

## Boosting Corporate Performance: Green Accounting and Audit Quality Synergy

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**ABSTRACT:** This study aims to explore the impact of green accounting and audit quality on company performance in property and real estate companies listed in 2021–2022. This study used the purposive sampling method, observing 138 observations from 69 companies. This study uses 91 GRI G4 Framework criteria statements to assess the level of green accounting disclosure. Corporate performance in this study is measured by ROA, ROE, and NPM. The results of this study, based on statistical data, show that green accounting only has a significant positive effect on NPM. The results of the audit quality effect on ROA, ROE, and NPM indicate that the effect was positive and insignificant. Based on this study indicates that the effect of green accounting is only seen in NPM, for that in the future there should be more companies that voluntarily make corporate sustainability reports.

**Keywords:** Corporate Performance, Green Accounting, Audit Quality



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## INTRODUCTION

The changing times have a positive impact on business development. Companies experience rapid growth by implementing a variety of diverse strategies, with the aim of surviving in the long term. Companies operate a business with a structured plan with to achieve goals, both in the short and long term, a sustained and focused effort is required. The company's ability to achieve its set goals is known as company performance ([Shofwatun et al., 2021](#)). Efforts to improve performance must be carried out effectively and efficiently on a consistent basis to achieve company goals, along with achieving revenue, profitability and growth ([Nanda et al., 2023](#)). In other words, company performance is the key to achieving goals that exceed previous expectations. When the company achieves the desired success, its achievements will be clearly reflected in its financial statements. Financial reports are often the main window for stakeholders to see the company's development systematically and in detail.

Every company has its own value in the eyes of investors ([Mandjar, Yustina Triyani, 2019](#)). Before investors make an investment, they generally evaluate the company's performance through published financial statements. Company performance has a major impact on the market's assessment of the company. A company's financial condition is clearly reflected in its performance, as the two are strongly linked. In addition, a company's performance also depends on the amount of assets it owns, as assets make an important economic contribution to the company's operations. Therefore, the reliability and accuracy of financial statements are crucial in making smart decisions in the company.

Fraud in the financial accounts can damage the company's reputation and negatively impact both domestic and international investors. Underperforming investments can significantly impede economic progress and foster a sense of mistrust among all stakeholders. The financial accounts demonstrate an organization's success following a sequence of operational endeavors.

One instance of financial statement manipulation in property and real estate companies, specifically PT Hanson International Tbk, has been documented. Quoted from [Sandria \(2021\)](#), the managing director of Hanson International was fined IDR 5 billion for violating capital market regulations. These violations include early revenue recognition and neglect of the presentation of the sale and purchase agreement in MYRX's 2016 financial statements. OJK identified several legal violations, particularly the use of the full accrual method for revenue recognition in the sale of ready-to-build lots with a gross value of Rp 732 billion. This action resulted in the December 2016 financial statements being overstated by Rp 613 billion. The reporting errors raise serious questions about the integrity and reliability of the company's accounting practices. Financial statements are a formal document that describes the financial performance of a company as a means of official communication between company management and investors ([Mirza et al., 2010](#); [Hasanaj & Kuqi, 2019](#)). The main purpose of preparing financial statements is to present detailed information about the financial condition, operational performance, and cash flow of an entity during a certain period. The hope is that the information contained in the financial statements can provide significant benefits to stakeholders in the context of economic decision-making.

The strategy to improve the company's financial performance during periods of economic growth is to strive to maintain competitiveness through innovation in work processes and operations. Thus, the company can optimize asset and capital management in order to remain competitive in the market and achieve optimal levels of profitability ([Rosha & Lace, 2021](#)). By adopting innovations in various operational aspects, the company can improve asset usage efficiency, maximize return on equity, and ensure a healthy net profit margin, which will have a positive effect on the company's overall financial performance. In an effort to maximize the company's operational results, the continuous use of resources results in negative impacts on the surrounding environment, such as air pollution, water pollution, or land use restrictions and limitations on meeting human needs ([Cahya, 2022](#)).

