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The Mediation Role of Financial Performance on the Influence of Green Accounting on Banking Sector Company Value

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ABSTRACT: This study aims to examine the influence of green accounting and financial performance on company value and the role of economic performance in mediating the impact of green accounting on company value. The research population is 47 banking companies listed on the IDX from 2021 to 2023. The sampling technique used purposive sampling with 132 observation research samples. The results of the study show that green accounting has a positive effect on company value. At the same time, financial performance cannot mediate the influence of green accounting on company value. The study's results support the stakeholder theory that companies must consider environmental impacts to improve relationships with other stakeholders. The research results can also encourage governments and regulatory authorities to develop policies that support ecological transparency and sustainable accounting reporting. This research is limited to collecting green accounting data for some companies that do not present sustainability reports separately, making it difficult for researchers to trace the data.

Keywords: Financial Performance, Green Accounting, Company Value.

INTRODUCTION

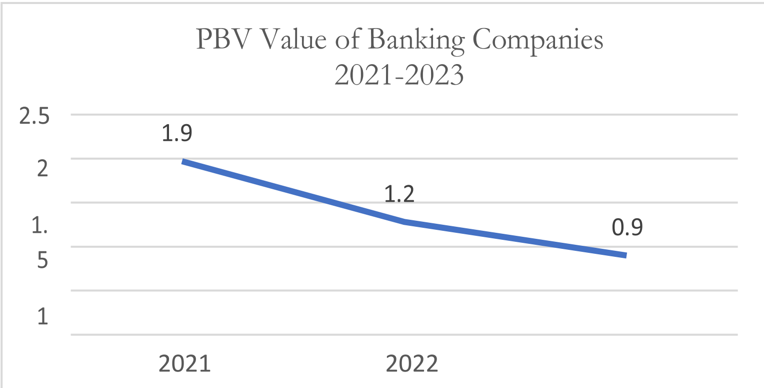
Company value is the primary indicator that reflects the health and long-term prospects of the company. (Susanto, 2020)The company's value reflects investors' perception of the bank's performance and future potential. Rising value shows investors' confidence in the bank's management, business strategy, and financial stability. Conversely, a company's value decline can reflect a distrust of the business's sustainability (Jeanice & Kim, 2023).

Banking is a financial institution that provides various services related to money and financial transactions, such as storing customer deposits, providing loans, and providing various other financial products and services. (Nuryana, 2017). Banks play a vital role in the economic system by acting as intermediaries between savers and borrowers and assisting in money flow. (Ningsih et al., 2021). Banking companies support economic growth by facilitating financial transactions, mobilizing funds, and distributing credit for consumption and investment. (Prabawati et al., 2021).

Banks with large corporate valuations tend to better deal with economic crises or market shocks. These banks have more extensive capital reserves, so they are more resilient in absorbing losses and maintaining operations amid market volatility. (Maheswari & Suryanawa, 2016)This stability is essential for maintaining public trust and preventing a broader financial crisis. A high corporate value benefits other stakeholders, including employees, customers, and the wider community. It reflects the bank's solid performance, which can create stable jobs, better customer service, and a positive economic contribution (Erlangga et al., 2021).

The price-to-book value (PBV) shows the company's value. Banking companies experienced a significant decline from 2021 to 2023. This decrease can be seen in the following table:

Figure 1. PBV Value of Banking Companies



The decline in the company's value continued to occur in 2021 by 1.97 and in 2022 by 1.28. In 2023, the decline reached 0.9 until the share price was lower than the book equity value per share. This indicates that the welfare of investors in the banking sector is not fully guaranteed. The decline in the PBV ratio in the banking sector can also be a sign that the bank's performance could have been more optimal, so it has not fully achieved its functions and goals.

The value of a company is inseparable from the company's financial performance. (Srihayati & Tandika, 2015). Good financial performance can describe the company's resource management and ability to generate profits. (Mumtazah & Purwanto, 2020)When financial performance improves, investors consider the company more stable and profitable, ultimately increasing its value. Additionally, companies with solid financial performance can better meet their financial obligations, invest in growth, and withstand economic shocks, all of which contribute to an increase in the company's value in the long term. (Sembiring & Trisnawati, 2023). Conversely, poor financial performance can lower the market's perception of a company's prospects, potentially lowering the company's overall value.

