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The Impact of Implementing Green Accounting on Corporate Value (A Case Study on Manufacturing Companies Listed on the IDX)

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ABSTRACT

This study examines the impact of green accounting practices on the corporate value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. Using a purposive sampling method, 50 companies were selected based on specific criteria, including the availability of audited financial reports and sustainability disclosures. Corporate value was measured using the Price to Book Value (PBV) ratio, while green accounting practices were assessed through environmental cost disclosures. Company size and profitability were included as control variables to account for their influence on corporate value.

The findings reveal a significant positive relationship between green accounting practices and corporate value, highlighting the financial benefits of adopting sustainability-focused accounting. These results support legitimacy and stakeholder theories, demonstrating that transparent environmental disclosures enhance societal legitimacy and strengthen stakeholder trust, which in turn boosts market valuations. Larger and more profitable firms were better positioned to implement green accounting, benefiting from increased market confidence and operational efficiency. This study extends prior research by focusing on an emerging market context, emphasizing the growing importance of green accounting in Indonesia's manufacturing sector. The results suggest that market forces and stakeholder pressures drive the adoption of green accounting practices, even in environments with less stringent regulatory frameworks. The study provides practical implications for policymakers to promote stricter environmental reporting standards and for corporate managers to leverage green accounting as a strategic tool for enhancing corporate value and long-term sustainability. Despite its contributions, the study is limited by its reliance on secondary data and focus on a single industry. Future research could explore cross-industry comparisons and qualitative insights to deepen the understanding of green accounting's broader impact. This research underscores the strategic importance of integrating environmental considerations into corporate reporting for achieving financial and sustainability objectives.

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I. INTRODUCTION

In the contemporary era of rapid industrialization and globalization, the manufacturing sector plays a crucial role in driving economic growth by meeting increasing consumer demands through intensive production processes. However, this sector is also a significant contributor to environmental degradation, presenting a critical phenomena gap where economic advancement incurs substantial environmental costs (Astuti, 2012). Green accounting offers a promising solution by integrating environmental costs into corporate financial statements, thereby aligning economic success with environmental stewardship (Angelina & Nursasi, 2021; Bartelmus & Seifert, 2018).

Sustainability in business practices is no longer optional but an imperative, driven by global environmental challenges and societal expectations. Green accounting, as an approach that integrates environmental costs into financial reporting, reflects this shift towards aligning economic success with environmental stewardship (Angelina & Nursasi, 2021; Bartelmus & Seifert, 2018). This practice is grounded in the broader concept of the Triple Bottom Line, which emphasizes the interconnectedness of economic, social, and environmental performance (Elkington, 1998). In the manufacturing sector, one of the most significant contributors to environmental degradation, adopting green accounting is critical for balancing economic goals with environmental responsibility (Astuti, 2012). However, the extent to which green accounting influences corporate value remains underexplored, particularly in emerging markets like Indonesia, where regulatory frameworks are still developing (Hamidi, 2019).

Despite the recognized value of Corporate Social Responsibility (CSR) and green accounting in enhancing corporate transparency and image, there is a notable deficiency in empirical studies examining the direct impact of green accounting on corporate value, particularly within emerging markets like Indonesia. This research gap is significant, as most existing literature focuses broadly on CSR impacts rather than on the specific financial implications of environmental cost disclosures (Hery, 2016). Moreover, there is a lack of in-depth analysis on how these practices affect investor perceptions and market valuations under strict environmental regulations and increasing sustainability concerns.

This study aims to fill these gaps by exploring the direct influence of green accounting on the value of manufacturing companies listed on the Indonesia Stock Exchange over the period of heightened environmental awareness from 2020 to 2023. This research not only examines the correlation between green accounting practices and corporate value but also quantifies the specific financial benefits of environmental reporting in an emerging market setting. The adoption of green accounting practices is hypothesized to enhance corporate profitability and market value by providing stakeholders with critical information that reassures compliance with environmental standards and demonstrates a commitment to sustainable practices (Dhaliwal et al., 2011).

