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The Impact of Green Accounting, Environmental Disclosure, and Company Characteristics on Firm Value

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Abstract

This research examines the impact of green accounting, environmental disclosure, and company characteristics on firm value in manufacturing companies listed on the Indonesia Stock Exchange during the 2020-2023 period. A quantitative approach was used with a sample of 25 companies, analyzed using SmartPLS 4.1. The results show that green accounting and environmental disclosure do not significantly impact firm value due to the lack of understanding and consistent implementation, particularly in developing countries, and investors' focus on financial indicators. Additionally, SDG disclosure often reduces a company's appeal, being seen as an added cost with no short-term benefits and possibly leading to "greenwashing" concerns. In contrast, company characteristics significantly impact firm value, as they reflect stability and higher profit potential for investors. This research is expected to provide valuable implications for stakeholders, including investors, regulators, and companies. Understanding the factors influencing firm value can help companies take strategic actions to improve their financial and environmental performance.

Keywords: Green Accounting, Environmental Disclosure, Company Characteristics, Firm Value, SDG Disclosure, Manufacturing Companies.

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INTRODUCTION

In the era of globalization and rapid industrialization, environmental issues have become a central concern worldwide. The negative impacts of industrial activities on the environment, such as air and water pollution, climate change, and ecosystem destruction, have raised significant concerns. In Indonesia, these problems are evident, as numerous cases of environmental pollution from manufacturing waste continue to occur. A prominent example is the environmental damage caused by PT Panggung Jaya Indah Textile (Pajitex) in Pekalongan, which has been ongoing since 2006. This textile manufacturing company emits smoke, coal dust, and noise from its production processes, negatively affecting the surrounding communities (Kamil et al., 2012).

Kamil et al. (2012) argue that many companies primarily focus on maximizing profits without considering their social and environmental responsibilities. However, as awareness of environmental degradation grows, companies are increasingly pressured to adopt more sustainable practices. This shift is not only driven by regulatory requirements but also by the rising demand from stakeholders—including investors, consumers, and regulators—for companies to be more responsible in their environmental practices (Dewi & Narayana, 2020; Astuti et al., 2023).

Research by (Rahmawati et al., 2024) highlights that companies often overlook the integration of environmental factors in their financial decision-making. However, environmental disclosure, when implemented effectively, can aid stakeholders in making informed decisions, such as investment choices, and assessing a company's environmental risks (Sari, 2023). This aligns with the findings of (Astuti et al., 2023), who show that proper environmental disclosures improve stakeholder trust and contribute to positive corporate image building.

The importance of environmental sustainability and its reflection in firm performance is evident in the growing significance of Environmental, Social, and Governance (ESG) factors. Studies such as those by Rahmawati et al. (2024) and Dewi & Edward Narayana (2020) emphasize that environmental disclosures, particularly in green accounting, improve a company's attractiveness to investors, especially those engaged in ESG investing. Moreover, ESG investing has gained momentum in Indonesia, with the establishment of indices such as the SRI-KEHATI and IDX ESG Leaders, which highlight companies excelling in environmental, social, and governance practices (Pransuamitra, 2021)

Green accounting, a practice that allows companies to measure and manage their environmental impacts, has become increasingly important. According to Prena (2021), the adoption of green accounting helps companies demonstrate their commitment to environmental sustainability, enhancing their reputation among stakeholders. Research by Sari (2023) shows that green accounting practices positively influence corporate image, and by extension, company value. However, there is variation in previous studies regarding the impact of green accounting on firm value. For instance, Rahmawati et al. (2024) suggest that green accounting does not directly influence firm value, emphasizing profitability as a more critical factor, while other studies, such as those by Astuti et al. (2023), argue that green accounting has a positive effect on firm value.

The role of environmental disclosure is also gaining prominence in Indonesia, where the government has enacted laws such as Law No. 32/2009 on Environmental Protection and Management, along with the PROPER program, which assesses corporate environmental performance. Research by Sari (2023) reveals that environmental disclosure positively influences firm value. However, other studies, such as those by Fajarsari et al. (2024), suggest that environmental disclosure has no significant impact on company value, highlighting the ongoing debate on this issue.

