

## The Effect of Corporate Governance, Green Accounting and Leverage on Company Profitability on Pefindo I-Grade Index

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**ABSTRACT:** Profitability plays an important role in reflecting a company's performance in generating profits. Therefore, this study was conducted to demonstrate the effects of corporate governance, green accounting, and leverage on company profitability. This study utilizes a quantitative approach with secondary data. The research population comprises companies listed on the Pefindo I-Grade Index. The sample size is 30 companies over a 5-year period, resulting in 150 samples. Over a period of five years, data was collected from various companies, resulting in a total of 150 samples. A regression analysis was conducted, and the findings from this test indicate that corporate governance and green accounting do not have impact on company profitability, whereas the leverage ratio has a negative and significant effect on company profitability.

**Keywords:** Corporate Governance, Green Accounting, Leverage, Profitability



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## INTRODUCTION

For companies conducting their operations, achieving targets and maximizing profits are key objectives. Especially after the COVID-19 pandemic, many companies are striving to recover from difficult times, stabilize their operations, and compete effectively in the [market \(Nur Ilham et al., 2022a\)](#). CNBC Indonesia reported on December 28, 2023, that seven well-known companies—Rite Aid, Bed Bath & Beyond, WeWork, Tuesday Morning, Party City, Smile Direct Club, and Lordstown Motors—declared bankruptcy in 2023 due to continuous losses, leading to significant branch and store closures and eventual insolvency.

To avoid ongoing losses and prevent potential bankruptcy, companies must improve their performance to ensure sustainability and achieve their goals. By enhancing performance, companies can achieve a competitive edge in the current market ([Aminuddin Hamdat et al., 2023a](#)). One indicator of a company's success in achieving its vision and mission is its financial performance. Financial performance plays a crucial role as it serves as an assessment for stakeholders managing the company and for investors monitoring the company for investment decisions ([Hernandez et al., 2022](#))

The performance of a company can be evaluated in various ways using different methods. One commonly used method is profitability ratios. Profitability acts as a measure of a company's ability to generate profits and a metric for evaluating overall financial performance. ([Anisa et al., 2021](#)).

Company profitability refers to the comparison of generated profits to the assets or capital utilized to create those profits. Thus, profitability provides an indication of an ability to earn profits over a specific year. The importance of profitability for a company lies in its function as a principle in evaluating the company's status ([Afríteni et al., 2020](#)). The level of profitability reflects the company's performance by showing how well it can generate profits. The company's capability to achieve profits indicates its future sustainability prospects.

Monitoring company profitability is crucial to prevent potential bankruptcy. Understanding the factors that may influence profitability is also key to improving company performance. Corporate governance is an independent variable. Corporate governance is a framework that governs the interactions between various company stakeholders, involving the rights and responsibilities of each party ([Almashhadani et al., 2022](#)). Essentially, corporate governance directs and controls the operations

The application of good corporate governance (GCG) is anticipated to have a favorable impact, given its essential role in promoting transparency, accountability, and public trust in business operations. Additionally, GCG is a factor that can affect a company's financial performance or profitability. Effective company management is a system that organizes and oversees company operations. This system includes the management structure, board of directors, and various other stakeholders, including non-shareholder groups ([Ahmed et al., 2020](#)).

Good corporate governance enhances the effectiveness of oversight and management within a company, which contributes to improved profitability. Strong governance ensures that management makes better, higher-quality decisions, minimizing the risk of fund mismanagement, wastage, and unnecessary expenses. This results in better company performance and profitability, as greater oversight leads to more prudent and efficient operations ([Pendong et al., 2022a](#)).

Another independent variable used is green accounting. The adoption of green accounting by companies is an attempt to fulfill stakeholders' expectations, which not only present the company's financial factors but also take into account the environmental effects of its operations ([Sukmadilaga et al., 2023a](#)). The effective implementation of environmental accounting by companies is viewed positively by stakeholders because it demonstrates the company's awareness of the environment, not just focusing on profits. Although achieving environmental performance is desirable, companies still aim for improved financial performance as the main goal ([Sulistiyana et al., 2023a](#)). Today, industries are increasingly paying attention to environmental aspects as they believe this can impact the company's finances and profitability.