Modern industries are required to understand and implement strategies so that companies do not only focus on achieving profits but also have concern for social and environmental aspects, considering them an important element in business sustainability ([Wiredu et al., 2023](#)). Therefore, green accounting is one of the answers and tools for industries that aim to preserve the environment so that the company's performance remains attractive in the eyes of investors and

the public ([Faranika & Illahi, 2023](#)). This will also benefit all parties involved, including employees, the general public, and the environment, by reducing health risks in everyday life ([Kusumaningtias, 2013](#)). Industries need to maintain environmental sustainability in accordance with applicable standards. This entails not only efficient waste management, but, more importantly, meeting society's demands so that the entire production process, from the manufacture of raw materials to the disposal of products after consumption, does not cause environmental pollution. [Rahman & Islam \(2023\)](#). Companies involved in the production process must be able to carry out the concept of sustainable and environmentally friendly industries in an integrated, comprehensive, and effective manner ([Yehezkiel et al., 2023](#)). Improving environmental performance is a very crucial aspect of ensuring the sustainability of natural resources and maintaining the balance of the ecosystem ([Arsjah et al., 2023](#)). To achieve company goals and targets, effective environmental management and compliance with applicable government regulations are required ([Faranika & Illahi, 2023](#)).

According to [Rosilawati et al \(2021; Shashanka, \(2023\)](#) *green accounting* is an accounting method that seeks to link ecological financial planning with the company's operational funds. *Green accounting* can operate organically, manage costs, and allocate resources into innovations that do not harm the ecosystem, and advance the production cycle without causing environmental damage ([Fadillah et al., 2023](#)).

The implementation of a *green accounting* program in the company will contribute positively, including strengthening trust when carrying out transactions to purchase products or services offered by the company ([Rizki et al., 2023](#)). The implementation of *green accounting* has a good impact on company performance because it shows the surrounding community that the company cares about the environment. Productivity in carrying out *green accounting* methods is a long-term investment that aims to produce good value for authorized parties and stakeholders in the company ([Mardiana & Wuryani, 2019](#)). The results of this study are not in line with previous researchers who show that green accounting had no positive influence on company performance ([Pratiwi et al., 2023](#)). This is what encourages the author to look at testing more deeply with the use of samples in property and real estate sector companies in Indonesia.

Information disclosing the fact that the company has implemented green accounting can be seen from the results of financial statements and sustainability reports. High trust in financial statements can only be achieved with a quality audit. In every final result after the audit process is carried out, the company's expectation of the opinion given by the auditor is a high quality and trustworthy opinion, because it is closely related to helping facilitate stakeholder decision making ([Mukrimaa et al., 2016](#)). Assessment of audit quality depends entirely on two factors, namely independence and competence in helping the integrity of the financial markets as a whole ([LONA & PRATIWI, 2023](#)).

Audit quality is defined as attributes derived from regulatory requirements and mutual benefits, or behaviors and demonstrations that improve the efficiency of audit work and professional attitudes ([Arista et al., 2023](#)). In other words, audit quality is something that needs to be maintained to provide confidence to investors through the auditor's experience ([Hutapea & Ferinia, 2022](#)). In addition, it can be concluded that a tempo that has a process in an examination conducted by an independent and competent auditor is audit quality.

There are still discrepancies in previous research findings and limited studies that have been conducted in Indonesia regarding the factors that influence company performance. This encourages researchers to conduct research in overcoming the challenges of company performance. to examine the role of green accounting and audit quality in improving company performance. This study will focus on the Real estate and Property sector, especially those that have *gone public* for the 2021-2022 period.

### Signaling Theory

Signaling theory stems from the idea that not all parties have an equal opportunity to access information. This theory is based on the belief that management will tend to provide information to investors or shareholders when they have positive news that impacts the company, such as an increase in company value. Therefore, managers need to use financial statements as a tool to convey information to stakeholders. This theory basically focuses on how to reduce the information imbalance between company management and external parties and this signal theory was first introduced by Ross in 1977 ([Marundha et al., 2022](#)).

### Corporate Performance

Corporate performance is the result of accumulated capacity obtained through business activities, which is influenced by operationality in optimizing the utilization of its resources ([Rosha & Lace, 2021](#)). Corporate performance reflects the entity's ability to generate profits from its assets, equity, and liabilities. Company performance is a description of the company's financial condition that has an influence on investor interest in the company in predicting profitability in the future ([Hutabarat, 2020](#)).

