangible contribution to firm value in the manufacturing sector context.

The novelty of this study lies in its simultaneous integration of green accounting and sustainability reporting as determinants of firm value, focusing specifically on manufacturing companies in Indonesia that significantly contribute to both the national economy and environmental issues. This research proposes an empirical model to examine the direct effects of green accounting and sustainability reporting on firm value. Furthermore, it employs secondary data from annual reports and adopts a robust inferential statistical analysis method to ensure the validity of its findings. Through this approach, the study aims to contribute theoretically, practically, and methodologically to the advancement of accounting and corporate sustainability disciplines.

2. Literature review

2.1 Stakeholders Theory

The term "stakeholder" was first introduced by the Stanford Research Institute in 1963. According to Freeman, as cited in Goyal (2022), the term refers to the necessity for organizations to gain support from various stakeholders in order to operate effectively. Freeman further developed Stakeholder Theory in 1984, emphasizing the importance of corporate accountability and transparency toward all stakeholders. The theory posits that companies do not operate solely for their own interests but also for the interests of diverse stakeholder groups. Consequently, stakeholder theory is often viewed as a strategic framework designed to manage and harmonize relationships with parties such as investors, government bodies, society, and the environment (Sari & Wahidahwati, 2021). Deegan and Unerman, as cited in Sumiati et al. (2022), argue that stakeholder theory maintains that companies, in their production and operational activities, must generate benefits not only for shareholders but for all stakeholders. This theory highlights how organizations can achieve their goals by taking into account the interests of all parties involved—directly or indirectly—in organizational activities. These parties can influence or be influenced by the company's actions. Stakeholder theory thus plays a significant role in influencing firm value, as it underscores the need to address the expectations of a wide range of stakeholders in corporate decision-making (Rahmadhani et al., 2021).

The theory further emphasizes corporate responsibility in considering the impact of operational decisions on stakeholders. Management is required to balance the interests of all stakeholders when formulating policies and actions. As such, the theory encourages maximizing firm value not only in financial terms but in a way that reflects broader stakeholder concerns. Freeman, one of the theory's pioneers, argues that defining value solely in financial terms is a flawed perspective. He believes that value should encompass all aspects deemed important by customers, employees, and other stakeholders. This view is supported by Harrison and Wicks, who contend that an overly narrow focus on financial outcomes contradicts the core principles of stakeholder theory, which promote the fulfillment of stakeholder needs to achieve long-term mutual benefits (Lestari & Khomsiyah, 2023). Stakeholder theory also relates closely to green accounting, as it underscores the creation of added value through stakeholder support. Environmental disclosures and green accounting practices are considered part of the company's environmental responsibility, which in turn can mitigate potential losses and enhance corporate legitimacy (Manalu et al., 2023). Furthermore, the theory aligns with the purpose of sustainability reporting, which seeks to communicate a company's performance in economic, social, and environmental dimensions to its stakeholders. Stakeholder involvement significantly influences the reporting process by helping to determine relevant information and enhancing the report's credibility (Pasko et al., 2021).



Stakeholder theory also has implications for firm value. Companies are responsible not only to shareholders but also to the environment and other related parties. Awareness of environmental responsibility can be reflected in concrete actions, such as the allocation of funds for environmental management. Voluntary environmental investments, when disclosed transparently in corporate reports, are viewed positively and may increase firm value in the future (Agustina, 2023).

2.2 Green Accounting

Green accounting refers to the process of preventing or mitigating the negative impacts of corporate activities on the environment and society. According to Lako, as cited in Adikasiwi et al. (2024), the essence of green accounting lies in measuring and reporting the environmental impacts of economic activities. The term "GREEN" symbolizes an accounting approach oriented toward preservation, sustainability, and the balance of three pillars: environment (planet), social (people), and financial (profit)—all in support of ethical and sustainable business practices. The concept is intended to integrate environmental considerations into traditional accounting systems. Kamir, as cited in Pasaribu (2022) explains that effective indicators for green accounting can positively influence environmental performance. Lako, in Tisna et al, (2020), further asserts that a company's environmental performance can be assessed through the PROPER program—an initiative by Indonesia's Ministry of Environment and Forestry designed to promote corporate environmental management. The PROPER rating system provides a standardized set of criteria to evaluate companies' environmental compliance and performance.