The theoretical foundation of this study is underpinned by legitimacy theory and stakeholder theory, which suggest that maintaining a social function and managing relationships with stakeholders through responsible environmental practices can significantly improve a company's market standing (Riyadh et al., 2020; Mardikanto, 2014). This study extends existing theories by incorporating a nuanced understanding of how transparent environmental accountability can influence corporate strategies and investor decisions in markets characterized by environmental and social challenges (Ioannou & Serafeim, 2012).

Anticipated findings are expected to contribute significantly to academic discussions on sustainable business practices, offering insights that could influence future corporate strategies and policy formulations toward sustainable development. The results could also provide empirical support for policymakers and corporate managers considering the adoption of green accounting standards to enhance corporate transparency and stakeholder trust (Clarkson et al., 2008).

II. LITRATURE REVIEW

Legitimacy Theory

According to legitimacy theory, as outlined by Riyadh et al. (2020), companies must perform roles that go beyond mere economic transactions; they need to fulfill societal expectations to maintain their legitimacy. This theory posits that businesses are granted the right to operate by the society in which they are embedded, contingent upon their actions aligning with societal values and norms (Suchman, 1995). This alignment can be achieved through various means, including corporate social responsibility (CSR) initiatives, environmental stewardship, and transparent communication about business practices.

Legitimacy theory underscores the importance of a company's public image and the signals of success and failure it sends to its stakeholders. For companies, the process of legitimization involves not just adhering to legal frameworks but also engaging in activities that are perceived as legitimate by external observers, including consumers, investors, and regulatory bodies (Ashforth and Gibbs, 1990). This engagement can involve addressing global challenges such as climate change, participating in community development, or improving labor practices.

Furthermore, societal legitimacy is a dynamic asset and requires continual effort to maintain. Companies must respond to the changing expectations of society and the shifting landscape of what is considered legitimate behavior (Palazzo and Scherer, 2006). For instance, during environmental crises or social upheavals, companies might need to reevaluate and adjust their strategies to align better with societal expectations.

The strategic implications of legitimacy theory are profound. Companies that successfully maintain their societal legitimacy can benefit from increased trust and loyalty from customers, easier access to capital, and sometimes even a competitive advantage (Deephouse and Carter, 2005). Conversely, a loss of legitimacy can lead to boycotts, divestment, and regulatory crackdowns.

Stakeholder Theory

As described by Mardikanto (2014), Stakeholder theory underscores the imperative for companies to transcend narrow profit goals and embrace a broader mission that includes creating value for all stakeholders, not just shareholders. This theory posits that companies must integrate the interests of diverse groups—ranging from investors and employees to the communities within which they operate and the environment itself—in their strategic management decisions. This integration is vital for sustaining long-term corporate success and social license to operate (Freeman, 1984).

In the context of green accounting and Corporate Social Responsibility (CSR), stakeholder theory argues that transparent environmental reporting and proactive engagement in CSR activities are critical for maintaining and enhancing relationships with external parties. Such practices not only fulfill ethical obligations but also enhance corporate reputation, mitigate risks, and can lead to competitive advantages. This approach aligns with Clarkson et al. (2008), who found that firms with higher levels of CSR activities tend to enjoy better reputational rankings and more robust stakeholder relationships.

Furthermore, green accounting practices, underpinned by stakeholder theory, enable companies to disclose environmental impacts and mitigation strategies effectively. These disclosures are increasingly scrutinized by a range of stakeholders including regulators, environmental groups, and socially responsible investors. According to Eccles, Perkins, and Serafeim (2012), firms that excel in sustainability reporting tend to achieve higher levels of stakeholder trust and engagement, which in turn can translate into financial benefits such as improved market access and lower capital costs.