Stakeholder theory emphasizes that companies do not only focus on profits but also the interests of other stakeholders. (Deegan, 2014). Green accounting supports economic and environmental sustainability through financing and investment policies. (Dianty & Nurrahim, 2022). Green accounting is an accounting system that considers the environmental impact of business activities in corporate financial reporting. (Sulistiawati & Dirgantari, 2017).

Green accounting can increase the reputation and confidence of investors, which will impact expanding the company's value. (Endiana et al., 2020). Companies that implement green accounting demonstrate a commitment to sustainability and environmental responsibility. Green accounting can help companies better manage environmental risks, such as potential fines or litigation due to violations of environmental regulations. (Ekawati, 2023)Green accounting also encourages operational efficiency by reducing costs and using more economical resources. Focusing on regulatory compliance and environmental risk management allows the company to create more excellent long-term value and strengthen its position in the market, thereby increasing its value. (Wijayanti & Dondoan, 2022). Following the legitimacy theory, which explains that companies try to gain legitimacy from society and stakeholders through sustainable practices, companies implement green accounting. This demonstrates a commitment to sustainability, which can improve reputation and consumer trust, potentially increasing financial performance and company value.

Green accounting positively affects the value of companies listed on the Indonesia Stock Exchange (Erlangga et al., 2021; Sudimas et al., 2023). Different results were found by Ekawati, (2023) showed that green accounting did not affect the company's value. Rilla (Gantino et al., 2023) and (Sukmadilaga et al., 2023) found that green accounting harms company value. The inconsistency of the research results raises the suspicion that financial performance can mediate the influence of green accounting on the company's value.

Green accounting can improve a company's financial performance by introducing more efficient practices in using natural resources and minimizing the risk of fines due to non-compliance with environmental regulations.(Sudimas et al., 2023)Increased efficiency can reflect improved financial performance within the company, expanding the company's value in the market. Therefore, financial performance plays a vital role as a mediating variable, bridging the positive influence of green accounting on the company's value.

Green Accounting and Corporate Value

Green accounting emphasizes the measurement and reporting of a company's environmental performance. Integrating environmental costs into financial statements can make companies more transparent about the ecological impact of their operations. This transparency can improve the company's reputation in the eyes of investors, customers, and other stakeholders who care about environmental issues (Sudimas et al., 2023). Companies that implement Green Accounting tend to be more efficient in using resources, which can reduce operational costs and increase profitability in the long run. As a result, the company's value may increase due to a combination of better reputation and more robust financial performance. In line with the stakeholder theory, companies are oriented to profits and other stakeholders' interests (Deegan, 2014). Green accounting can demonstrate a commitment to social and environmental responsibility, increasing trust and creating positive relationships with key stakeholders. When stakeholders see a company acting responsibly towards the environment, they are more likely to support and invest in the company. This trust can improve a company's reputation, create customer loyalty, improve long-term performance, and ultimately increase the company's overall value (Gantino et al., 2023). (Erlangga et al., 2021) and (Faranika & Illahi, 2023) found that green accounting positively affects company value. Based on the arguments and results of previous research, the following hypothesis is formulated:

H1: Green Accounting Has a Positive Effect on Company Value

The Role of Financial Performance Mediation on Green Accounting and Corporate Value

Green Accounting focuses on integrating environmental aspects into a company's financial reporting, including the costs and benefits of ecological actions.(Lestari & Khomsiyah, 2023). The implementation of Green Accounting can result in operational efficiency. This efficiency can lower operational costs, positively impacting the company's financial performance, especially regarding increased profits, better cash flow, and reduced risks associated with environmental violations. (Dianty & Nurrahim, 2022). Green Accounting results in financial efficiency and benefits, the impact of which is seen in economic performance, such as increased profitability or reduced costs.