Another crucial factor influencing firm value is company characteristics, such as size, profitability, and leverage. Research by Tara & Hwihanus (2023) indicates that company characteristics have a significant positive impact on firm value, while Saidah & Hwihanus (2023) found that although company characteristics positively affect firm value, the relationship is not statistically significant.

This study aims to investigate the impact of green accounting, environmental disclosure, and firm characteristics on the value of manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2023. Manufacturing companies are particularly relevant for this research as they are directly involved in sustainability dimensions economic, technological, social, and environmental due to their production and waste processing activities (Darwin, 2007). The findings of this study are expected to provide valuable insights for various stakeholders, including investors, regulators, and companies themselves. By understanding the factors that influence firm value, it is hoped that companies will be able to adopt strategic measures to improve both their financial and environmental performance, contributing to long-term sustainability.

LITERATURE REVIEW

Agency Theory

Agency theory describes the relationship between the principal (owner) and the agent (management). According to Jensen & Meckling (1976) this theory explains the relationship between two parties with different interests, which can lead to conflicts. These conflicts arise when the goals and interests of each party are not aligned, potentially hindering company performance and value for shareholders. Agency theory helps understand conflicts between the principal and the agent and identifies potential issues related to incentives and supervision.

Stakeholder Theory

Stakeholder theory states that companies should benefit not only themselves but also stakeholders such as creditors, suppliers, shareholders, and the community. Stakeholders play a crucial role in a company's sustainability by controlling vital resources. Therefore, companies need to maintain relationships with them, which can be done through sustainability reports (Hörisch et al., 2020).

Legitimacy Theory

Legitimacy theory asserts that organizations constantly strive to ensure their activities align with the boundaries and norms established by society (Deegan et al., 2002). This theory emphasizes the importance of the relationship between a company and the surrounding community, as businesses cannot be detached from their social environment. Organizations must consider the values, expectations, and norms in society in order to gain legitimacy and support from the public. More broadly, this theory focuses on a larger system in which organizations or entities are seen as part of a wider social environment, and their activities and performance must be accepted and recognized by society as part of their existence (Oktiara et al., 2024)

Green Accounting

Green Accounting is an accounting concept that integrates environmental costs and benefits into corporate activities. According to Lako (2018), green accounting involves the recognition, measurement, recording, reporting, and disclosure of financial, social, and environmental transactions in an integrated manner to produce relevant information for decision-making. Green accounting aims to enhance the efficiency of environmental

management by assessing environmental costs and economic benefits while supporting environmental protection.

Environmental Disclosure

Environmental disclosure is defined as a response to pressures exerted by stakeholders, representing a company's effort to manage public perception of the environmental impacts of its activities (Khan et al., 2022).

Company Characteristics

Company characteristics refer to attributes inherent to a company that make it identifiable. These characteristics can include company size, leverage, company base, industry type, and other profiles or traits (Marwata, 2001) Certain company characteristics can explain variations in the extent of disclosure in annual reports. For instance, research by Cahyaningtyas (2018) found that company size significantly influences the extent of social responsibility disclosure in annual reports.

The Impact of Green Accounting on Firm Value

The relationship between green accounting and firm value lies in its ability to measure and disclose the environmental costs and benefits of corporate activities. Studies on this relationship yield mixed results. Rahmawati et al. (2024) found that green accounting, corporate social responsibility, and financial performance do not influence firm value, although profitability has a significant impact. Similarly, Agatha & Widoretno (2023) reported that green accounting does not affect firm value but influences profitability, with no mediating effect through material flow cost accounting (MFCA). In contrast, Rangkuti et al. (2023) discovered that green accounting negatively impacts market-based value (MBV) while positively affecting earnings per share (EPS) and showing a negative effect on revenue growth. Overall, while green accounting may relate to firm value, the impact is inconsistent and context-dependent, influenced by various factors and other variables. Based on this description, the hypothesis proposed in this study is as follows:
H1 : Green Accounting has a significant effect on firm value.