In the realm of investment, investors must have the skills to recognize the potential of promising investments. This is so that the chosen investment can provide optimal results. One important aspect in making investment decisions is financial statements. Financial statements present information about profitability, risk, timing, and cash flow, all of which will affect stakeholders' expectations ([PUSPTA, 2019](#)). These expectations will then have an impact on the valuation of the company. Evaluating the financial performance of a company involves analyzing the effects of cumulative financial and economic decisions and comparing them using comparative measures such as profitability ratios ([Iqbal et al., 2023](#)). There is a view that the higher the company's income, the better the assessment of the company's performance. One indication as a motivation that drives investor interest in companies that have high valuations is the presence of healthy financial performance, because usually the company's ability to provide high dividends to investors is a reflection that the same thing happens to financial performance that earns high profits ([Ningrum, 2022](#)).

Financial performance is a specific evaluation used to measure a company's success in generating profits. To measure financial performance, some of the main indicators used are Return On Asset (ROA), Return On Equity (ROE), and Net Profit Margin (NPM). These indicators are considered comprehensive because they can provide an overall picture of a company's performance, are easy to understand, and can be applied to different types of companies.

### Green Accounting

The definition of *green accounting* is the performance carried out by the company in an effort to improve the quality and image of the company which at the same time adds confidence to every individual and stakeholder concerned with business sustainability for a long time (Seifert & Bartelmus, 2018). Environmental accounting is a measurement system that allows companies to quantify the impact of their environmental conservation activities (Yehezkiel et al., 2023). It allows companies to report the impact of their operational activities on the environment in the financial statements. *Green accounting* not only helps in reducing the negative impact on the environment, but also promotes competitive advantage by reducing the use of natural resources and energy and health risks (Dianty & Nurrahim, 2022; Shashanka, 2023). The concept of environmental accounting encourages companies to address the environmental problems they face, while still considering financial aspects. The application of green accounting also shows the company's responsibility to stakeholders, because it reflects their attention to the environmental impact of their operations, rather than just focusing on financial value alone (Rahman & Islam 2023; Nyantakyi et al., 2023). Legislation related to green accounting includes Law No.23 of 1997 on Environmental Management, which establishes responsibilities for individuals and organizations to care for and manage the environment, as well as provide appropriate and accurate information about it (Suhaidi et al., 2024).

### **Audit Quality**

Companies in presenting financial statements that may have errors in the presentation of material components and will definitely not be reported by the auditor with an unqualified opinion (Junaidi & Nurdiono, 2016). Auditor professionalism in examining financial statements with independence and competence and in accordance with applicable standards is a must that every individual auditor must have (Carp & Istrate, 2021). General Information in the financial statements is where the final results of the financial audit are disclosed with indicators of auditor independence and competence. In order to achieve quality audit standards, auditors must comply with the principles of accounting ethics, professional norms, and financial accounting standards applicable in Indonesia (Muhamad Rafly Herdiansyah et al., 2022; Zalata et al., 2020).

### **The Effect of Green Accounting on Corporate Performance**

Green accounting practices Efforts to improve environmental performance in companies while also improving financial performance so that the environment is properly managed and preserved in accordance with applicable government standards (Hamidi, 2019; Latifah & Soewarno, 2023). In Damayanti & Astuti (2022) research revealed that there was no significant effect of green accounting implementation on company performance in the mining sector and chemical industry. The same result in Faizah (2020) show that the application of green accounting has no significant effect on company performance. In addition Riyadh et al., (2020) stated that green accounting has a negative effect on company performance. Reseach by Sinaga & Valentine (2024) stated that green accounting affect net profit margin. One of the findings of (Khan & Gupta, 2022) One of the findings from (Khan & Gupta, 2022) states that there is a significant positive relationship between green accounting on company performance, due to the gap in previous research, therefore the hypothesis of this study is :

### **H1: *Green accounting* has a significant positive effect on ROA**

**H2: *Green accounting* has a significant positive effect on ROE**

**H3: *Green accounting* has a significant positive effect on NPM**

#### **Audit Quality on Company Performance**

Excellent auditors have the ability to examine financial records and have a strong track record, thereby reducing investor anxiety about the bias of financial information ([Carp & Istrate 2021](#));([Sattar et al., 2020](#)). Audit quality is one of the sources that can have a strengthening or weakening effect on an unqualified opinion ([Jeong, 2020](#));([Zhang et al., 2022](#)). Research by [Sinambela et al \(2021\)](#) states that audit quality has a positive effect on company performance. The reliability of financial statements will be improved by the company's audit quality Based on the findings of [Saputra & Kubertein \(2023\)](#) it is concluded that audit quality has a positive and insignificant effect on banking sector companies 2016-2019. Also the findings of [Al-ahdal & Hashim \(2022\)](#) state that the relationship between audit quality and company performance is not significant, so the development of the author's hypothesis:

**H4 : Audit quality has a significant positive effect on ROA**

**H5 : Audit quality has a significant positive effect on ROE**

**H6 : Audit quality has a significant positive effect on NPM**

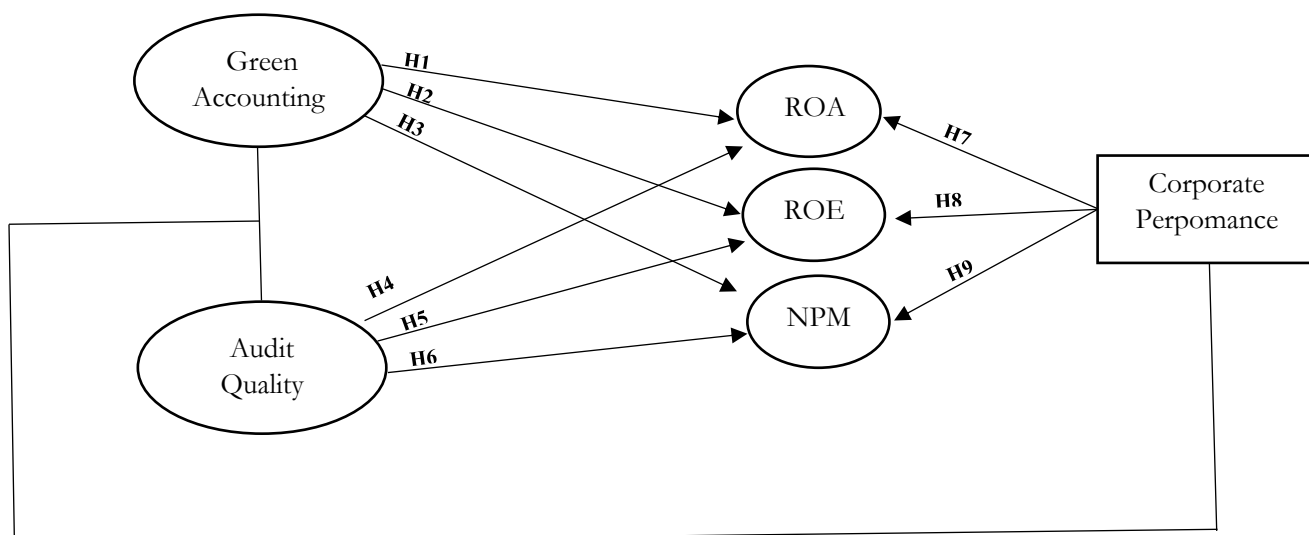
#### **Green Accounting and Audit Quality on Company Performance**

Improvements in company performance must be equalized with the implementation of green accounting in the company as proof that the company cares about the lives of the surrounding community. green accounting has become an integrated function related to environmental preservation and management for the benefit of the area around the company ([Emy, 2020](#)). In addition, proof that the company's performance has been carried out according to applicable standards can be proven on financial reports and sustainability reports that are checked by qualified public accountants. In the research of [Faranika & Illahi \(2023\)](#) it is suggested that there is an effect of *green accounting* and audit quality on firm value, the difference in variable testing that occurs in the findings of [Salsabila & Widiatmoko \(2022\)](#) states the results that green accounting on firm value with mediation of financial performance has a significant effect. This study focuses on the dependent variable of this company's performance.

**H7: *Green accounting* and audit quality have a significant positive effect on ROA**

**H8: *Green accounting* and audit quality have a significant positive effect on ROE**

**H9: *Green accounting* and audit quality have a significant positive effect on NPM**



**Figure 1. Theoretical framework**

## METHODS

### Population and Sample

In this study, property and real estate sector companies listed on the IDX in 2021-2022 are the population to be investigated. For this study, a sample of 69 companies for 2 years was used. The data processing technique is to use financial reports and sustainability reports that can be accessed via [www.idx.co.id](http://www.idx.co.id) to observe the GRI G4 disclosure indicators, Big4 Public Accounting Firm, Company Performance. With the aim of determining whether the research is relevant to research in the field. By applying research tools, samples will be randomly selected and data collected for statistical examination. This study uses purposive sampling method for sampling. The predetermined criteria include: 1) Property and Real Estate companies listed in 2021-2022, 2) Companies that delisted during the study period. There are 162 property and real estate companies during 2021-2022, After the sampling process by considering several criteria previously described, 69 companies were found to be eligible. Thus, the total number of companies sampled in the study was 138 companies.