Incorporating environmental and social considerations into a company's economic activities, such as reducing waste or carbon emissions, can lower long-term costs through increased energy efficiency and reduced waste management expenses. Green accounting also enhances a company's reputation among consumers, investors, and regulators, potentially leading to increased sales, access to lower-cost capital, and improved policy support. Overall, adopting green accounting

practices can boost a company's profitability by promoting sustainability and better financial outcomes ([Nilla & Slamet, 2023a](#)).

Leverage appertains to a company's strategy of using assets and sources of funds that have fixed costs to increase the profitability of shareholders ([Syahzuni & Florencia, 2023](#)). If the leverage proportion is not well considered, it can lead to a decrease in profitability due to fixed interest expenses. High debt can reduce profitability because the company must shift focus from increasing productivity to paying off debt ([Nailufaroh et al., 2022a](#)). Therefore, leverage becomes an independent variable to be investigated.

Leverage is a financial indicator that measures a company's debt relative to its assets, reflecting how the company funds its operations and the risks it faces. If leverage is not managed carefully, it can hurt profitability due to fixed interest obligations. High debt levels force companies to prioritize debt repayment over productivity improvements, reducing overall profitability. Therefore, excessive leverage can hinder a company's ability to efficiently maximize profits ([Nailufaroh et al., 2022b](#)).

The author will use companies listed on the Pefindo I-Grade 2023 index as research objects. The PEFINDO i-Grade index is a stock market index comprising companies listed on the Indonesia Stock Exchange (IDX) that have been awarded an Investment Grade rating by PEFINDO, an Indonesian information and securities rating agency ([Fhuspa, 2023](#)). With a good rating, companies in this index are likely to strive for good profitability, making this index an interesting research object for the researcher. There is limited research focusing on how these factors affect different industries within the Pefindo I-Grade Index, especially for green accounting variables, so that researchers are interested in conducting this research.

Based on the explanation above, the researcher poses the following research question: do corporate governance, green accounting, and leverage influence the profitability of companies on the PEFINDO I-GRADE Index for the 2018-2022 period? Through the identified problem, the researcher is motivated to conduct a study titled "The Influence of Corporate Governance, Green Accounting, and Leverage on Company Profitability on the PEFINDO I-GRADE Index" to prove the effects generated by these factors. This research is expected to provide benefits to expand understanding of corporate governance, green accounting, and financial leverage by analyzing their joint influence on company profitability and Provide companies with guidelines to balance governance, sustainability, and financial structure for profit maximization.

## **Profitability**

Profitability is a concept that refers to the ratio used to compare a company's efficiency in generating profits from its revenue. The purpose of profitability ratios is to evaluate how effectively management generates profit levels from the company's asset base. A company is considered to have good performance if it has high profitability values, reflecting its capability to generate substantial profits. Key indicators used to assess profitability ratios include GPM (Gross Profit Margin), NPM (Net Profit Margin), ROA (Return on Assets), and TATO (Total Asset Turnover)

([Setiowati et al., 2023](#)). This study focuses on the ROA indicator, which aims to evaluate managerial ability in generating profits through the utilization of the company's total assets.

([Nur Ilham et al., 2022](#)) defined profitability as the final outcome resulting from a series of company policies and decisions, representing the company's agility in accumulating profits. Thus, profitability analysis is important for investors as it allows shareholders to see the potential dividends they can receive from their investment in the company.

Profitability needs to be considered by companies because it determines how well a company can sustain itself. Profitability describes how well a company can generate profits that set a higher success standard for better company sustainability ([Kaunang et al., 2023](#)).

## **Corporate Governance**

Corporate governance was introduced in the UK through the Cadbury Committee in 1992, via the report known as the Cadbury Report. Despite various definitions by experts, GCG fundamentally refers to principles that underpin the rights and obligations of related parties within a company and promote transparency in all company processes. Key principles of GCG include openness, accountability, responsibility, independence, and fairness ([Sinaga et al., 2022](#)).