The Impact of Environmental Disclosure on Firm Value

The relationship between environmental disclosure and firm value shows varied results. Sari (2023) found a positive impact of environmental disclosure on firm value, especially in the food and beverage sector listed on the Indonesia Stock Exchange (IDX). Conversely, Cahya Utami & Muslichah (2019) reported no significant effect of environmental disclosure on firm value, emphasizing the positive role of social disclosure instead, while economic and environmental disclosures showed no significant impact. Although environmental disclosure may not directly influence firm value, financial performance affected by economic and social disclosures could mediate this relationship. Overall, the link between environmental disclosure and firm value appears complex and context-dependent, warranting further analysis to understand the contributing factors. Based on this description, the hypothesis proposed in this study is as follows:
H2 : Environmental Disclosure has a significant effect on firm value.

The Impact of Company Characteristics on Firm Value

The relationship between firm characteristics and firm value has been explored in various studies. Hikmatia R et al. (2019) found that profitability, liquidity, firm size, and sustainability report disclosure significantly affect firm value, while leverage does not. Notably, sustainability report disclosure does not mediate the relationship between firm characteristics and firm value.

Similarly, Saidah & Hwihanus (2023) observed that firm characteristics positively but insignificantly impact firm value, while ownership and capital structures have a significant negative effect. Managerial performance shows a positive but insignificant influence. Overall, these studies highlight the varying effects of firm characteristics on firm value, reflecting the complexity of this relationship across different market contexts. Based on this description, the hypothesis proposed in this study is as follows:

H3 : Company Characteristics had a significant effect on firm value.

METHOD

Types of Research

This research is quantitative with a causal-explanatory approach, aiming to identify causal relationships between independent and dependent variables. The research investigates the impact of Green Accounting, Environmental Information Disclosure, and Company Characteristics on Firm Value. The method involves a cross-sectional study where data is collected at a single point in time from sample companies, using historical data for the past four years (2020-2023). The type of research is appropriate for addressing the research objectives, as it allows for a clear examination of relationships between the variables.

Research Variables

Independent Variables

- Green Accounting: Incorporating environmental impact data into financial reporting.
- Environmental Information Disclosure: The degree to which environmental information is disclosed by companies.
- Company Characteristics: Variables like company size, leverage, and profitability.

Dependent Variable:

- Firm Value: A measure of a company's market value based on investor perception.

Research Data

The research relies on secondary data, specifically financial statements and sustainability reports from manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. The sampling is purposive, focusing on companies that regularly disclose financial and sustainability reports and have received PROPER Gold, Green, or Blue ratings.

A total of 25 manufacturing companies are included, selected from those that meet specific criteria, including regular publication of sustainability and financial reports.

Data Analysis Techniques

Data will be analyzed using Partial Least Squares (PLS) with SmartPLS 4.1 software. This method is well-suited for examining complex relationships between latent variables and indicators. The analysis will involve both outer and inner model evaluations to test validity, reliability, and the structural relationships between the variables. Hypothesis testing will be based on t-statistics and probability values, with a 5% significance level to confirm or reject the hypotheses.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistical Analysis

Name	Mean	Median	Scale min	Scale max	Standard deviation	Excess kurtosis	Skewness	Cramér-von Mises p value
EPC	0.810	1.000	0.000	1.000	0.392	0.586	-1.605	0.000
EDC	0.740	1.000	0.000	1.000	0.439	-0.782	-1.111	0.000
EIFC	0.790	1.000	0.000	1.000	0.407	0.092	-1.446	0.000
EEFC	0.790	1.000	0.000	1.000	0.407	0.092	-1.446	0.000
SDG 6	2.260	2.000	2.000	3.000	0.439	-0.782	1.111	0.000
SDG 7	2.300	2.000	2.000	3.000	0.458	-1.240	0.886	0.000
SDG 12	2.330	2.000	2.000	3.000	0.470	-1.491	0.734	0.000
SDG 13	2.210	2.000	2.000	3.000	0.407	0.092	1.446	0.000
SIZE	3.019.500	3.055.000	2.756.000	3.271.000	129.065	-0.918	-0.082	0.001
DER	131.020	71.000	5.000	5.527.000	544.728	98.187	9.866	0.000
DAR	58.520	41.000	3.000	2.034.000	199.260	98.525	9.890	0.000
EPS	2.345.670	783.000	-9.931.000	24.882.000	4.674.482	9.375	2.466	0.000
ROA	7.060	6.000	-20.000	31.000	7.818	2.363	0.680	0.000
Tobin's Q	21.720	13.000	5.000	205.000	24.123	32.782	4.796	0.000
MTBV	26.820	15.000	0.000	176.000	30.804	8.830	2.733	0.000