**Table 1**  
**Sample Selection**

No	Description	Total
1.	Number of property and real estate companies listed on the Indonesia Stock Exchange during 2021-2022	162

2.	Companies that delisted during the study period	(24)
	Number of companies studied in 2021-2022	
	Total sample for 2 years	138

This study's findings method, which uses quantitative measurements, is used to study a special population or sample (Ferinia, 2023). The approach used is a correlation approach, to see how each variable relates to one another. Secondary data is information obtained from pre-existing data sources and can be accessed by researchers for further analysis or research purposes (Marisya & Sukma, 2020). This study uses secondary data from the company's annual report and sustainability report during 2020-2021.

**Table 2**  
**Variables Definition**

Variable	Measurement	Formula
Corporate Performance	Financial ratios are a method of analyzing financial statements by comparing and dividing numbers to obtain relevant relationship (Lase et al., 2022)	ROA = Net Income/ Total Asset ROE = Net Income / Total Equity NPM = Net Income / Sales
Green Accounting	Green accounting refers to measuring and reporting the economic value of environmentally friendly business practices. (Faranika & Illahi, 2023).	GRI INDEX = Numbers of Indicators Disclosed / 91 GRI G4 Indicators
Audit Quality	The Big4 Public Accounting Firm distinguishes it self from its competitors or non Big4 with consistent excellence in competence and independence (Apriani et al., 2020).	dummy variables: 1 if firms audited by BIG 4, 0 otherwise
Firm Size	Size of the firm measeured by the total asset owned by the firm	=LN(TA)
Sales Growth	Sales growth of the firm from the previous year	(Sales year t - sales year t-1)/ sales year t-1
Leverage	Ratio of total debt compare to total equity owned by the firms	Total Debt/Total Equity

## RESULTS AND DISCUSSION

### Descriptive Statistics

Descriptive statistics is a useful tool to provide an overview of the data. In this study, we will use descriptive statistics to analyze green accounting, audit quality, and performance of Property and

Real Estate Companies listed on the Indonesia Stock Exchange from 2020 to 2021, focusing on ROA, ROE, and NPM indicators. By using this method, we can gain a comprehensive understanding of the characteristics and data trends of these companies over the period. Descriptive statistics are carried out to describe the characteristics of the data in the study. Descriptive statistics can be done by finding the maximum value, minimum value, average value, and standard deviation.

**Table 3**  
**Descriptive Statistic**

	<i>N</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>Std. Dev.</i>
<i>Green Accounting</i>	138	.00	1.00	0.1697	0.37651
<i>Audit Quality</i>	138	.00	1.00	.1232	.32985
ROA	138	-41.00	33.00	.5290	7.07952
ROE	138	-238.00	62.00	-1.1014	23.10127
NPM	138	-747.00	8256.00	34.8768	724.49407

*Source : Secondary data processed 2022*

Descriptive research on *green accounting* with GRI G4 index measurement refers to a study that aims to describe and analyze green accounting practices in companies or organizations, focusing on how these practices impact the assessment of corporate environmental performance using the GRI G4 index. The companies examined in this study have an average number of disclosures around 43-60 for a total of 25% of all samples and the highest number of disclosure indexes are 5% of the companies of the whole with a total disclosure of 61-152. And the rest of the companies do not disclose GRI G4 INDEX in their sustainability reports. The lack of frequency and appropriateness in compliance evaluation indicates that GRI G4 indicators are not fully reflected in the context of property and real estate companies in Indonesia in 2021-2022. Some indicators are never even included in published sustainability reports, resulting in a low level of compliance. However, if we consider only the indicators presented by the companies, the level of compliance with them is quite good.

**Table 4**  
**Frequencies**

Audit Quality	Frequency	Percentage
0	121	87.68
1	17	12.32
Total	138	100

Table 4 provides a distribution of the frequency and percentage of firms based on their audit quality status. Audit quality is represented as a dummy variable with values 0 and 1. The distribution indicates that a majority of the firms in the sample (87.68%) are classified as having audited by non Big-4 CPA firms, while a smaller portion (12.32%) are audited by BIG 4 CPA firms. This distribution is crucial for understanding the potential impact of audit quality on financial performance metrics, as analyzed in the preceding tables.

