JEAMS
JOURNAL OF ECONOMY, ACCOUNTING AND MANAGEMENT SCIENCE
ISSN : 2685-9696 (Online) - 2686-0678 (Print)
Faculty of Economics, Merdeka University Surabaya
Link Jurnal:
http://wastu.unmerbaya.ac.id/index.php/wastu/index
Alamat: JL. Ketintang Madya VII/2 Surabaya

The Influence of Green Accounting on Stock Prices With Financial Performance

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Article History: Received: November 26, 2024; Accepted: January 15, 2025

ABSTRACT

This study aims to analyze the effect of green accounting on stock price growth with financial performance as a moderating variable in basic materials sector companies listed on the Indonesia Stock Exchange (IDX) for the 2021-2023 period. The data used are annual financial reports and year-end closing stock prices. The data analysis technique uses multiple regression and Moderated Regression Analysis (MRA). The results of the study show that green accounting has a significant but negative effect on stock price growth. Financial performance does not have a significant direct effect on stock price growth, but significantly moderates the relationship between green accounting and stock price growth. This finding supports the Signaling theory, which states that good financial performance strengthens investor confidence in the effective implementation of green accounting. Therefore, companies that are able to maintain financial stability can improve market perceptions of the sustainability practices they carry out.

Keywords: Financial Performance, Green Accounting, Stock Price Growth

INTRODUCTION

In the era of globalization and increasing awareness of the importance of environmental conservation, conventional accounting practices that only focus on financial performance are considered no longer adequate. In Indonesia, the growth of stock prices of companies in the basic materials sector listed on the Indonesia Stock Exchange (IDX) continues to experience significant fluctuations in line with global market dynamics and domestic economic policies. For example, PT Semen Indonesia Tbk (SMGR) and PT Indocement Tunggal Prakarsa Tbk (INTP) experienced stock price growth influenced by increasing demand for construction and infrastructure. However, volatility remains high due to fluctuations in global raw material prices and environmental issues that are getting more attention. (IDX, 2024).

Amidst the pressure to increase economic growth, the issue of sustainability is becoming increasingly relevant. Companies are beginning to face demands from various stakeholders to integrate environmentally friendly practices into their operations. In this context, the concept of green accounting has emerged as an approach that aims to record and report the environmental impact of a company's activities, as well as expenses related to natural resource management and emission reduction (Fitria Ningrum, 2023). The concept of green accounting has emerged as a

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solution to integrate environmental aspects into the company's financial reporting process. Green accounting not only records economic transactions but also takes into account the environmental impact of a company's activities, including the use of natural resources and waste management (Gunawan & Berliyanda, 2024). The implementation of green accounting can affect investors' perceptions of the company. According to research by Hasan and Wahyuni (2021), companies that adopt green accounting practices tend to have a better reputation in the eyes of investors, which in turn can increase stock demand and stock price growth. This is in line with the increasing awareness of the importance of Environmental, Social, and Governance (ESG) in investment decision making. A study by Nugraha (2022) also shows that companies in the basic sector that publish sustainability reports with green accounting components have more stable stock performance compared to companies that do not.

However, the implementation of green accounting still faces various challenges in Indonesia. Regulatory barriers, high implementation costs, and lack of awareness among management are the main obstacles. However, government support through stricter policies and fiscal incentives for companies investing in environmentally friendly technologies is starting to have a positive impact. (Putra et al., 2024). Green accounting is defined as an accounting practice that requires companies to allocate costs for environmental conservation and the welfare of surrounding communities, known as environmental accounting costs in the company's expense report. Good environmental disclosure can provide more reliable information for stakeholders. (Isfahani, 2021). In a study conducted by (Aprilianti & Lingkungan, 2024) and (Sirojul Munir et al., 2024) in their research, it was proven that green accounting has an effect on stock price growth, but research by (Liu & Jaya, 2022) showed the opposite result.

In the Indonesian economy that faces challenges and opportunities, solid financial performance provides confidence to investors. Increased domestic consumption and macroeconomic stability have driven the growth of several sub-sectors, including basic materials. Signaling Theory explains that when a company delivers good financial results, investors respond positively in the form of increased demand for shares, which ultimately drives up share prices (Weston & Brigham, 1993). Financial performance is a key indicator that reflects a company's health and ability to create value for shareholders. Indicators such as profitability are often used to assess the effectiveness of management in managing assets and resources. The relationship between financial performance and stock price growth has become a very relevant topic, especially in the context of the ever-growing Indonesian economy. (Yulianingtyas et al., 2016)

A relevant phenomenon is seen in basic material sector companies listed on the Indonesia Stock Exchange. Companies that show an increase in net profit and efficient use of assets often experience a significant increase in stock prices. Studies by (Noviyana et al., 2019) and (Hidayat &

Sugeng, 2024) revealed that financial performance has a significant influence on stock price growth. However, research by (Dini & Pasaribu, 2021) proves otherwise.