Table 1. PROPER Rating Indicators

RATING	DESCRIPTION
Gold	For companies or business activities that consistently demonstrate excellence in environmental management throughout the production of goods or services, while also adhering to ethical business practices and fulfilling social responsibilities toward the community.
Green	For businesses or activities that have exceeded the environmental management standards set by regulations (beyond compliance) through effective management systems and optimal implementation of corporate social responsibility, including efficient use of resources.
Blue	For businesses or activities that have complied with environmental management requirements in accordance with the prevailing laws and regulations.
Red	For companies that have made efforts to implement environmental management but have not yet fully complied with the regulatory requirements, and still have room for improvement in enhancing compliance with the applicable regulations.
Black	For companies that have deliberately or negligently caused environmental pollution or damage in the course of their business activities, violated applicable legal provisions, and failed to fulfill administrative obligations.

Source: Ministry of Environment and Forestry of the Republic of Indonesia, 2023

According to the Regulation of the Minister of Environment No. 5 of 2011 concerning the Corporate Performance Rating Program in Environmental Management (commonly known as PROPER), corporate environmental performance is generally classified into five color-coded categories as follows:

Gold: Excellent, assigned a score of 5



Green: Very good, assigned a score of 4

Blue: Good, assigned a score of 3

Red: Poor, assigned a score of 2

Black: Very poor, assigned a score of 1

Based on these PROPER assessment criteria, green accounting performance is evaluated using this color-based rating system, ranging from the highest (gold) to the lowest (black). The results of this assessment are periodically disclosed by companies to the public, allowing stakeholders to evaluate the company's commitment to and implementation of green accounting. According to Hansen and Mowen, as cited in (Bela et al. (2023)), several types of costs serve as key indicators within green accounting standards, including environmental prevention costs, environmental detection costs, and environmental external failure costs.

2.3 Sustainability Report

A sustainability report is a publicly available document that discloses information on environmental, social, and economic aspects, covering both financial and non-financial performance. In the current era of industrial revolution, corporate responsibility to the public is no longer limited to financial reporting but also requires the preparation of sustainability reports as a form of non-financial disclosure and a manifestation of the company's commitment to the public. These reports are expected to evaluate corporate performance in terms of sustainability and provide accurate information to stakeholders regarding environmental, social, and economic performance. Moreover, sustainability reporting serves as a form of accountability toward stakeholders. Indicators that demonstrate a company's commitment include public disclosure of sustainability information and active involvement in environmental, social, and economic issues (Ayu Nur Fadillah, 2023). The more indicators disclosed in a sustainability report, the higher the report's quality. According to Fitri, as cited in Setiani (2021), the disclosure of sustainability reports is measured based on the Global Reporting Initiative (GRI) G4 standards. Companies are responsible for providing a comprehensive report that addresses key aspects relevant to stakeholders. This comprehensive disclosure is widely known as the sustainability report. In this study, the indicators used are based on the GRI-G4 Guidelines, which state that companies should explain the impacts of their activities on the economy, environment, and society within the standard disclosure section.

The sustainability report, as guided by GRI standards, consists of three main components:

1. Economic Performance Indicators
2. Environmental Performance Indicators
3. Social Performance Indicators

The following are the detailed items disclosed in the sustainability report:

Tabel 2. Disclosure Items of Sustainability Report

Aspect	Indicator Code	Description
Economic Performance	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee wages and benefits, payments to government and community.
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.
	EC3	Coverage of the organization's obligations under defined benefit plan programs.
	EC4	Financial assistance received from the government.
Market Presence	EC5	Ratio of standard entry-level wage by gender compared to the local minimum wage at significant locations of operation.
	EC6	Proportion of senior management hired from the local community at significant locations of operation.