### **Green Accounting and Corporate Performance**

Table 5 presents the regression results analyzing the impact of green accounting (GreenAcc) on three financial performance indicators: return on assets (ROA), return on equity (ROE), and net profit margin (NPM). The table includes six columns, representing different model specifications for each dependent variable with and without control variables such as firm size, sales growth, and leverage. All models account for Firm Fixed Effects (Firm FE). ROA: The coefficient for GreenAcc is positive but not statistically significant in both models for ROA (0.02,  $t = 0.74$  and 0.02,  $t = 0.69$ ). Similar to ROA, the coefficient for GreenAcc is positive but not statistically significant for ROE (0.02,  $t = 0.21$  and 0.02,  $t = 0.25$ ). The coefficient for GreenAcc is positive and statistically significant for NPM (7.13,  $t = 2.45$  and 7.23,  $t = 2.43$ ), indicating that green accounting has a significant positive impact on net profit margin.

**Table 5. Effect of Green Accounting on ROA , ROE and NPM**

	(1) ROA	(2) ROA	(3) ROE	(4) ROE	(5) NPM	(6) NPM
Constanta	-0.01 (-0.12)	7.20* (2.13)	0.01 (0.05)	21.75 (1.97)	-3.44 (-0.66)	155.8 (0.47)
GreenAcc	0.02 (0.74)	0.02 (0.69)	0.02 (0.21)	0.02 (0.25)	7.13* (2.45)	7.23* (2.43)
FirmSize		-0.26* (-2.13)		-0.81* (-2.00)		-5.86 (-0.48)
SalesGrowth		0.01 (0.48)		0.01 (0.12)		0.103 (0.55)
Leverage		0.12 (0.51)		1.65* (2.23)		6.46 (0.29)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R Square	-0.05	-0.02	-0.10	-0.03	0.06	0.02
N	138	138	138	138	138	138

*t* statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

The results suggest that green accounting practices have a notable positive effect on net profit margins, indicating that companies engaging in sustainable accounting practices might achieve better profitability margins. However, the impact on ROA and ROE is not significant, suggesting that the adoption of green accounting alone may not strongly influence these metrics. Firm size has a negative impact on both ROA and ROE, highlighting potential scalability issues in larger firms. The significant positive impact of leverage on ROE underscores the role of debt in enhancing equity returns. These findings contribute to the growing body of literature on the financial implications of sustainable business practices. The significant relationship between green accounting and NPM aligns with the theory that sustainability initiatives can enhance profitability. The lack of significant effects on ROA and ROE may imply that the benefits of green accounting are more nuanced, potentially yielding long-term rather than immediate financial returns. We should integrate these insights into the broader discussion on the strategic value of sustainability in corporate financial management. This finding is not in line with previous researcher Faizah (2020), who found that there is no relationship between green accounting and NPM in companies that participated in PROPER 2015–2018. As a result, this study provides instructions for future researchers to conduct further research on the two variables mentioned above.

**Audit Quality and Corporate Performance**

Table 6 presents the regression results analyzing the impact of audit quality (AQUAL) on three financial performance indicators: return on assets (ROA), return on equity (ROE), and net profit margin (NPM). The table includes six columns, representing different model specifications for each dependent variable with and without control variables such as firm size, sales growth, and leverage. All models account for Firm Fixed Effects (Firm FE). The AQUAL coefficient is positive but not statistically significant in both ROA models (0.0159,  $t = 0.63$  and 0.0156,  $t = 0.63$ ). The coefficient for AQUAL is positive and approaches significance (0.149,  $t = 1.83$  and 0.139,  $t = 1.75$ ) for ROE, suggesting a potential positive impact of audit quality on return on equity. The coefficient for AQUAL is positive, but not statistically significant (0.452,  $t = 0.18$ , and 0.383,  $t = 0.15$ ) for NPM. The models explain a small portion of the variance in the dependent variables, with adjusted R-squared values ranging from -0.05 to 0.01. This suggests that while the models incorporate firm-specific effects, there are other unaccounted factors influencing financial performance.