The ratio of Independent Commissioners, who are members of the board not affiliated with the company, is crucial for corporate oversight. A sufficient number of independent commissioners ensures effective oversight in accordance with legal regulations. At least one member of the independent commissioners must have an accounting or financial background, as per the 2006 KNKG guidelines. BAPEPAM mandates that 30% of the total board members must be independent. Independent Commissioners are appointed based on the conclusions of the General Meeting of Shareholders (RUPS) and must have no ties to major shareholders, directors, or other board members. The board of commissioners fulfills its responsibilities by holding regular meetings to review decisions made by the directors. These meetings serve as a platform for communication, coordination, and policy review, including strategic and operational company issues ([Nur Ilham et al., 2022b](#)).

The presence of good corporate governance is expected to enhance the effectiveness of company oversight and management, ultimately contributing to increased profitability. Stronger management oversight should result in better company performance, positively impacting profitability ([Pendong et al., 2022b](#)). Implementing good corporate governance allows companies to make superior and high-quality decisions, preventing fund misuse, waste, and unnecessary expenditures. Thus, the higher the level of good corporate governance in a company, the greater the potential for increased profitability.

H1: Corporate governance has a positive effect on profitability.

## **Green Accounting**

According to the legitimacy theory, companies will strive to operate within the norms and regulations accepted by society. In their operations, companies will adhere to the applicable rules and norms, one of which is by paying attention to and taking responsibility for the surrounding environment. By implementing environmental accounting, companies can avoid legal sanctions and gain support from the community ([Alfian Sayuti, 2024](#)).

Environmental accounting, known as green accounting, emerged in Europe around the in response to pressure from non-governmental organizations and increasing environmental consciousness among the public, companies were encouraged to not only concentrate on their business operations but also to adopt environmental management practices.

The goal is to improve environmental management efficiency by assessing environmental activities in terms of costs (environmental costs) and economic benefits, as well as providing positive impacts on environmental protection ([Shofa Allina & Abdul Aris, 2022](#)).

Environmental accounting is defined as an effort to prevent, reduce, or avoid negative impacts on the environment by improving events that can cause environmental damage ([Sukmadilaga et al., 2023b](#)). Environmental impact is the burden caused by business operations or human activities on the environment, potentially hindering good environmental preservation.

Green accounting, also referred to as environmental accounting or sustainable accounting, is a method of accounting that considers the environmental and social impacts of a company's economic activities. The primary objective of green accounting is to assess and report the environmental impacts of a company's business operations and to account for the economic value of natural resources used or exploited.

The concept of environmental performance indicates the level of negative impact on the environment caused by company activities. The Indonesian National Standard Agency (2005) stated that organizations are increasingly aware of obtaining and Reporting favorable environmental performance by controlling the environmental impact of their activities, products, and services, in accordance with the organization's environmental policies and objectives. Environmental performance measurement is applied through environmental accounting, which recognizes and integrates environmental issues into the company's conventional accounting system ([Susanti et al., 2023](#)).

Environmental performance refers to the results visible through the environmental management system, which pertains to managing environmental factors. This concept is influenced by the degree of negative environmental impacts stemming from the company's operations. A low environmental impact signifies good environmental performance, whereas a higher impact denotes poor environmental performance. Environmental performance evaluation depends on the company's environmental strategy and includes environmental targets and objectives according to ISO 14001 standards. ISO 14001 is a global standard that establishes criteria for an environmental management system, helping companies improve their environmental performance by using resources more effectively, minimizing waste, and adhering to environmental regulations. ([Kusuma et al., 2023a](#)).

Environmental performance refers to a company's ability to foster and maintain a healthy environment. The Ministry of Environment conducts environmental performance evaluations of companies through PROPER (Company Performance Rating Program in Environmental Management), which was first initiated in 1995 and developed in 2002 ([Muanifah & Cahyani, 2024](#)).

Environmental Disclosure represents a corporate commitment to environmental responsibility, intended to promote investor engagement and derive advantages for the company. It involves including environmental information in the company's annual report.