Aspect	Indicator Code	Description
Indirect Economic Impacts	EC7	Development and impact of infrastructure investments and services provided.
	EC8	Significant indirect economic impacts, including the extent of those impacts.
Procurement Practices	EC9	Proportion of spending on local suppliers at significant locations of operation.
Aspect	Indicator Code	Description
Materials	EN1	Materials used by weight or volume.
	EN2	Percentage of materials used that are recycled input materials.
Energy	EN3–EN7	Energy consumption within and outside the organization, energy intensity, energy reductions, and energy efficiency of products/services.
Water	EN8–EN10	Total water withdrawal by source, significantly affected water sources, and the percentage/volume of water recycled and reused.
Biodiversity	EN11–EN14	Operational sites near or within protected areas or areas of high biodiversity value and significant impacts on biodiversity. Includes protected/restored habitats and species on the red list or national conservation lists affected by operations.
Emissions	EN15–EN21	Greenhouse gas (GHG) emissions Scope 1, 2, 3; GHG emission intensity, GHG reductions, ozone-depleting substances (ODS), NOx, SOx, and other emissions.
Effluents and Waste	EN22–EN26	Total water discharge by quality and destination, total waste by type and disposal method, significant spills, and biodiversity impacts of discharge.
Products and Services	EN27–EN28	Mitigation of environmental impacts of products and services, and percentage of reclaimed packaging materials by category.
Compliance	EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.
Transportation	EN30	Significant environmental impacts of transporting products, goods, materials for operations, and workforce.
Environmental Expenditures	EN31	Total environmental protection expenditures and investments by type.
Supplier Environmental Assessment	EN32–EN33	Percentage of new suppliers screened using environmental criteria and environmental impacts in the supply chain and actions taken.
Environmental Grievance Mechanism	EN34	Number of environmental grievances filed, addressed, and resolved through formal grievance mechanisms.
Sub-category / Aspect	Indicator Code	Description
Employment	LA1–LA3	Total number and rate of new employee hires and turnover by age, gender, and region; benefits for full-time employees; parental leave return rate.
Labor/Management Relations	LA4	Minimum notice period regarding operational changes, and whether it is specified in collective agreements.
Occupational Health and Safety	LA5–LA8	Workforce representation in joint committees, types and rates of injuries, occupational diseases, lost days, fatalities, and health agreements.
Training and Education	LA9–LA11	Average training hours per year by gender and employee category; programs for skills management and lifelong learning; career development reviews.
Diversity and Equal Opportunity	LA12	Governance body composition and employee breakdown by gender, age group, minority group membership, and other diversity indicators.
Equal Remuneration for Women and Men	LA13	Ratio of basic salary and remuneration of women to men by employee category and significant locations of operation.
Supplier Social Assessment	LA14–	Percentage of new suppliers screened using labor practices criteria;



Aspect	Indicator Code	Description
Labor Practices Grievance Mechanisms	LA15	significant actual and potential negative impacts in the supply chain.
	LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.

The disclosure items of the sustainability report can be measured using a formulation to determine the index for each aspect in assessing the sustainability report disclosure.

$$Index\ G4 = \frac{D}{t_i} \frac{ii}{ii}$$

2.4 Firm Value

Firm Value is a representation of the achievements attained by a company and reflects the level of public trust in the company, which has been built since its establishment. According to Noerirawan in Aurillia Salsabila (2022), one of the most important elements for creditors and investors is the firm value. Investors consider firm value as one of the main factors in making their investment decisions. On the other hand, creditors use firm value as a reference in deciding whether to grant loans. The main goal of a company is to maximize profit, increase the wealth of shareholders and owners, and grow the business value, all of which are reflected in the stock price. Thus, firm value serves a strategic function for various stakeholders. Firm value can be influenced by several factors. According to Wilfridus & Susanto (2021), consistent with the study by Aryadita et al. (2023) there are interacting factors that contribute to firm value, including profitability, leverage, asset growth, and firm size. This study uses the Tobin's Q ratio because it reflects the efficiency of a company's economic value in the market and can be used to view the firm from a long-term perspective, considering its growth potential and profitability. Tobin's Q also provides a more comprehensive view of the company's efficiency and potential, thereby playing a critical role in evaluating market valuation. Hence, this research applies the Tobin's Q ratio as it better reflects the firm's value compared to other measurement methods.