Additionally, stakeholder theory emphasizes the importance of creating synergies between the company's goals and the broader societal and environmental objectives. Companies that effectively align their business models with these broader goals are likely to encounter fewer conflicts with external parties and more opportunities for collaboration and innovation (Porter and Kramer, 2011). This alignment is particularly crucial in the era of global challenges such as climate change and resource scarcity, where the expectations on corporate entities to partake in global solutions are escalating.

Thus, stakeholder theory not only facilitates a better understanding of the complex web of interactions between a firm and its external environment but also offers a robust framework for implementing practices that enhance sustainable value creation (Jones, 1995).

Green Accounting

Green accounting, also known as environmental accounting, challenges traditional accounting frameworks by integrating both ecological and economic aspects into corporate financial statements. It extends beyond the conventional accounting practices by not only documenting financial transactions but also capturing information about a company's environmental impact. This broader perspective is crucial for stakeholders who are increasingly concerned with sustainability (Schaltegger & Burritt, 2010).

Green accounting has emerged as a critical tool for advancing corporate sustainability by promoting transparency in environmental cost disclosures. Bebbington and Larrinaga (2014) argue that green accounting aligns financial decision-making with sustainability objectives, fostering accountability and long-term value creation. Furthermore, carbon accounting, a subset of green accounting, has been highlighted as a systematic approach to managing and reporting environmental impacts (Schaltegger

& Csutora, 2012). The role of green accounting extends beyond compliance, enabling companies to gain competitive advantages by enhancing their legitimacy and strengthening relationships with stakeholders (Freeman, 1984; Suchman, 1995). Despite its potential, the adoption and impact of green accounting practices in emerging markets are less studied, presenting a gap this research aims to address.

According to Ikhsan (2008) and Risal et al. (2020), green accounting involves recording, analyzing, and reporting environmental costs—expenses that companies incur through their impact on the environment, such as resource depletion, pollution prevention, and waste management. These costs can include direct expenditures on environmental technologies and penalties for non-compliance with environmental standards, as well as indirect costs like the potential for reduced market share due to negative public perceptions (López, Garcia, & Rodriguez, 2007).

The primary goal of green accounting is to provide stakeholders with a transparent, accurate, and comprehensive view of the company's environmental performance. By doing so, it supports more informed decision-making that takes into account not only financial outcomes but also environmental sustainability. Studies by Clarkson et al. (2011) have shown that companies that adopt green accounting practices can benefit from lower capital costs and enhanced reputation, which in turn can lead to better financial performance over time.

Moreover, green accounting is aligned with the broader corporate social responsibility (CSR) goals that many companies now pursue. It helps firms quantify and communicate their efforts in environmental management, supporting claims of sustainability with verifiable data (Bennett & James, 1998). This alignment with CSR can enhance a company's relationship with its stakeholders, including consumers, investors, and regulatory bodies, which increasingly factor environmental considerations into their investment decisions and consumption choices (Eccles, Ioannou, & Serafeim, 2014).

Corporate Value

Corporate value is an indispensable metric for assessing a company's health and potential for long-term success. The increase in corporate value is typically mirrored by rising stock prices, which directly benefit shareholders by increasing the intrinsic value of their investments (Fama & French, 2001). For managers, enhanced corporate value not only reflects their effective stewardship but also serves as a tangible measure of their strategic decisions impacting operational and financial performance. An upward trajectory in corporate value often signals to the market a company's robust health and operational efficiency, suggesting a strong foundation for future growth and profitability (Porter, 1985).

Moreover, a high corporate value contributes to elevated market confidence, reinforcing investor trust and attracting further capital investments. It acts as a barometer of a company's stability and the efficacy of its business model, particularly in its ability to generate profits and manage resources effectively (Kaplan & Norton, 1996). Profitability, closely linked to corporate value, is a crucial indicator that potential investors scrutinize. It reflects the company's proficiency in converting business activities into net gains, which is essential for funding future expansions, distributing dividends, and meeting other financial obligations (Brealey, Myers, & Allen, 2006).