Green accounting is defined as an accounting approach that takes into account the environmental and social dimensions of a company's economic activities. By reducing the environmental impact of company operations, such as minimizing waste or carbon emissions, companies can reduce long-term operational costs, such as through energy efficiency or reduced waste management costs. Additionally, the use of green accounting can improve a company's standing in the view of consumers, investors, and regulators ([Nilla & Slamet, 2023b](#)). This can result in additional benefits such as increased sales, access to lower-cost capital, and better policy support. Overall, implementing green accounting can enhance a company's profitability.

H2: Green accounting has a positive impact on profitability.

## **Leverage**

Leverage ratios are metrics that show how much a company depends on debt to fund its activities. Leverage illustrates the correlation between debt and its assets of the company, showing how much the company is funded by creditors compared to its own assets ([Prasetyo & Wulandari, 2021](#)).

According to ([Aminuddin Hamdat et al., 2023](#)), the purpose of using leverage ratios by companies is to understand the company's obligations to others, especially creditors; determine the company's capacity to meet fixed obligations, such as loan and interest payments; measure the balance of asset values, especially fixed assets, and equity; leverage ratios evaluate the proportion of a company's assets financed by debt, the effect of debt on asset management, the extent to which equity is used as collateral for long-term debt, and the immediate obligations in comparison to the company's equity.

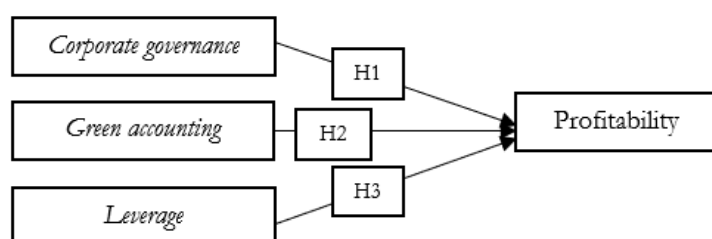
The factors that form the leverage ratio consist of two components, namely debt and assets. Assets are resources owned by the company, obtained through debt or the company's equity. Debt refers to the company's financial obligations to others that must be repaid and serves as the source of funds provided by creditors ([Nailufaroh et al., 2022b](#)).

Debt is categorized into current liabilities and long-term liabilities. Current liabilities are financial obligations that need to be paid within a short timeframe, typically within one year from the balance sheet date, using the company's current assets. Long-term liabilities, on the other hand, are financial obligations with repayment terms extending beyond one year from the balance sheet date ([Amin & Khilmi, 2023](#)).

Leverage is a financial metric that indicates the ratio of a company's debt to its assets. Through the leverage ratio, it can be seen how the company obtains funding for its operations. Additionally, the leverage ratio also provides an overview of the level of risk faced by the company (Ningrum & Suyadi, 2023a). If the proportion of leverage is not well-considered, it can lead to decreased profitability due to fixed interest payments. High debt levels can reduce profitability because the company must shift its focus from increasing productivity to debt repayment. Thus, high leverage levels can negatively impact efficient profit maximization.

H3: Leverage negatively impacts profitability.

The developed hypotheses lead to the following conceptual framework:



The picture above shows the independent variables used include three: corporate governance, green accounting, and leverage. Meanwhile, the dependent variable used is profitability.

## METHOD

This study was carried out using a quantitative method aimed at finding the relationships between variables. It is considered quantitative because it uses empirical data and the variables have measurable units, which are derived from the financial statements of companies sourced from the official website [www.idx.co.id](http://www.idx.co.id), representing secondary data.

The regression method is appropriate in this research, the study aims to examine the relationship between multiple independent variables and a dependent variable. By using regression analysis, the research can quantify the influence of each independent variable on profitability and assess their combined effect. This method is suitable for hypothesis testing in quantitative studies involving measurable financial data.

The study uses secondary data from the financial statements of companies listed in the PEFINDO I-Grade index, sourced from the official website of the Indonesia Stock Exchange (IDX). The observation period covers five years (2018–2022), and the sample consists of 30 publicly listed companies that are part of the PEFINDO I-Grade index in 2023.