According to Lina & Sri (2022) firm value reflects investors' understanding of the company's performance level, which is often related to stock price. Systematically, Tobin's Q can be calculated using the following formula:

$$Q = \frac{(M + D)}{T}$$

Explanation:

Q = Firm Value

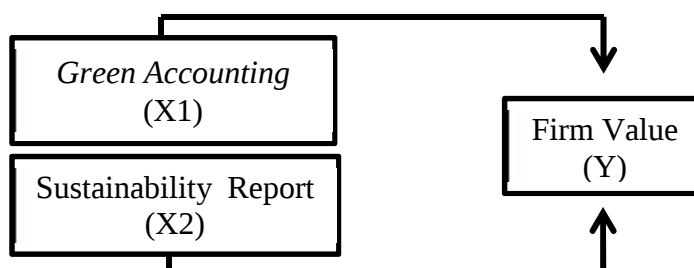
MVE = Market Value of Outstanding Shares

Debt = Total Company Debt

TA = Total Assets of the Company

3. Conceptual Framework

This study aims to examine the effect of Green Accounting and Sustainability Reporting on the firm value of manufacturing companies participating in the PROPER blue category listed on the Indonesia Stock Exchange (IDX) for the period 2021–2023. Based on previous studies, it is indicated that the higher the level of Green Accounting implementation and the quality of the Sustainability Report, the higher the firm value will be.



Picture 1. Conceptual Framework



4. Research Questions

The research questions formulated are as follow:

1. How does green accounting affect firm value in the manufacturing sector listed on the Indonesia Stock Exchange during the period of 2021 to 2023?
2. How does the sustainability report affect firm value in the manufacturing sector listed on the Indonesia Stock Exchange during the period of 2021 to 2023?
3. How does green accounting and the sustainability report affect firm value in the manufacturing sector listed on the Indonesia Stock Exchange during the period of 2021 to 2023?
- 4.

5. Significance of Study

This study holds significant importance both theoretically and practically. Theoretically, it enriches the sustainability accounting literature by examining the simultaneous influence of green accounting and sustainability reporting on firm value in the context of a developing country, particularly within Indonesia's manufacturing sector. It also addresses an empirical gap related to the inconsistency of previous research findings by developing an integrative model that emphasizes the importance of environmental and social accountability. Practically, the findings of this study provide valuable insights for companies to adopt green accounting and sustainability reporting as strategic business tools for creating long-term value, rather than merely fulfilling reporting obligations. Furthermore, the results are relevant for regulators and investors in assessing the credibility and sustainability prospects of firms through the transparency of non-financial information.

6. Research Methodology

This study adopts a quantitative research method, as it is suitable for examining the influence between variables through statistical approaches. The primary objective is to analyze the effect of green accounting and sustainability reporting on firm value among manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2021–2023. The type of research employed is both descriptive and causal. Descriptive research aims to systematically describe the characteristics of the variables, while causal research is used to test cause-and-effect relationships between independent and dependent variables. The data will be statistically analyzed to test the formulated hypotheses (Purnamasari et al., 2023).

Table 3. Sample

Description	Total
Population: Manufacturing companies listed on the Indonesia Stock Exchange (IDX)	20
Sample selection based on purposive sampling criteria:	
1. Companies not continuously listed on IDX from 2021 to 2023	40
2. Companies that did not publish financial statements for the 2021–2023 period	21
3. Companies that did not publish PROPER reports for the 2021–2023 period	116
Final Sample	3
Total Observations ($n \times \text{study period} = 43 \times 3 \text{ years}$)	29

Based on the table above, the population of this study consists of 220 manufacturing companies. Using purposive sampling with specific criteria, the final dataset resulted in 129 observations.