Signal theory emphasizes that a company's actions provide information or signals to external parties regarding the company's future quality and performance. (Setiawanta & Hakim, 2019). Implementing green accounting signals that the company is serious about managing environmental impacts and is committed to sustainability. (Aryani et al., 2023). Companies that successfully signal their commitment to environmental responsibility through Green Accounting will be considered more stable and sustainable in the long term. This has the potential to increase market confidence and support improving the company's financial performance as the company is considered a responsible entity worthy of investing.

Financial performance that will give a positive signal to investors and the market about its success in managing its resources and environmental responsibility(Prena, 2021). Investors will respond to this positive financial performance by increasing confidence in the company's prospects, which is reflected in the company's rising stock price and market value. (Sudimas et al., 2023) and (Wijayanti & Dondoan, 2022) found that financial performance can mediate the influence of green accounting on company value. Based on the arguments and results of previous research, the following hypothesis is formulated:

H2: Financial Performance can Mediate the Influence of Green Accounting on Company Value

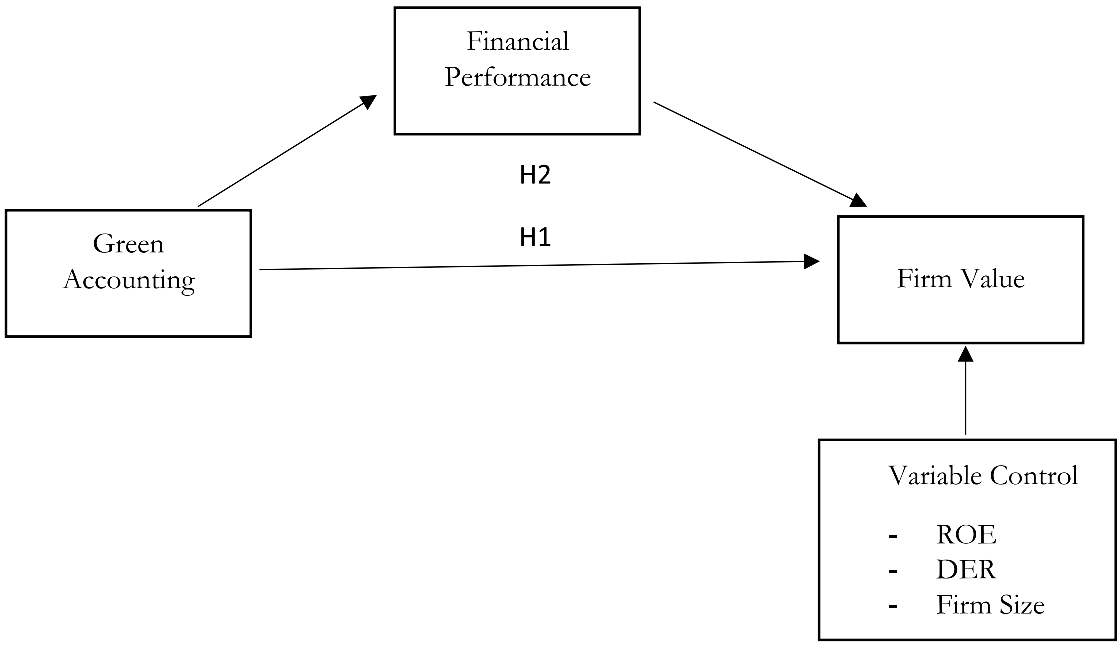


Figure 2. Conceptual Framework

METHOD

The research is quantitative; the research population is banking sector companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. The sampling technique uses purposive sampling with the following criteria:

Table 1. Sample Selection Criteria

Criterion	**Sum**
Banking Companies listed on the IDX consecutively from 2021-2023	47
Banking companies that do not publish financial statements, yearly, and its sustainability report from 2021-2023	(3)
Its financial statements, annual reports, and sustainability reports are not have complete data for research purposes	(0)
Number of Companies Used as Research Sample	44
Number of observations for 3 years (2021-2023)	132

