

THE MODERATING ROLE OF GOOD CORPORATE GOVERNANCE ON THE RELATIONSHIP BETWEEN GREEN ACCOUNTING AND FINANCIAL PERFORMANCE

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Abstract

The purpose of this study is to investigate the extent to which Good Corporate Governance (GCG) plays a role in the connection between Green Accounting and the overall performance of ESG Leaders indexed businesses that are traded on the Indonesia Stock Exchange during the 2021–2023 period. The background of this study departs from the increasing pressure on the integration of environmental aspects in business strategies, as a means of fulfilling a sense of social duty and as part of an effort to preserve the credibility of the organisation in the eyes of the general public. This study uses a quantitative approach with a sample of 98 observation data. The test was carried out by regression analysis using Moderated Regression Analysis (MRA). According to the findings of the research, Green Accounting does not have a substantial impact on financial performance. On the other hand, Good Corporate Governance has been demonstrated to moderate the impact of Green Accounting on financial performance, and it has been shown to have a considerable impact.

Keywords: financial performance, green accounting, good corporate governance, MRA, ESG Leaders.

INTRODUCTION

A company's financial performance can be defined as a quantitative measurement of how well it has been able to achieve its financial goals over a specified period. The information obtained from financial performance analysis is used by management to make strategic decisions and describe the company's efficiency in utilizing its assets (Xue et al., 2020). Financial performance alone does not ensure sustainability (Rahmadhani et al., 2024), especially when corporations may shift operations to pollution havens for economic reasons (Rahi et al., 2024).

The goals of sustainable development are viewed not only from a financial point of view, but also from an environmental point of view (Zheng Guang-Wen, 2022). The Indonesian government has encouraged the industry to view the importance of achieving the Sustainable Development Goal, which has been proclaimed by the United Nations (UN). This is reflected in various policies that have been regulated by the government, especially in terms of Environmental, Social, and Governance (ESG) practices for companies established in Indonesia. However, only about 35% of business actors understand and are willing to implement ESG (Kadin, 2024).

Achieving sustainability and financial performance simultaneously can be done through the implementation of green accounting in companies. Knowledge of environmental management operations from an economic point of view can be gained through the use of green accounting, which is a tool that business organisations use (Maama & Appiah, 2019). Green Accounting reflects a company's commitment to environmental sustainability, which can improve its reputation among stakeholders and consumers (Xu, 2023). By integrating ecological considerations into financial reporting, businesses can better manage risks associated with climate change and resource depletion (Brooks & Schopohl, 2021).

Research on the influence of green accounting on financial performance has not shown consistent results. This is shown from the results of research that has been conducted, stating that green accounting does not affect financial performance (Atikah & Sastradipraja, 2024; Dita & Ervina, 2021). Meanwhile,

based on the results of research by (Khan & Gupta, 2023) It is stated that green accounting has a significant effect on the company's financial performance.

The goal of GCG is to promote open, accountable, and responsible business management. The effective application of GCG principles can improve financial performance, reduce risk, and strengthen investor confidence. According to the findings of empirical research, businesses that consistently apply GCG have a tendency to have greater performance in comparison to businesses that do not adopt GCG. In addition, companies with larger scales tend to have more complex and structured GCG systems (Flood et al., 2020).

The importance of researching the relationship between green accounting and financial performance, with good corporate governance (GCG) serving as a moderating component, is important to understand how sustainability factors (such as green accounting) can affect the company's financial performance. GCG as a moderation variable was tested to find out the extent to which good governance can strengthen or weaken the influence of these factors on financial performance. This research is important to provide insights into how companies can optimize sustainability and governance practices to achieve better and sustainable financial performance amid market demands that are increasingly concerned about environmental and social issues (Edmans & Kacperczyk, 2022).

This study uses the ESG Leader index, which reflects the performance of selected companies in terms of environmental, social, and governance (ESG) criteria. The ESG Leader index provides a unique perspective in the context of sustainable business. The selection of the ESG Leaders index is based on the assumption that companies with a commitment to social and environmental issues show different financial performance, especially Return on Assets (ROA). The ESG Leader Index measures the stock price performance of a company with a good ESG assessment, not involved in significant controversies, having adequate transaction liquidity, and good financial performance.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Green accounting constitutes a fundamental component of the company's accounting framework (Boyd & Banzhaf, 2007). As agents, managers are responsible for ensuring that the green accounting information generated is accurate and relevant, in order to ensure that it can serve as the foundation for efficient decision-making in order to accomplish the objectives of the firm and fulfil the requirements of the stakeholders. According to stakeholder theory, a company should be profitable for all parties involved. The manager, as an agent of the owner, must balance the interests of various stakeholders, including environmental aspects, in decision-making. Companies that implement green accounting tend to have a better reputation in the eyes of stakeholders, including customers and investors. The findings from the research conducted by Sidarta et al. (2023) and Endiana et al. (2020) suggest that green accounting has a positive impact on the financial performance of the company.

H1: Green Accounting has a positive effect on financial performance.