Financial performance is a key indicator that reflects a company's health and ability to create value for shareholders. Indicators such as profitability are the basis for investors' assessment in assessing the potential growth of a company's shares. The relationship between financial performance and stock price growth is increasingly relevant in facing complex economic dynamics (Dandy & Nugroho, 2020). Financial performance in this study is used as a moderating variable, namely a variable that is able to strengthen the correlation of green accounting to stock price growth. This is due to the role of financial performance in reflecting the stability and ability of the company to generate sustainable profits.

When a company shows strong financial performance, effective green accounting disclosure becomes more meaningful to investors, as they assess that the company has the capacity to implement sustainable practices without sacrificing profitability. Conversely, companies with weak financial performance do not gain the full benefits of green accounting due to the lack of market confidence in the company's ability to survive in the long term. The results of research conducted by (A Wau et al., 2023) and (Kustina Tanti & Ayu, 2021) prove that financial performance can strengthen the influence of green accounting on stock price growth.

The selection of the basic material sector as the object of research is based on the sector's contribution to economic development and its significant impact on the environment. The basic material sector includes companies engaged in mining, cement, chemicals, and metals, which are known to have high carbon footprints and face regulatory pressures related to sustainability (Subastyan, 2024).

RESEARCH METHODS

This research is a quantitative research, with secondary data sources. Annual financial reports and stock closing price statistics as of December 31, 2021-2023 are used as data sources in the study, research data is taken from idx.co.id and the company website. The population in this study is basic materials companies listed on the IDX in 2021-2023, totaling 106. The sampling technique determined in this study uses a purposive sampling technique with a total of 20 company samples so that the sample data obtained is 60 company samples because the research data taken is data from 2021-2023. Multiple regression analysis, MRA test, hypothesis testing and descriptive statistical analysis are statistical techniques used in this study to analyze data and evaluate hypotheses. This research test uses SPSS26.

RESULTS AND DISCUSSION

RESULTS

Descriptive Statistics

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Green Accounting	60	2.00	5.00	207.00	3.4500	.64899	.421
Financial performance	60	.10	96.70	3494.40	58.2400	26.65937	710,722
Stock Price Growth	60	101.00	5875.00	60620.00	1010.3333	1208.88741	1461408.768

Source: SPSS26

Descriptive statistics in Table 1 show an overview of the variables used. Green Accounting has a mean value of 3.45 with a standard deviation of 0.649, indicating a relatively small level of variation in its implementation among the companies studied. Financial Performance, with a mean of 58.24 and a high standard deviation (26.66), indicates significant variation in the financial performance of companies. Meanwhile, Stock Price Growth has a mean of 1,010.33 and a standard deviation of 1,208.89, indicating a fairly large fluctuation in stock prices among the sample.

Classical Assumption Test

Normality Test

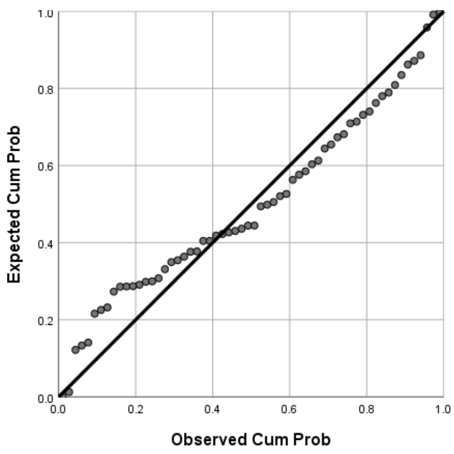

Figure 1 Normality Test

Visualization of the normality test using Figure 1 indicates a data distribution that is close to normal.

Multicollinearity Test

Table 2. Multicollinearity Test

Model		Collinearity Statistics		Information
		Tolerance	VIF	
1	(Constant)			
	Green Accounting	.995	1.005	No Multicollinearity Occurs
	Financial performance	.983	1,017	No Multicollinearity Occurs

Source: SPSS26

Table 2 shows the tolerance values for Green Accounting and Financial Performance of 0.995 and 0.983 respectively with VIF less than 10, which indicates that there is no multicollinearity between the independent variables.

Autocorrelation Test

Table 3. Autocorrelation Test

Model	R	Std. Error of the Estimate	Durbin-Watson
1	1,000a	.00048	.982

Source: SPSS26

Based on Table 3, the Durbin-Watson value is 0.982. This value is close to 2, which indicates that there is no significant autocorrelation in the model.