The companies listed in the PEFINDO I-Grade index in 2023 include 30 companies: BBKA, ADHI, AKRA, BBNI, BBRI, BJBR, BMRI, BMTR, BNGA, BRPT, BSDE, DSNG, ELSA, HEAL, HRTA, INKP, ISAT, JSMR, MDKA, MEDC, MFIN, MYOR, PNBK, PTPP, SMDR, SMGR, SMRA, TINS, TLKM, TPIA.

These 30 companies are publicly listed (Tbk), so their annual report data can be obtained through the official IDX website. This research uses 3 independent variables: corporate governance, green accounting, and leverage, while the dependent variable used is profitability.

Profitability can be illustrated by several ratio formulas, one of which is return on [\(Afrianti & Purwaningsih, 2022a\)](#). Profitability is calculated using the return on assets (ROA) ratio:

$$ROA = \frac{Net\ Income}{Total\ Asset}$$

In this study, corporate governance is measured by the proportion of independent commissioners. This ratio is determined by dividing the number of independent commissioners by the total number of commissioners within the company. [\(Riyandika & Saad, 2023a\)](#). Information on commissioners is obtained from the company's annual report.

$$CG = \frac{Independent\ commissioner}{Total\ Board\ of\ Commissioners}$$

Green accounting in this study is a dummy variable measured by 1 and 0. Companies that implement ISO 14001 are given a value of 1, and a value of 0 is given to companies that do not implement ISO 14001 [\(Hadriyani & Dewi, 2022a\)](#). Information about the implementation of ISO 14001 can be found in the company's annual report.

Leverage can be measured using several ratio formulas [\(Afrianti & Purwaningsih, 2022b\)](#). In this study, leverage is measured using the debt to asset ratio, which has the formula:

$$DAR = \frac{Total\ Liabilities}{Total\ Asset}$$

Regression analysis is the analytical technique used in this study. The regression equation used is:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Description

Y : Profitability

$\alpha$  : Constants

$\beta_1$ -  $\beta_4$  : Regression coefficient

X1 : *Corporate governance*

X2 : *Green accounting*

X3 : *Leverage*

E : Error

## RESULT AND DISCUSSION

### Descriptive Statistics

**Tabel 1.** Descriptive statistics

	N	Mean	Std		
			Dev	Minimum	Maximum
CG	150	.43	.12	.23	.75
GA	150	.45	.50	.00	1.00
LEV	150	.64	.63	.04	7.75
Valid N (listwise)	150				

Source: SPSS Output (2024)

Corporate Governance (CG) in this study, represented by the proportion of independent commissioners, has 150 data points processed in SPSS. The average value is 0.43 with a standard deviation of 0.12. The lowest value of CG used in this study is 0.23, and the highest value is 0.75.

Green Accounting (GA) in this study has 150 data points processed in SPSS. The average value is 0.45 with a standard deviation of 0.50. The lowest value of GA used in this study is 0.00, indicating that the company does not implement GA, and the highest value is 1.00, meaning the company implements GA.

Leverage (LEV) in this study, represented by the debt to asset ratio, has 150 data points processed in SPSS. The average value is 0.64 with a standard deviation of 0.63. The lowest value of LEV used in this study is 0.04, and the highest value is 7.75. so that the reader can see which statistical analysis was conducted and why, and later to justify the conclusions.

**Table 2.** Green Accounting Frequency

	Frequency	Percent	Valid	Cumulative
			Percent	Percent
Valid	.00	83	55.33	55,33
	1.00	67	44.67	100
Total	150	100	100	

Source: SPSS Output (2024)

Table 2 shows that there are 83 company-years, or 55.33% of the sample companies, that do not implement ISO 14001, and 67 company-years that do implement ISO 14001 in PEFINDO I-Grade companies from 2018 to 2022.

## F-Test Results

**Table 3.** F Test Result

	Sum of Squares	df	Mean Square	F	Sig.
Regression	.02	3	.01	3.47	.018
Residual	.28	146	.00		
Total	.30	149			

Source: SPSS Output (2024)

The research findings indicate that the F-test is 3.47 with a probability value of 0.018. This shows a significant influence of corporate governance, green accounting, and leverage on the profitability in the Pefindo I-Grade Index.