To enhance the effectiveness of corporate governance in Indonesia, as emphasized in Muchtar's research (2021), OJK has issued a series of regulations that adopt international best practices. OJK Regulation No. 21/POJK.04/2015 and OJK Circular Letter No. 32/SEOJK.04/2015 in detail regulate various aspects of corporate governance, including basic principles and recommendations for their implementation. The main objective of these regulations is to promote transparency, accountability, and sustainable corporate performance.

Good Corporate Governance (GCG) is an effective control mechanism in overcoming agency problems and maximizing company value. By increasing transparency, accountability, and information disclosure, GCG can reduce information asymmetry and increase investor confidence. Through GCG, companies can design better contracts with stakeholders, including investors and creditors, thereby

enabling companies to optimize their capital structure and achieve better financial performance (Endang et al., 2024).

According to Agnes et al. (2024), the effective implementation of Good Corporate Governance (GCG) can moderate the relationship between green intellectual capital and corporate financial performance by reducing information asymmetry, increasing investor confidence, and encouraging management to invest green intellectual capital efficiently and effectively for the long-term benefit of the company. Through better control mechanisms, GCG ensures that investments in green intellectual capital are in line with the company's long-term goals and create value for all stakeholders.

The implementation of Good Corporate Governance (GCG) significantly facilitates the implementation of green accounting and contributes to improving the company's financial performance. By encouraging transparency, accountability, and social responsibility, Environmental considerations can be more easily incorporated into financial reporting and decision-making when businesses operate in an environment that GCG fosters. This not only increases investor and stakeholder confidence but also provides long-term benefits for the company and the environment (Endang et al., 2024).

One of the essential elements that must be present in order to successfully implement excellent corporate governance is a board of commissioners that lacks any outside influence. Independent commissioners can play a role in helping companies avoid external threats, so that companies can retain the resources they have to achieve greater profits, which in turn can improve financial performance (ROA) Deniza et al., (2023) In this study, the variable of good corporate governance was measured using the proportion of the number of independent commissioners on the board, which was calculated by dividing the number of independent commissioners by the total number of boards commissioner.

RESEARCH METHODS

This investigation employs the quantitative research category, which is designed to evaluate the hypothesis that has been established. Companies that are listed on the Indonesia Stock Exchange and are included in the IDX ESG Leader index between 2021 and 2024 for this study constitute the population. In this study, the sampling technique used purposive sampling with the following criteria: (1) Businesses that are listed on the Indonesia Stock Exchange (IDX) and are considered to be ESG Leaders for the period 2021-2024; (2) Companies that present financial statements in rupiah currency units during the year of the research period; (3) Companies that present complete financial statements and contain information about the variables needed.

This study uses the Statistical Product Solution and Service (SPSS) program test in measuring statistical goodness-of-fit model test and , classical assumption tests, to see whether the data used is normal or not and whether these variables affect financial performance, for this research SPSS 27 is used as a data management medium. This research makes use of a technique known as Moderated Regression Analysis (MRA) to investigate whether or not excellent corporate governance can enhance the impact of factors such as green accounting on organisational financial performance.

RESULTS AND DISCUSSION

Table 1. Statistics Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation
Green Accounting	98	.55	1.00	.77	.109
Financial Performance	98	.03	.21	.09	.042
Independent Board of Commissioners	98	.28	.75	.47	.115

According to the findings of the descriptive statistical test, which are presented in Table 1, the value of green accounting ranges from a minimum of 0.55 to a high of 1.00, with an average value of 0.77 and a standard deviation value of 0.109. With a minimum value of 0.03, a maximum value of 0.21, an average value of 0.09, and a standard deviation value of 0.115, the financial performance has such values. The

independent board of commissioners has a minimum value of 0.28, a maximum value of 0.75, an average value of 0.47, and a standard deviation value of 0.115. Thus, the standard deviation value of each of these variables is greater than the average value, so it can be concluded that there is a significant variation in the characteristics of each variable.

Table 2. Normality Test Results

Unstandardized Residual	
N	100
Asymp. Sig. (2-tailed)	.170d

This is the Asymp value, which can be found in the table above. As a result of the fact that the value of Sig is bigger than 0.05, it is possible to draw the conclusion that the data that was utilised in this investigation follows a normal distribution.

Table 3. Multicollinearity Test Results

Variable	Tolerance	VIF
Green Accounting	.989	1.021
Independent Board of Commissioners	.989	1.021

According to Table 3, the multicollinearity test results indicate a tolerance value of 0.989 for green accounting and 0.989 for the independent board of commissioners, suggesting that all variables exhibit a tolerance value exceeding 0.10. The VIF value for green accounting and the independent board of commissioners is 1.021, indicating that all variables possess a VIF value below 10.00. Consequently, the tolerance values and VIF derived from the multicollinearity test results indicate that the data utilised in this study did not exhibit multicollinearity issues.

Table 4. Heteroscedasticity Test Results

Green Accounting	.245
Independent Board of Commissioners	.352

According to Table 4 of the heteroscedasticity test results, the significance value for green accounting was 0.245, and for the independent board of commissioners, it was 0.352. Since the significance values for all variables exceed 0.05, it can be concluded that the data utilised in this study is devoid of heteroscedasticity symptoms.