Table 4. Operational Definition of Variables

No	Variable Type	Operational Definition	Indicator	Measurement Scale	Source
1	Green Accounting (X1)	Green accounting is the process of calculating and considering the costs required to prevent or mitigate the negative environmental and social impacts of business activities.	Company Environmental Performance Rating (PROPER) scored from 1 to 5: Gold = 5 Green = 4 Blue = 3 Red = 2 Black = 1	Ordinal (Score 1–5)	Viona Adikasiwi et al. (2024); Astari et al. (2023)
2	Sustainability Report (X2)	A sustainability report is publicly disclosed information that covers environmental, social, and economic aspects, including financial and non-financial disclosures.	G4 - Economic = Disclosed items / Total economic items G4 - Environment = Disclosed items / Total environmental items G4 - Social = Disclosed items / Total social items	GRI-G4 Index = (Disclosed Items) / (Total Items)	Imelda et al. (2020); Pujiningsih et al. (2020)
3	Firm Value (Y)	Firm value represents the company's overall achievements and the level of public trust it has built since its establishment.	Tobin's Q: $Q = \frac{\text{Market Value of Equity} + \text{Total Debt}}{\text{Total Assets}}$	Ratio	Saratian et al. (2020); Khomsiyah et al. (2023)

7. Findings

7.1 Hypothesis Test

Tabel 5. Hypothesis Test

Dependent Variable: NP

Method: Panel EGLS (Cross-section random effects)

Date: 06/07/25 Time: 09:16

Sample: 2021 2023

Periods included: 3

Cross-sections included: 43

Total panel (balanced) observations: 129

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.023386398486108	0.5647127639648468	1.81222466320916	0.07233269927823076
GA	0.336617094543924	0.1516421140148201	2.219812726371158	0.02822003592267223
SR	-3.539982916954135	1.629643127046749	-2.172244252868612	0.03170928984469661

In Table 5, two statistical tests can be interpreted: the T-Test and the F-Test. The T-Test is used to determine whether each independent variable has a significant effect on the dependent variable. In Table 5, the probability (p-value) of the t-statistic for Green Accounting (X1) is 0.02822, and for the Sustainability Report (X2) is 0.03170—both values are less than 0.05. This indicates that both Green Accounting (X1) and Sustainability Report (X2) individually have a significant effect on firm value (Y).



The F-Test, on the other hand, is used to assess whether the independent variables jointly (simultaneously) influence the dependent variable. Table 5 shows the probability of the F-statistic is 0.023936, which is also below 0.05. This result confirms that Green Accounting (X1) and Sustainability Report (X2) simultaneously have a significant effect on firm value (Y).

7.2 Determinant Test

Tabel 6. Determinant Test

<i>Effects Specification</i>		S.D.	Rho
<i>Cross-section random</i>		0.9677456793094644	0.7808397966260802
<i>Idiosyncratic random</i>		0.5126974041459401	0.2191602033739197
<i>Weighted Statistics</i>			
<i>R-squared</i>	0.05752316632458525	<i>Mean dependent var</i>	0.4306799199782836
<i>Adjusted R-squared</i>	0.04256321658370573	<i>S.D. dependent var</i>	0.5315169519441284
<i>S.E. of regression</i>	0.5200824207624824	<i>Sum squared resid</i>	34.08120127265664
<i>F-statistic</i>	3.845144356828773	<i>Durbin-Watson stat</i>	1.145724643214923
<i>Prob(F-statistic)</i>	0.02393608332931781		

Based on Table 6, the value of the Adjusted R-squared (R^2) is 0.042563. This indicates that Green Accounting (X1) and Sustainability Report (X2) contribute 4.25% to the variation in firm value, while the remaining percentage is explained by other variables not examined in this study.

8. Discussion

8.1 The Effect of Green Accounting on Firm Value

Based on the results of the panel data multiple linear regression in Table 5, this study shows that green accounting has a significant effect on firm value, as indicated by the probability value of the t-statistic for green accounting, which is 0.02822. This value is well below the significance level of 0.05, meaning the alternative hypothesis (H1) is accepted. In other words, the better the implementation of green accounting by a company, the higher the resulting firm value. Additionally, the regression coefficient for green accounting is 0.336617, indicating that each increase in green accounting will raise the firm's value by 0.336617 units. The positive direction of the coefficient suggests that the implementation of green accounting is aligned with an increase in firm value. This implies that green accounting is not merely a reporting tool but can also have a real impact on a company's economic value. Therefore, it can be concluded that the implementation of green accounting has a statistically significant and positive effect on firm value. This finding is supported by Lestari (2023), who stated that environmental disclosure through green accounting can shape a positive corporate image and enhance public and stakeholder trust. According to legitimacy theory, such disclosure is an effort by the company to meet public expectations and maintain alignment with social values to continue gaining support. In addition, based on signaling theory, environmental information transparency provides a positive signal to investors and stakeholders, demonstrating the company's commitment to sustainability. The higher the level of environmental transparency, the greater the influence on corporate reputation, stakeholder trust, and firm value.