Source: Processed Data by Researcher using SmartPLS 4.1

Most variables, such as EPC (0.810), EDC (0.740), and EIFC (0.790), have means close to 1, indicating concentration at the upper end of the scale. SDG-related variables (SDG 6, 7, 12, and 13) are centered around 2, suggesting they are more evenly distributed. SIZE shows significant variation with a mean of 3,019,500, while DER and DAR have high means, indicating high leverage. EPS has an extremely high mean of 2,345,670, pointing to outliers with very high earnings. Tobin's Q and MTBV also show high averages, indicating strong market expectations.

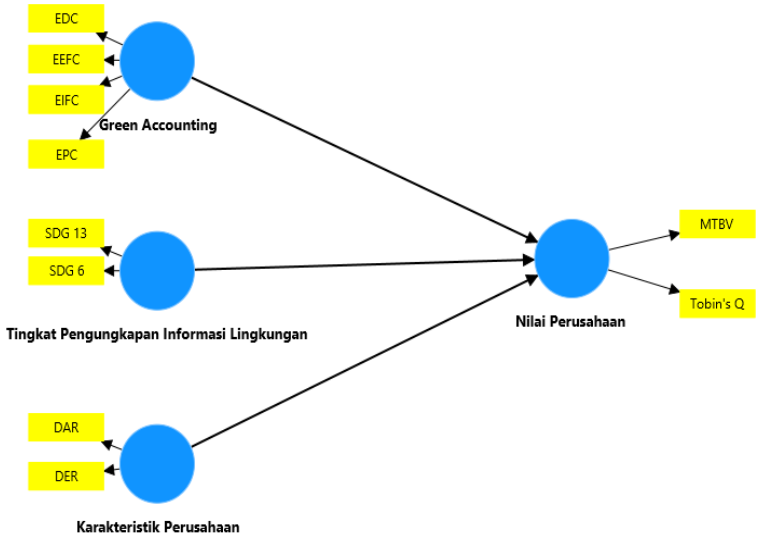
The median for most variables is around 1 or 2, and "Scale min" and "Scale max" show the observed minimum and maximum values. Some variables, like DER and EPS, show wider ranges. High standard deviations for SIZE and EPS suggest significant variation, while SDG-related variables show more stability. Most variables show positive kurtosis, indicating heavy tails and the presence of outliers, particularly in DER and DAR.

Skewness shows that variables like EPC, EDC, EIFC, and EEFC are left-skewed, while EPS, Tobin's Q, and MTBV are right-skewed. Cramér-von Mises p-values of 0.000 for all variables suggest they deviate from normal distribution.

In summary, the data shows substantial variation, with outliers in DER, EPS, and Tobin's Q. SDG variables are more evenly distributed, and most variables do not follow a normal distribution.

Data Analysis

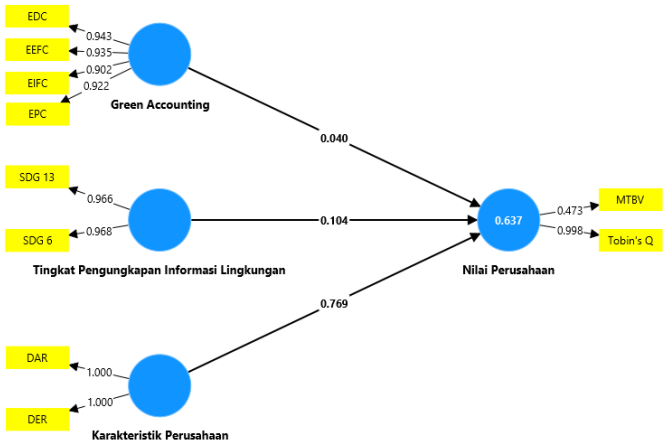
Outer Model Analysis



Source: Processed Data by Researcher using SmartPLS 4.1

Convergent Validity

The following is a figure showing the results of the SEM PLS model calculation after removing the indicators that did not meet the loading factor threshold. In the figure, it can be seen that the loading factor values of all indicators for each variable are above 0.6, allowing the analysis to proceed with the discriminant validity test.