The dependent variable of the research is the value of banking companies listed on the IDX in 2021-2023, which is measured using PBV (Aryani et al., 2023). PBV is the price to book ratio used to assess a company's valuation. This ratio compares the market price of a company's stock to its book value per share. The study's independent variable is the green accounting of banking companies listed on the IDX from 2021-2023 as measured using the GR Index (GRI-G4)(Faranika & Illahi, 2023). The mediating variable of the study is the financial performance of banking companies listed on the IDX in 2021-2023 will be measured using ROA (Khairiyani et al., 2019). The data was analyzed using Partial Squares Structural Equation Modeling (PLS-SEM). The classical assumption test is not used in analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM) because PLS-SEM is a non-parametric method that does not require data distribution assumptions.

Table 2. Variable Measurement

Variable Name	Abbreviation	Measurement
Firm Value	PBV	$PBV_t = \frac{Market\ price\ per\ share_t}{Book\ value\ per\ share_t}$
Financial Performance	ROA	$ROA_t = \frac{laba\ bersih_t}{Total\ Aktiva_t}$ x 100
Green Accounting	GA	GA= $\sum \frac{\text{Total Disclosure}}{\text{Total Item}}\ x\ 100$

RESULT AND DISCUSSION

Descriptive Statistics

Table 3. Descriptive Statistics

	Mean	Min	Max	Std. Deviation
FV	3,373	0,333	6,200	7,304
FP	7,376	5,036	10,122	1,108
GA	0,541	0,109	0,939	0,208

Data processed, 2024

Based on Table 3, it can be seen that the company's value has an average of 3,373, which is above the value of 1, so it can be concluded that the value of banking companies is relatively high. The minimum score is 0.333, and the maximum score is 6.200. The standard deviation of 7.304 is greater than the average value, so the company's value has a high chance of fluctuation. The average value of the company's financial performance was 7,376, with a minimum value of 5,036 and a maximum value of 10,112. The standard deviation of 1.108 is smaller than the average value, indicating that the bank's financial performance has a low probability of fluctuation. The average value of green accounting is 0.541, which shows that banking companies have an environmental performance of 0.541. The minimum score is 0.109, and the maximum value is 0.939. The standard deviation value of 0.208 is smaller than the average value, indicating that the green accounting of banking companies has a low probability of fluctuations.

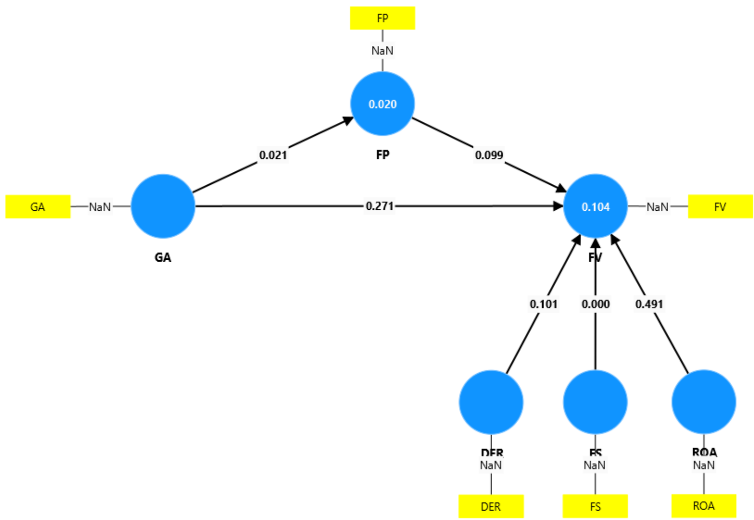


Figure 3. Model Output PLS-SEM

Inner Model

Table 4. Coefficient

	T statistics (|O/STDEV|)	*	Information
H1: GA -> NP	3.315	0.000	Accepted
H2: GA -> KK -> NP	1.016	0,155	Rejected
Control Variables			
FS -> FV	3.315	0,000	
DER -> FV	1.276	0,101	
ROA -FV >	0.21	0,491	
R-square	0.104		
R-square adjusted	0.068		