**Table 6. Effect of Audit Quality on ROA , ROE and NPM**

	(1) ROA	(2) ROA	(3) ROE	(4) ROE	(5) NPM	(6) NPM
Constanta	0.00500 (0.10)	7.270* (2.15)	0.0200 (0.12)	21.73* (2.01)	0.130 (0.03)	183.6 (0.53)
AQUAL	0.0159 (0.63)	0.0156 (0.63)	0.149 (1.83)	0.139 (1.75)	0.452 (0.18)	0.383 (0.15)
FirmSize		-0.265* (-2.15)		-0.807* (-2.05)		-6.723 (-0.53)
SalesGrowth		0.000792 (0.42)		0.000159 (0.03)		0.0765 (0.39)
Leverage		0.101 (0.44)		1.561* (2.15)		4.229 (0.18)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R Square	-0.05	-0.02	-0.05	0.01	-0.01	-0.05
N	138	138	138	138	138	138

*t* statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

The results suggest that audit quality does not have a statistically significant impact on ROA or NPM, but shows a positive trend towards significance in its effect on ROE. This finding is in line with previous research by [Elewa and El-Haddad \(2019\)](#), which also concluded that there is no significant relationship between audit quality and ROA. However, there is a gap where previous researchers also found that audit quality has a significant positive effect on ROA ([Ugwu et al., 2020](#)). This may be because the audit's focus is more on the compliance and validity aspects of the financial statements than operational factors that may affect ROA. On the other hand, the test results between audit quality and ROE in the findings [Elewa & El-Haddad \(2019\)](#) show no significant relationship, this shows a difference in results with the author. This result may be due to the fact that the audit's focus is more on the compliance and validity aspects of the financial statements than directly on the factors that affect ROE. ROE is influenced by various other factors, such as operational efficiency, capital structure, and management strategies, which may

not be fully reflected in audit quality. The findings conducted by [Bakare \(2023\)](#) show that there is a significant relationship between audit quality and NPM which means that it is different from the author's findings, this supports a deeper study of these two variables with a larger population and sample size. High audit quality affects ROE because accurate and reliable financial reports increase investor confidence, reduce financial risk, and prevent errors or fraud that could harm the company. Quality auditors also provide advice to improve operational efficiency, help companies manage costs better and indirectly have a positive impact on ROA and NPM.

As a result, this study makes an important contribution to deepening our understanding of the complexity of the interaction between audit practices and financial performance and encourages further research to understand the factors that affect ROA more comprehensively. Therefore, we need more research to gain a deeper understanding of the intricate relationship between audit practices and financial performance, as well as other factors influencing ROE. These findings highlight the nuanced role of audit quality in financial performance. While its impact on ROA and NPM is not significant, the near-significant positive effect on ROE suggests that quality audits may contribute to enhanced equity returns. Better financial transparency and accuracy could contribute to this, fostering greater investor trust. The persistent negative relationship between firm size and profitability metrics underscores the complexities larger firms face, possibly due to bureaucratic inefficiencies or higher operational costs. We should weave these insights into the broader discussion on the strategic importance of audit quality in corporate governance and financial performance management.

### **Green Accounting and Audit Quality on Corporate Performance**

Table 7 presents the regression results analyzing the combined impact of Green Accounting (GAQ) and Audit Quality on three financial performance indicators: Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). The table includes six columns, representing different model specifications for each dependent variable with and without control variables such as Firm Size, Sales Growth, and Leverage. Firm fixed effects (Firm FE) are accounted for in all models. The coefficient for GAQ is positive but not statistically significant in both models (0.0266,  $t = 0.31$  and 0.0179,  $t = 0.21$ ) on ROA. The coefficient for GAQ is positive but not statistically significant (0.0461,  $t = 0.16$  and 0.0301,  $t = 0.11$ ) on ROE. The coefficient for GAQ is negative and not statistically significant (-0.275,  $t = -0.03$  and -0.514,  $t = -0.06$ ) on NPM.