Source: Processed Data by Researcher using SmartPLS 4.1

Discriminant Validity

Table 2. Cross Loading

	Green Accounting	Company Characteristics	Firm Value	Environmental Disclosure
DAR	0,067	1,000	0,791	0,193
DER	0,068	1,000	0,791	0,194
EDC	0,943	0,074	0,096	-0,162
EEFC	0,935	0,059	0,055	-0,185
EIFC	0,902	0,057	0,048	-0,185
EPC	0,922	0,052	0,047	-0,159

	Green Accounting	Company Characteristics	Firm Value	Environmental Disclosure
MTBV	-0,005	-0,076	0,473	0,135
SDG 13	-0,220	0,200	0,233	0,966
SDG 6	-0,138	0,175	0,240	0,968
Tobin's Q	0,070	0,757	0,998	0,246

Source: Processed Data by Researcher using SmartPLS 4.1

The correlation value between the indicator and its construct is greater than the correlation with other construct blocks, thus all statement items are considered to have discriminant validity.

Composite Reliability

Table 3. Construct Reliability

	Cronbach's alpha	Composite reliability (rho_c)
Green Accounting	0,947	0,960
Company Characteristics	1,000	1,000
Firm Value	0,692	0,735
Environmental Disclosure	0,930	0,966

Source: Processed Data by Researcher using SmartPLS 4.1

The Cronbach's alpha and composite reliability values are greater than 0.60, indicating that all variables are reliable.

Average Variance Extracted (EVA)

Table 4. Construct Reliability

	Average variance extracted (AVE)
Green Accounting	0,857
Company Characteristics	1,000
Firm Value	0,610
Environmental Disclosure	0,935

Source: Processed Data by Researcher using SmartPLS 4.1

Based on the table, it can be seen that the AVE values for certain constructs are all above 0.5. This indicates that the model does not have issues with convergent validity. In this study, the AVE values for each construct meet the required threshold, thus the convergent validity of the tested model is acceptable.

Inner Model Analysis
R^2 Analysis

Table 5. R^2 Analysis

	R-square	R-square adjusted
Firm Value	0,637	0,625

Source: Processed Data by Researcher using SmartPLS 4.1

The R^2 value for the firm value variable is 0.637, indicating that the green accounting, environmental information disclosure, and firm characteristics variables can explain 63.7% of the firm value. Therefore, it can be concluded that the model is considered moderate.

F^2 Analysis (Effect Size)

Table 6. F^2 Analysis

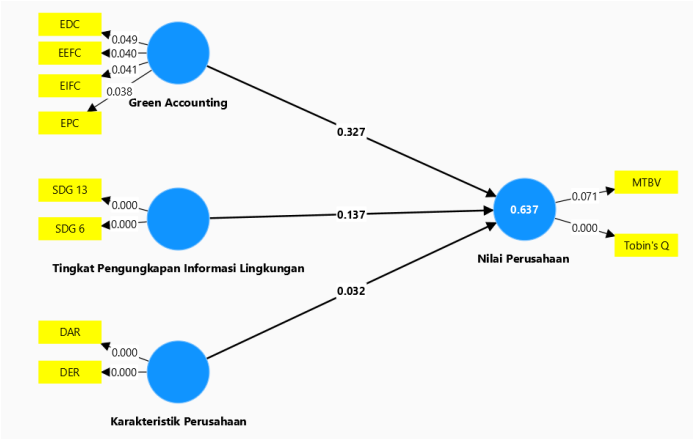
	Green Accounting	Company Characteristics	Firm Value	Environmental Disclosure
Green Accounting			0,004	
Company Characteristics			1,547	
Firm Value				
Environmental Disclosure			0,027	

Source: Processed Data by Researcher using SmartPLS 4.1

The effect of green accounting on firm value is 0.004, which is considered weak. Next, the effect of firm characteristics on firm value is 1.547, indicating a strong influence. The effect of environmental disclosure on firm value is 0.027, which is also considered weak.

Bootstrapping

In Partial Least Square, hypothesis testing is done using bootstrapping to address data non-normality, with a significance level of 0.05 and a one-tailed approach. A hypothesis is accepted if the t-statistic exceeds 1.64 (Jogiyanto, 2011). The bootstrapping results from the SEM PLS analysis are as follows.