Furthermore, consistent with Lestari's (2023) study, green accounting that is sustainably implemented contributes positively to firm value. They argue that transparently prepared environmental reports send a positive signal to investors regarding the company's sustainability commitment. Thus, the findings of this study are in line with previous research, affirming that green accounting plays a crucial role in increasing firm value through its impact on reputation, stakeholder trust, and social responsibility. Both studies support the idea that green accounting is a strategic factor in shaping positive stakeholder perceptions and strengthening the overall economic value of a company. Based on the researcher's interpretation, green accounting plays a key role in enhancing firm value by strengthening reputation, improving transparency, and demonstrating a commitment to sustainability. Within the framework of sustainable development, companies are required not only to focus on financial aspects but also to pay attention to social and environmental dimensions. This approach is known as the triple bottom line concept, which includes economic, social,



and environmental performance. Green accounting is a tangible form of the company's environmental responsibility, which is then communicated through sustainability reporting. According to signaling theory, issuing such reports is important because it helps reduce information asymmetry between the internal and external parties of a company. Therefore, green accounting is not just a reporting obligation but also an effective communication strategy in building firm value in the eyes of the public and investors.

8.2 The Effect of Sustainability report on Firm Value

Based on the results of the statistical analysis, the sustainability report variable has a t-statistic probability value of 0.03170, which is less than the 0.05 significance level. This indicates that the sustainability report has a significant influence on firm value, and thus, the second hypothesis (H2) is accepted. In other words, when sustainability disclosures are properly conducted, the firm's value tends to improve. This finding is supported by Sahetapy (2023), who reported that the market assigns positive value to companies that consistently prepare and publish sustainability reports. According to Sahetapy, consistent disclosure builds stakeholder and public trust (legitimacy) and demonstrates a company's commitment to sustainable business practices. In addition, factors such as compliance with the PROPER program and operational efficiency are also taken into consideration by investors when assessing firm value. Furthermore, research by Mutiha et al. (2023) shows that the quality of the report—especially disclosure of economic, environmental, and social aspects—significantly strengthens stakeholder trust and contributes to the enhancement of firm value, particularly after the enforcement of POJK Regulation No. 51/2017 on sustainability reporting. Although this study confirms that the sustainability report significantly affects firm value, the negative relationship found in the results may indicate certain perceived risks or burdens from the market related to such disclosures. This negative impact could stem from sustainability reports that do not fully meet stakeholder expectations, or from increased costs associated with implementing sustainability programs. Nevertheless, sustainability reporting remains an important instrument in enhancing corporate transparency and accountability.

In the long run, consistent and accurate sustainability disclosures can improve a company's reputation and strengthen trust among investors and the wider public. Therefore, companies are advised not to treat sustainability reporting as a mere formality, but rather to strategically integrate it into their sustainable business strategies. According to the researcher's interpretation, sustainability reporting plays a vital role in improving firm value by enhancing transparency, building reputation, and signaling the company's commitment to sustainable business practices. Within the context of sustainable development, companies are expected not only to focus on financial performance, but also to fulfill their social and environmental responsibilities, as embodied in the triple bottom line concept—economic, social, and environmental performance. The sustainability report serves as a crucial tool to convey this commitment to stakeholders. From a signaling theory perspective, sustainability reporting functions as an effective communication tool to reduce information asymmetry between companies and external parties, while also acting as a positive signal of corporate performance, accountability, and adherence to sustainability principles. Although the findings show a negative association, this may be due to market perceptions regarding cost burdens or misalignment between the content of the report and stakeholder expectations. Nevertheless, sustainability reporting still holds a strategic role in building trust, enhancing reputation, and promoting greater firm value. Therefore, companies should not merely comply with sustainability reporting as a regulatory obligation, but should genuinely embed it within their long-term business strategies to reinforce public and investor confidence.