Heteroscedasticity Test

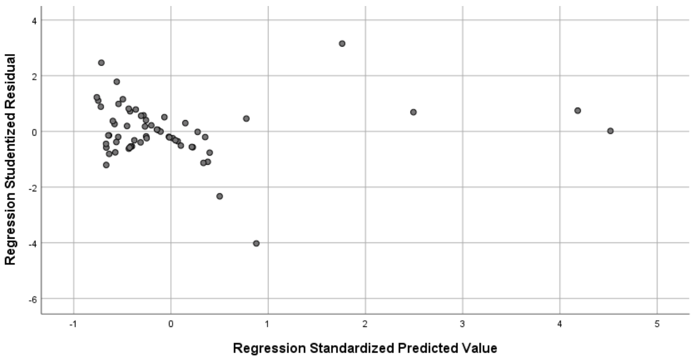

Figure 2 Heteroscedasticity Test

Figure 2 shows that the residual pattern is randomly distributed, which indicates that the heteroscedasticity assumption is met.

R2 Test

Table 4. R2 Test

Model	R Square	Adjusted R Square
1	.999	.999

Source: SPSS26

Table 4 shows the R Square value of 0.999, which means that 99.9% of the variation in Stock Price Growth can be explained by the Green Accounting and Financial Performance variables.

Hypothesis Testing

t-test

Table 5. t-test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.011	.001		9,509	.000
Green Accounting	.000	.000	-.039	-9,828	.000
Financial performance	-.026	.018	-.006	-1.463	.149

Source: SPSS26

Table 5 shows the results of the t-test where Green Accounting has a negative coefficient (-0.039) with a t-value of -9.828 and a significance of 0.000, which indicates a significant but negative effect on Stock Price Growth and Financial Performance that is not statistically significant with a t-value of -1.463 and a p-value of 0.149.

MRA TEST

Table 6. MRA Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	Green Accounting. Financial Performance	.033	.000	.998	252,519	.000

Source: SPSS26

Table 6 shows the results of the MRA test, where the interaction between Green Accounting and Financial Performance produces a coefficient of 0.033 with a significance of 0.000. This indicates that Financial Performance significantly moderates the relationship between Green Accounting and Stock Price Growth.

DISCUSSION

The Effect of Green Accounting on Share Price Growth

Based on the results of the hypothesis test presented in Table 5, the influence of Green Accounting on stock price growth has a regression coefficient value of

-0.039 with a t-statistic value of -9.828 and a significance of 0.000. This shows that green accounting has a significant effect on stock price growth at a 95% confidence level. These results indicate that adequate disclosure of environmental information can provide negative or positive signals depending on market perceptions regarding the implementation of sustainability strategies.

Signaling Theory by Spence (1973) explains that relevant information, such as green accounting disclosure, provides signals to investors about the quality and future prospects of the company. The implementation of green accounting can increase stakeholder trust if the company is able to demonstrate a real commitment to environmental sustainability. Conversely, the lack of effective environmental management can send a bad signal that has a negative impact on stock prices. The results of this study are in line with(Aprilianti & Environment, 2024)And(Sirojul Munir et al., 2024)In his research, he proved that green accounting has an effect on stock price growth.

The Influence of Financial Performance on Stock Price Growth

Based on the results of the hypothesis test, the effect of financial performance on stock price growth shows a coefficient value of -0.006 with a t-statistic value of -1.463 and a significance of 0.149, which indicates that the direct effect of financial performance on stock price growth is not significant. However, financial performance remains an important element in reflecting operational efficiency and the company's ability to create added value.

In the context of Signaling theory, strong financial performance is usually considered a positive signal to the market, indicating stability and potential for future profits. Although the results of this analysis do not support a significant direct relationship, indirect influences through other variables such as green accounting can be taken into account for the overall effect on stock price growth. The results of this study are in line with research by(Dini & Pasaribu, 2021)which proves that financial performance does not affect stock price growth.

***Green Influence*Accounting for Stock Price Growth with Financial Performance as a Moderating Variable**

The results of the Moderated Regression Analysis (MRA) test shown in Table 6 state that the interaction between green Accounting and Financial Performance has a regression coefficient of 0.033 with a t-statistic value of 252.519 and a significance of 0.000. This indicates that financial performance significantly moderates the relationship between green accounting and stock price growth.

From the perspective of Signaling theory, good financial performance can strengthen the positive signal sent by green accounting disclosure. When a company has solid financial performance, the implementation of green accounting is considered more credible, strengthening investor confidence that the company is able to achieve sustainability without sacrificing profitability. Conversely, weak financial performance can weaken the signal effect. The results of this study are in line with research conducted by(A Wau et al., 2023)And(Kustina Tanti & Ayu, 2021)proves that financial performance is able to strengthen the influence of green accounting on stock price growth.

CONCLUSION

This study concludes that green accounting has a significant negative effect on stock price growth. This indicates that the implementation of green accounting that is not optimal or less credible can send a negative signal to investors. Financial performance does not have a significant direct effect on stock price growth, which may be caused by more dominant market factors. However, financial performance significantly moderates the relationship between green accounting and stock price growth. Companies with strong financial performance can utilize green accounting disclosure to strengthen positive market perceptions, while companies with weak financial performance face challenges in attracting investor interest despite implementing green accounting. The results of this study emphasize the importance of synergy between financial stability and environmental management to create long-term value for shareholders.

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