## Regression Analysis and Hypothesis Testing

**Table 4.** Hypothesis Testing Result

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.07	.02	.00	4.82	.000
CG	-.04	.03	-.11	-1.35	.179
GA	-.01	.01	-.14	-1.67	.198
LEV	-.01	.01	-.18	-2.21	.028

Source: SPSS Output  
(2024)

The regression equation obtained from the statistical results above is as follows:

$$\text{ROA} = 0.07 - 0.04\text{CG} - 0.01\text{GA} - 0.01\text{LEV}$$

From this equation, it is known that every additional 1 unit of corporate governance can reduce profitability by 0.04. And every additional 1 unit of green accounting can reduce profitability by 0.01. Also, every additional 1 unit of debt ratio can reduce profitability by 0.01.

The results showed that the t-test was -1.35 for the corporate governance variable, with a probability value of 0.179, this figure illustrates that there is no influence between corporate governance on the profitability in the Pefindo I-Grade Index.

The t-test figure was -1.67 for the green accounting variable, with a probability value of 0.098, this data indicates that green accounting has no impact on the profitability of companies listed in the Pefindo I-Grade Index on the Indonesia Stock Exchange. The t-test figure produced was -2.21 for the Leverage variable, with a probability value of 0.028, this indicates a significant influence between Leverage and company profitability in the Pefindo I-Grade Index on the Indonesian Stock Exchange.

## Determination Coefficient

**Table 5.** Model Summary

R	R Square	Adjusted R Square	Std Error of the estimate
.26	.07	.05	.04

Source: SPSS Output  
(2024)

The R-square value in the model summary is 0.07, which indicates that only 7% of the variation in profitability can be explained by corporate governance, green accounting, and leverage. This suggests that the model has a low explanatory power, and the remaining 93% of the variability in profitability is influenced by other factors not included in this study. Some of these factors may include market conditions, operational efficiency, management practices, and external economic factors. A low R-square is not necessarily uncommon in studies dealing with financial performance, as profitability can be influenced by a multitude of factors, many of which are difficult to capture in a single model.

## Corporate Governance and Profitability

Hypothesis 1 posits a significant relationship between corporate governance and profitability. The research results show a t-test value of -1.35 and a significance level of 0.179, indicating a negative but not significant impact of corporate governance on profitability. Therefore, H1 is rejected, and Ho is accepted. This result also suggests that increased oversight by independent commissioners may reduce company profits.

The insignificance of the relationship between corporate governance and profitability in the PEFINDO i-Grade sample could stem from a weak commitment to governance principles, which prevents these practices from being fully integrated into business strategies and enhancing operational efficiency and transparency. Without a genuine, organization-wide dedication, governance measures may remain superficial, serving more as a formality than as drivers of performance improvements. Additionally, structural inefficiencies in implementing good corporate governance, such as inadequate enforcement mechanisms, misalignment with business practices, or resistance from internal stakeholders, may further hinder the effectiveness of governance reforms. These barriers compromise the potential impact of governance on profitability, suggesting that the weak correlation is more a reflection of poor adoption and execution rather than a limitation of corporate governance itself.

This finding is supported by previous research by [\(Puspaningsih & Ristya, 2022\)](#), which found no significant effect of corporate governance on the profitability of companies in the Trade, Services, and Investment sector listed on the IDX from 2016 to 2019. [\(Riyandika & Saad, 2023\)](#) also found similar results, indicating that corporate governance does not affect the profitability of banking companies listed on the IDX from 2017 to 2019. This research contradicts the research of

([Purnama & Trisnaningsih, 2022](#)) who conducted research with the same results that corporate governance has an influence on profitability in LQ-45 indexed companies in 2016-2018. ([Pendong et al., 2022](#)) strengthens the conclusion that corporate governance has an influence on profitability in manufacturing companies listed on the IDX in 2016-2020.

### **Green Accounting and Profitability**

Hypothesis 2 posits that green accounting affects profitability. The research results show a t-test value of -1.67 and a significance level of 0.098, indicating a negative but not significant impact of green accounting on profitability. Therefore, H2 is rejected, and Ho is accepted. This result also suggests that increased implementation of green accounting may reduce company profits.