The models explain a small portion of the variance in the dependent variables, with adjusted R-squared values ranging from -0.10 to -0.01. This suggests that while the models incorporate firm-specific effects, there are other unaccounted factors influencing financial performance. The results suggest that the combined impact of green accounting and audit quality does not have a statistically significant effect on ROA, ROE, or NPM. This finding is consistent with the findings of previous research by [Majid et al. \(2022\)](#), which also concluded that green accounting and audit quality have no significant effect simultaneously on ROA and ROE, as well as research by [Nyantakyi et al. \(2023\)](#), which states that concern for the environment is a major factor in the company's financial performance, especially in terms of net profit margins. This indicates that while both green accounting and audit quality individually show potential effects on financial performance, their combined influence is not robust enough to yield significant results in this sample. The negative

and significant impact of firm size on ROA and ROE aligns with findings from previous models, indicating scalability challenges for larger firms. The significant positive impact of leverage on ROE continues to underscore the beneficial role of debt in amplifying equity returns.

These findings provide nuanced insights into the interplay between green accounting and audit quality in influencing financial performance. The lack of significant combined effects suggests that while these practices individually contribute to financial outcomes, their integration does not necessarily enhance performance metrics in a significant way.

**Table 7. Effect of Green Accounting and Audit Quality on ROA , ROE and NPM**

	ROA		ROE		NPM	
	(1)	(2)	(1)	(2)	(1)	(2)
Constanta	0.00500 (0.10)	7.247* (2.13)	0.0200 (0.12)	21.79 (1.97)	0.130 (0.03)	185.0 (0.53)
GAQ	0.0266 (0.31)	0.0179 (0.21)	0.0461 (0.16)	0.0301 (0.11)	-0.275 (-0.03)	-0.514 (-0.06)
FirmSize		-0.265* (-2.13)		-0.810* (-2.00)		-6.773 (-0.53)
SalesGrowth		0.000835 (0.44)		0.000613 (0.10)		0.0781 (0.40)
Leverage		0.111 (0.49)		1.648* (2.23)		4.454 (0.19)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-Square	-0.05	-0.03	-0.10	-0.03	-0.01	-0.05
N	138	138	138	138	138	138

*t* statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

This could imply that firms need to strategically manage and optimize these practices rather than relying on their combined implementation for financial gains. The persistent negative relationship between firm size and profitability metrics, along with the positive impact of leverage on ROE, should be highlighted to underscore the importance of efficient scale management and prudent debt utilization in enhancing financial performance.

## CONCLUSIONS

The test results show that the adoption of green accounting in property and real estate companies in 2021-2022 only significantly affects the company's financial performance, as measured by NPM. This suggests that investing in green accounting practices can enhance the company's asset efficiency and boost its financial performance, particularly in terms of net profit margin (NPM). This finding contradicts previous researchers' findings, who examined a sample of companies using PROPER 2015–2018 and found no correlation between green accounting and NPM. The resulting effect on the ROA and ROE indicators is both positive and insignificant. The audit quality variable, which includes ROA, ROE, and NPM, also only has a positive but insignificant effect on company performance. This may be due to factors such as cost, preference for local

public accounting firms, and industry-specific needs applied by the company according to the selected period. This study is consistent with [Apriani et al.'s \(2020\)](#) previous findings, which state that there is no significant relationship between audit quality and an entity's financial performance, indicating that financial performance is not entirely dependent on the choice of public accounting firm that conducts the audit.

There are several limitations that occur in this study, one of which is the use of a small sample and choosing the type of industry that does not use resources directly. It is also good if the research on the application of green accounting is seen from mining and energy sector companies. The green accounting approach restricts its scope to the number or quantity of disclosures that align with the GRI G4 Index, without taking into account the quality of the reported information. During the time period studied, the authors found that there were still a few entities that voluntarily reported sustainability reports, which led to imperfections in the data collected.

This study's data, specific to firms in Indonesia's property and real estate industries between 2020 and 2021, may not be universally applicable. In future studies, we suggest broadening the scope of firm performance evaluation, improving the methodology for identifying elements that impact an organization's performance, and increasing the number of research samples and sectors that heavily depend on resources for their operations. We should integrate supplementary financial performance measures that are relevant to the overall sustainability of the system. Furthermore, it is critical to improve the accuracy and reliability of the information presented in the sustainability report by encouraging regular and mandatory reporting from entities. Furthermore, it is imperative to evaluate the caliber of information disclosure in the sustainability report rather than solely focusing on the volume or number. This approach allows for a more accurate evaluation of sustainability practices and their impact on firm performance. In addition, future research might explore undertaking a comparison analysis of organizations that voluntarily produce sustainability reports against those that are required to do so. Therefore, we can gain a clearer understanding of the differences in the quality and impact of voluntary and mandated sustainability reporting.

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