Table 5. Autocorrelation Test Results

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.492a	.242	.226	.03694	1.071

Based on table 5, the results of the autocorrelation test were obtained with a DW (*Durbin Watson*) value of 1.071. This means that the value of DW=1.071 is greater than the value of DU=1.7358 and smaller than 4-DU = 2.2642. Therefore, it can be concluded that the data used in this study have no symptoms of autocorrelation

Table 6. Determination Coefficient Test Results

R	R Square	Adjusted R Square	Std. Error of the Estimate
.492a	.242	.226	.03694

Based on the table of test results above, the *Adjusted R Square value* is 0.242 or 24.2%. These results show that the variables of *green accounting* and good corporate governance contribute 24.2% to the dependent variable of financial performance (ROA). The remaining 75.8% was explained by other factors outside of the study.

Table 7. F Test Results

	Sum of Squares	df	Mean Square	F	Sig.
Regression	.041	2	.021	15.198	.000b
Residual	.130	95	.001		
Total	.171	97			

Based on table 7, it shows that the value of the F calculation is 15.198 with a significance value of 0.000. Because the significance value obtained was less than 0.05, the researcher concluded that simultaneously, independent variables had an influence on dependent variables.

Table 8. Test Results t

	Unstandardize d B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	.122	.059		2.077	.041
Green Accounting	.074	.063	.114	1.170	.245

The *green accounting* variable showed an unstandardized value of B of 0.074, t of 1.170, and a significance value (Sig.) of 0.245. Since this significance value is more than 0.05, it can be concluded that *green accounting* has no effect on financial performance. An Unstandardized value of 0.074 indicates that for every single unit increase in green accounting practices (e.g., an increase in commitment scores or green accounting implementation), financial performance will increase by 0.074 units, assuming other variables are constant. Thus, the hypothesis that 3 *green accounting* has a positive effect on financial performance **is rejected**.

Table 9. R^2 test

R	R Square	Adjusted R Square	Std. Error of the Estimate
.335a	.112	.093	.03999

Based on table 12 of the *R Square* MRA test obtained an Adjusted R Square value of 0.093, it can be concluded that the contribution of the influence of the variables of *green accounting* on financial performance after the existence of the moderation variable (independent board of commissioners) is 9.3%

Table 13. F Test Results

	Sum of Squares	df	Mean Square	F	Sig.
Regression	.019	2	.010	6.001	.004b
Residual	.152	95	.002		
Total	.171	97			

From the results of the test above, it can be seen that the F value is calculated as 6.001 with a significance value of 0.004. The significance value obtained was less than 0.05, so the researcher concluded that, simultaneously, the variables of *green accounting*, moderated by the GCG proxy of the independent board of commissioners, had an effect on the financial performance variables.

Table 14. t test result

	Unstandardize d B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	.116	.029		3.966	.000
Green Accounting*GCG	-.158	.046	-0.360	-3.464	.000

According to the results of the data processing conducted above, the following conclusions can be drawn: The *green accounting* variable after being moderated by the independent board of commissioners showed an unstandardized value of B of -0,158 t of -3.464, and a significance value (Sig.) of 0.000 of less than 0.05, this shows that the interaction between *green accounting* and the independent board of commissioners has a significant influence., it can be concluded that *good corporate governance* Sponsored by an independent board of commissioners strengthens the relationship between *green accounting* and financial performance. Thus, the hypothesis, which states that *good corporate governance* by the proxy of the independent board of commissioners strengthens green accounting on financial performance, is **accepted**. This means that an independent board of commissioners plays a role in improving the effectiveness of *green accounting implementation*, which in turn has a positive impact on the company's financial performance. Accurate *green accounting* information can help management make more informed and sustainable decisions, which will ultimately benefit shareholders in the long run

CONCLUSION

From the findings of the research that has been carried out "The Influence of Green Accounting on Financial Performance with Good Corporate Governance as a Moderation Variable" in IDX ESG Leader index firms on the Indonesia Stock Exchange (IDX) for 2021-2024, the following is a conclusion that can be drawn from it

1. Green accounting, measured by the Global Reporting Index (GRI) indicator, has no effect on financial performance (ROA).
2. The moderation variables of GCG, represented by an independent board of commissioners, can enhance the relationship between green accounting and financial performance (ROA).

Suggestion

For similar research in the future, it is recommended to choose a research object outside of the IDX ESG Leader index company, use new variables that have not been tested in this study, or apply a different proxy than the one already used. In addition, it is hoped that the next research can use other indicators to measure green accounting and green intellectual capital.

The company is expected to implement a balanced capital structure to improve stability in financial management, which in turn can improve operational performance. In addition, companies need to continue to strengthen green accounting practices, such as reducing waste, improving energy efficiency, and using raw materials more wisely to support improved financial performance. Although in this study, green intellectual capital did not show a significant influence on financial performance, companies are still advised to continue to innovate in environmentally friendly technologies that can have a positive impact in the future. Companies can also leverage green accounting, optimize green intellectual capital, and consider company size factors to improve overall financial performance

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