The insignificant relationship between green accounting and profitability can be explained by the high implementation costs that yield long-term, rather than immediate, financial benefits. Adopting eco-friendly technologies, improving waste management, and complying with environmental regulations require significant upfront investment, which can reduce short-term profitability. However, the financial returns from these initiatives, such as improved efficiency and enhanced reputation, typically emerge over time. This delayed benefit leads to an initially weak correlation between green accounting and profitability, despite its potential for long-term value creation.

This finding is supported by ([Kusuma et al., 2023](#)), who found that green accounting does not significantly affect the profitability of manufacturing companies listed on the IDX from 2018 to 2020. ([Sulistiyana et al., 2023](#)) also found similar results, indicating no significant impact of green accounting on the profitability of PT Unilever Indonesia.

The results of this study contradict the results of research by ([Goldie Kelly & Deliza Henny, 2023](#)) which found that green accounting has an influence on profitability in food subsector companies listed on the IDX in 2019-2021. The same results were also obtained by ([Hadriyani & Dewi, 2022](#)) who examined the effect of green accounting on profitability in manufacturing companies on the IDX in 2015-2019 which concluded the results that green accounting was able to influence profitability.

### **Leverage and Profitability**

Hypothesis 3 posits a significant relationship between leverage and profitability. The research results show a t-test value of -2.21 and a significance level of 0.028, indicating a negative and significant impact of leverage on profitability. Therefore, H3 is accepted, and Ho is rejected. This result also suggests that higher debt levels may reduce company profits.

This finding is supported by ([Suryaman et al., 2023](#)), who found a significant impact of leverage on the profitability of automotive and component companies listed on the IDX from 2017 to 2022. Similar results were also found by ([Ningrum & Suyadi, 2023](#)), who analyzed the impact of leverage on the profitability of food and beverage companies listed on the IDX from 2015 to 2019, indicating that leverage significantly affects profitability.

Different results were obtained by ([Wahyuni et al., 2023](#)) who conducted research on the effect of profitability by leverage on real estate companies listed on the Indonesia stock exchange and obtained insignificant results from leverage in influencing profitability. ([Sury & Saleh, 2021](#))

research also concluded that leverage has no effect on profitability in mining companies listed on the IDX 2013-2018.

The findings of this study provide insights for company managers and policymakers. The lack of significant influence of corporate governance and green accounting on profitability suggests that companies may need to enhance their commitment to these practices. For corporate governance, firms should focus on improving the effectiveness of their independent commissioners by providing them with more decision-making power and ensuring that governance practices are not merely symbolic but lead to real improvements in performance.

For green accounting, the negative relationship with profitability highlights the potential short-term costs associated with implementing environmentally responsible practices. However, managers should view these costs as investments that may yield long-term benefits in the form of enhanced corporate reputation, customer loyalty, and compliance with regulatory requirements. Thus, while green accounting may not lead to immediate profitability gains, it remains a critical component of sustainable business practices.

The significant negative impact of leverage on profitability underscores the importance of prudent debt management. Managers should carefully evaluate their company's capital structure and avoid excessive reliance on debt financing, as high leverage can reduce profitability and increase financial risk. This finding suggests that maintaining a balanced approach to debt and equity financing is crucial for sustaining long-term profitability.

## **CONCLUSION**

Based on the results obtained, this study concludes the following: there is no significant effect of corporate governance on company profitability, and green accounting does not significantly affect company profitability. Conversely, it was found that the leverage ratio has a negative and significant impact on the profitability of companies in the Pefindo I-Grade Index.

From these conclusions, this study suggests that company managers should pay attention to factors that have the potential to improve the company's profitability. Given the negative association between leverage and profitability, managers need to reduce the use of debt in the company's operational funding to enhance profitability. The improvement of company debt can be assessed by examining the use and benefits of the debt; if there is unnecessary debt, it should be evaluated and reduced or eliminated. Additionally, managers should focus on strategic operational activities that require effective funding for the company's sustainability and success.

For future researchers, it is recommended to use other variables that may affect the company's profitability, such as company ownership, liquidity, tax avoidance, company size, and others, to broaden and enrich research on companies in the Pefindo I-Grade Index.

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