	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Green Accounting → Firm Value	0,04	0,033	0,09	0,449	0,654
Company Characteristics → Firm Value	0,769	0,516	0,414	1,855	0,064
Environmental Disclosure → Firm Value	0,104	0,121	0,094	1,095	0,273

Source: Processed Data by Researcher using SmartPLS 4.1

Based on the bootstrapping analysis table, the conclusions are as follows:

1) The green accounting variable has a t-statistic of 0.449 < 1.64 or a p-value of 0.327 > 0.05, so H1 is rejected, meaning green accounting does not significantly affect firm value.
2) The environmental information disclosure variable has a t-statistic of 1.095 < 1.64 or a p-value of 0.137 > 0.05, so H2 is rejected, meaning environmental information disclosure does not significantly affect firm value.
3) The firm characteristics variable has a t-statistic of 1.855 > 1.64 or a p-value of 0.032 < 0.05, so H3 is accepted, meaning firm characteristics significantly affect firm value.

Discussion of The Analysis Result

The Impact of Green Accounting on Firm Value

The research found that green accounting does not significantly affect firm value, measured through environmental prevention costs (EPC), environmental detection costs (EDC), environmental internal failure costs (EIFC), and environmental external failure costs (EEFC). This is supported by previous studies such as Rahmawati et al. (2024) which concluded that green accounting, corporate social responsibility (CSR), and financial performance do not significantly affect firm value. Agatha & Widoretno (2023) also found that green accounting and material flow cost accounting (MFCA) do not significantly impact firm value, although they affect profitability. These findings suggest that green accounting is often perceived as a formality and does not create the anticipated value due to limited understanding and inconsistent implementation, particularly in developing countries. Investors tend to focus more on financial indicators like profit or cash flow, with green accounting information being technical and difficult for non-technical stakeholders to comprehend (Rangkuti et al., 2023). The lack of consistent standards and regulations for green accounting further limits its relevance for market analysis. The capital market's underdevelopment and the tendency to treat environmental costs as short-term burdens, as noted by Agatha & Widoretno (2023), are additional barriers to its effectiveness. However, some studies suggest a positive relationship between green accounting and firm value. Astuti et al. (2023) found that the implementation of green accounting positively influenced firm value, driven by profitability and CSR efforts. Similarly, Lestari (2023) found that green accounting, green intellectual capital, and CSR positively impacted firm value, suggesting that green accounting can bring long-term benefits if implemented effectively.

In conclusion, while several studies highlight the positive impact of green accounting on firm value, factors such as limited understanding, inconsistent implementation, and sectoral differences continue to hinder the effective application of green accounting. Therefore, while green accounting has potential, various contextual factors must be addressed for it to have a significant impact on firm value.

The Impact of Environmental Disclosure on Firm Value

The disclosure of environmental information, particularly through sustainable development goals (SDGs), shows no significant effect on firm value. This finding is consistent with (Zhou et al., 2019) who argue that environmental disclosure is often perceived by investors as an indication of increased operational costs or large investments that may not yield short-term benefits, thereby reducing the company's attractiveness. Increased costs also heighten the risk of project failures and lengthen the payback period of investments, potentially leading to a decline in performance during SDG implementation. Moreover, as highlighted by A. Zaid et al. (2018), the complexity of SDG-related information often makes it difficult for stakeholders, including investors, to understand, which may result in confusion or negative perceptions. A high level of disclosure could also lead to accusations of "greenwashing," where companies focus on

image rather than tangible results, ultimately eroding stakeholder trust. In developing countries, the relevance of environmental issues is often low, which makes SDG disclosures less impactful.

Furthermore, disclosures that are not directly linked to a company's financial performance may be seen by investors as non-strategic, which is supported by the findings of (Cahya Utami & Muslichah, 2019) who showed that while social disclosure contributes positively to firm value, environmental disclosure itself does not have a significant effect. Additionally, found that, despite the positive influence of environmental performance on firm value, environmental disclosure had no significant impact. This is because sustainability strategies, particularly those related to SDGs, often do not show immediate results, as emphasized by (Akmal & Deni Darmawati, 2023), who noted that environmental disclosure has a significant positive effect on firm value when environmental management is taken into account as a moderating variable. Sari (2023) found that environmental disclosure positively influences firm value, especially in the food and beverage sector. However, the overall impact of environmental disclosure on firm value varies depending on the industry context, the quality of the disclosure, and how stakeholders perceive the relevance of the information, as also suggested by earlier studies such as those by Sagala & Aprilia (2023) and Utami & Muslichah (2019) These mixed findings suggest that while some sectors benefit from environmental disclosure, the impact largely depends on how the information is presented and understood by investors.