8.3 The Effect of Green Accounting and Sustainability Report on Firm Value

Based on the results of the panel data multiple linear regression shown in Table 5, the probability value of the F-statistic is 0.023936, which is lower than the 0.05 significance level. This indicates that green accounting and sustainability reporting simultaneously have a significant effect on firm value. This finding suggests that when both aspects are implemented consistently and integratively within company operations, they can positively influence investor perception of the company's overall value. The implementation of green accounting reflects a company's commitment to environmental management, while sustainability reporting strengthens transparency regarding economic, social, and environmental performance. Therefore, information transparency and environmental responsibility are crucial factors considered by stakeholders in evaluating a company's value. This result is consistent with the study by Saputra and Gamar (2024), which found that green accounting and sustainability reporting simultaneously influence firm value, particularly in the basic materials sector on the Indonesia Stock Exchange. Their findings demonstrate that sound environmental management and transparent sustainability disclosure provide positive signals to investors. Similarly, Astari (2023) found that both variables significantly contribute to the improvement of firm value in manufacturing companies. Although sustainability reporting in her study showed a negative influence, it still indicates that the market takes such disclosures into account.



Additionally, Lestari (2023) emphasized that both green accounting and sustainability reporting must be considered together, as each has a tangible impact on firm value, especially in terms of reducing information asymmetry and enhancing corporate accountability. From these findings, it can be interpreted that a well-executed combination of green accounting and sustainability reporting can strengthen a firm's value in the eyes of investors and other stakeholders. Companies that demonstrate responsibility toward environmental and social issues—and communicate these efforts transparently through sustainability reports—are perceived as more credible and sustainable in the long term. This is in line with signaling theory, which holds that sustainability reports and green accounting practices serve as positive signals of a company's performance and future prospects. Companies that successfully integrate both into their business strategies are likely to gain greater investor confidence, which ultimately has a positive impact on firm value. According to the researcher's interpretation, the implementation of green accounting and sustainability reporting has a significant impact on enhancing firm value. This is supported by the regression results, where the F-statistic p-value of 0.023936 confirms that the effect is statistically significant. When both practices are applied consistently and integrated into company operations, they contribute to building investor and stakeholder trust in the company's overall performance. Green accounting reflects the company's commitment to environmental responsibility, while sustainability reporting acts as a medium for disclosing economic, social, and environmental performance transparently. These two instruments are not merely tools for compliance but also serve as effective communication strategies, capable of sending positive signals to the market and reducing information asymmetry between internal and external stakeholders.

These findings are in line with the triple bottom line concept, which urges companies not only to pursue financial profit but also to consider social and environmental performance as part of their sustainable business practices. Moreover, the study supports signaling theory, which argues that transparent disclosure of environmental and social practices enhances a company's credibility and reputation in the eyes of investors. In conclusion, this study affirms that the integration of green accounting and sustainability reporting is a key element in corporate strategy for increasing firm value. Companies that effectively adopt both practices will be perceived as trustworthy, responsible, and sustainable entities, with better long-term prospects, leading to increased investor confidence and a stronger market position.

9. Conclusion

This study demonstrates that green accounting and sustainability reporting have a significant effect, both partially and simultaneously, on firm value. The implementation of green accounting, as reflected in the PROPER score, indicates that a company's commitment to environmental management contributes to enhancing stakeholder perceptions of firm value. On the other hand, the sustainability report, structured based on GRI-G4 indicators, also plays a significant role—although the relationship is negative, which may suggest challenges in preparing sustainability reports that truly meet stakeholder expectations. Simultaneously, both variables send a positive signal regarding transparency, accountability, and sustainability, which ultimately enhance public trust and firm value. Therefore, companies are advised to strategically integrate green accounting practices and sustainability reporting into their operational and reporting activities to strengthen competitiveness and ensure long-term sustainability.

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