Data processed, 2024

Based on Table 3, the results of the path analysis show that green accounting has a positive effect on the company's value with t statistics greater than 1.656 and p values less than 0.05, so hypothesis 1. Financial performance could not mediate the influence of green accounting on the company's value with a t-statistical value of less than 1.656 and a p-value greater than 0.05, so hypothesis 4 was rejected. The control variable showed that DER and ROA did not affect the company's value, with a t-statistical value less than 1.656 and a p-value greater than 0.05. The size of the company affects its value, with t statistics greater than 1.656 and p values less than 0.05.

The Effect of Green Accounting on Company Value

The results of the study show that green accounting has a positive effect on the value of banking companies. Banks have a crucial role in distributing sustainable financing and investment that is closely monitored by stakeholders related to environmental issues (Li et al., 2018). In the banking industry, green accounting helps manage environmental risks related to investment and loan portfolios, where assessing the ecological impact of funded projects is an integral part of decision-making (Faranika & Illahi, 2023). Green accounting can improve its reputation as a socially responsible financial institution, attracting customers and investors who care about sustainability.

Companies that prioritize green accounting tend to comply with evolving regulations related to the environment, such as green financing and disclosure of information related to climate risks. This compliance can protect banks from potential sanctions and increase stakeholder trust (Sukmadilaga et al., 2023). Proactive environmental risk management can strengthen its financial stability and minimize its exposure to reputational and legal risks, which can ultimately contribute to an increase in the overall value of the company (Lestari & Khomsiyah, 2023). The results of this study confirm the stakeholder theory that companies that demonstrate their commitment to environmental sustainability, which many stakeholders expect to strengthen the relationship between the company and stakeholders by building trust, improving reputation, and attracting investors to increase the company's value. The study results are supported by Faranika & Illahi (2023) and Wijayanti & Dondoan (2022), who state that green accounting positively affects company value. The managerial implications of these findings show the importance of green accounting as a strategic factor that can influence financial performance and company value. With a planned and integrated approach, companies can utilize green accounting to achieve sustainability goals while increasing their performance and value.

The Role of Financial Performance in Mediation of the Influence of Green Accounting on Company Value

The study results show that financial performance cannot mediate the influence of green accounting on company value. The benefits of green accounting are often only visible in the long term, while bank financial performance is measured through short-term indicators. Green accounting focuses on sustainability and environmental risk management that can improve the bank's reputation, strengthen customer and investor confidence, and attract capital from sustainability-focused sources (Safriani & Utomo, 2020). But, these impacts are not always directly reflected in short-term financial performance (Triyani et al., 2020). As a result, although green accounting can contribute to increasing the value of banking companies through increased trust and reputation in the market, financial performance is not an adequate indicator to provide positive signals to the market that can impact expanding the value of companies. The results of this study are supported by (Ekawati, 2023) and (Erlangga et al., 2021) who stated that financial performance cannot mediate the influence of green accounting on company value. Understanding the role of economic performance as a mediator in the relationship between green accounting and corporate value can help managers formulate more effective strategies. By adopting an integrated, data-driven approach, companies can achieve profitable sustainability while improving their financial performance and market value.

CONCLUSION

This study found evidence that green accounting has a significant positive effect on company value and financial performance. The results of this study confirm the stakeholder theory that companies that show commitment to environmental sustainability can strengthen the relationship between the company and stakeholders by building trust, improving reputation, and attracting investors. However, the results of this study show that financial performance cannot mediate the influence of green accounting on company value. The benefits of green accounting can be seen in the long term. At the same time, financial performance is measured using short-term indicators so that it is not directly reflected in economic performance. It cannot affect investors' perception of investing or the company's value.

This research is limited to collecting green accounting data. Some companies must provide separate sustainability reporting, making it difficult for researchers to trace the data. Advice for future researchers to consider and use other secondary data sources, such as those provided by independent institutions and data supplied by third parties such as Bloomberg or Revinitiv.

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