The Impact of Firm Characteristics on Firm Value

Firm characteristics, such as size (SIZE), debt-to-asset ratio (DAR), debt-to-equity ratio (DER), return on assets (ROA), and earnings per share (EPS), significantly influence firm value. These characteristics reflect stability, efficiency, and profitability, which attract investors. According to Pecking Order Theory, larger companies are more stable and have better access to resources and markets, while effective debt management demonstrates the company's ability to use debt wisely without excessive risk. High ROA indicates efficient asset utilization, and high EPS signals profitability, boosting investor confidence. Previous studies show mixed results. Fajarsari et al. (2024) found that capital structure and profitability positively impact firm value, while environmental disclosure has no significant effect. Hikmatia et al. (2019) noted that profitability, liquidity, company size, and sustainability reporting significantly influence firm value, although sustainability reporting does not act as a mediator. Munifa et al. (2024) found that profitability, leverage, and company size positively affect firm value, and CSR strengthens the impact of profitability and leverage Saidah & Hwihanus (2023) found that company characteristics positively but insignificantly affect firm value, while Tara & Hwihanus (2023) showed a positive and significant effect. Achyani et al. (2020) concluded that company size significantly affects firm value, though profitability does not. Overall, these findings suggest that characteristics like size, leverage, and profitability are key factors influencing firm value and are crucial for investor assessments of a company's stability and potential.

CONCLUSION

The study concludes that green accounting (X1) has no significant impact on firm value, as measured by environmental costs like prevention, detection, and failure costs, due to inconsistent implementation and a focus on financial indicators by investors. Environmental disclosure (X2) through SDGs tends to decrease firm appeal, being seen as an additional cost without short-term benefits and potentially perceived as "greenwashing." In contrast, company characteristics (X3) such as size, debt structure, asset efficiency, and profitability (ROA and EPS) positively affect firm value, indicating stability and higher potential returns for investors.

This study faces several limitations. Data availability is constrained as not all companies consistently disclose environmental information, which may cause bias and affect the validity of

the findings. Additionally, the subjective nature of measuring green accounting and environmental disclosure can impact the results. The sustainability variables used may not fully reflect the actual impact on company performance, and market perceptions may not prioritize sustainability efforts, distorting their effect on firm value. External factors like economic conditions or regulatory changes were not controlled, which could obscure the relationship between green accounting and company value. Lastly, using cross-sectional data may not capture the long-term dynamics of these variables' impact.

Theoretically, it contributes to stakeholder theory, legitimacy theory, and agency theory. In agency theory, the ineffectiveness of green accounting and environmental disclosure in influencing firm value reflects a conflict of interest between management and shareholders, with investors focusing more on short-term profits than long-term environmental benefits. Company characteristics like size, debt-to-asset ratio, debt-to-equity ratio, return on assets, and earnings per share influence firm value by reducing agency costs and enhancing operational efficiency, boosting investor confidence. From the perspective of legitimacy theory, environmental disclosure is a tool for firms to gain or maintain legitimacy, but if it doesn't affect firm value, it suggests that the market or society does not view environmental reporting as vital for legitimacy. Characteristics such as company size, ROA, and EPS can enhance a firm's legitimacy, as larger firms are often perceived as more stable. In terms of stakeholder theory, the ineffectiveness may result from a misalignment between green accounting disclosures and stakeholder expectations. This highlights the need for better communication strategies and more relevant environmental reporting to bridge the perception gap and improve firm value through transparency.

Practically, companies should focus on factors directly influencing financial performance and stability, such as size, leverage, and profitability. Proper debt management and a balanced capital structure are key to maintaining investor perception of stability and risk. While green accounting is crucial for sustainability, companies must ensure that their environmental policies also deliver financial outcomes. Clear, transparent communication on sustainability initiatives is needed to build long-term reputations.

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