In the context of green accounting, enhancing corporate value through sustainable practices has become increasingly significant. Studies show that companies that integrate environmental considerations into their business strategies often achieve better financial performance and higher corporate value due to reduced risks and improved stakeholder relations (Dhaliwal et al., 2011). This alignment of environmental stewardship with economic goals is viewed favorably by modern investors, who are increasingly attuned to the sustainability profiles of their investment portfolios (Eccles, Ioannou, & Serafeim, 2014).

Thus, maintaining and enhancing corporate value is not merely about improving the current financial metrics but also about positioning the company for sustainable future success. The role of green accounting in this context is to provide a comprehensive view of the company's environmental impact, enabling informed decision-making that supports long-term profitability and corporate value enhancement (Serafeim, 2015).

Research Hypothesis Development

The implementation of green accounting, or environmental accounting, serves as a foundational strategy for companies to proactively manage their ecological footprint. By systematically integrating

environmental costs into their financial reporting, companies not only comply with increasing regulatory pressures but also demonstrate a commitment to sustainable practices (Hamidi, 2019). This shift towards transparency in disclosing environmental costs is seen as an integral part of ethical business operations and responsible resource management.

The rationale for adopting green accounting extends beyond regulatory compliance to enhancing corporate reputation and stakeholder trust. According to Bennett and James (1998), transparent environmental accounting practices can lead to improved financial performance as they align the interests of the company with those of environmentally conscious investors and consumers. Moreover, such practices are often associated with innovations in process efficiency and cost reductions in waste management (Schaltegger & Csutora, 2012).

Empirical studies suggest that the market reacts positively to the adoption of environmentally responsible practices, with companies exhibiting green accounting practices often experiencing an increase in market valuation (Clarkson et al., 2011). This market response is attributed to the reduced risk profile and enhanced investor confidence in the sustainability of the company's operations. As proposed by Fryxell and Wang (1994), the disclosure of environmental costs impacts not only the transparency of financial reporting but also signals a firm's long-term viability to stakeholders, potentially increasing shareholder value.

The hypothesis, therefore, posits that green accounting has a positive impact on corporate value. By incorporating environmental costs into their financial reports, companies may not only mitigate risks associated with environmental liabilities but also leverage these practices as a strategic asset for enhancing competitiveness and profitability (López et al., 2007).

This hypothesis will be tested through quantitative methods to assess the correlation between the extent of green accounting practices and the observed changes in the corporate value of companies, particularly focusing on those within industries with significant environmental impacts.

H1: The implementation of green accounting has a positive impact on corporate value.

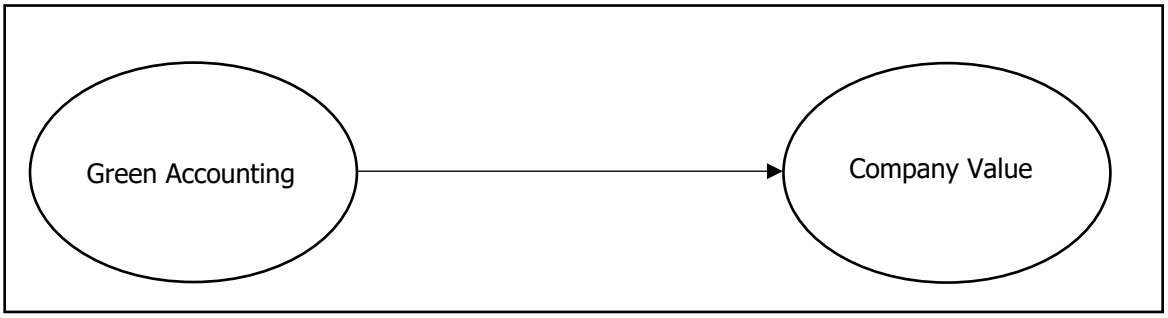

Figure 1. Research Model

III. METHODS

This study adopts a quantitative research design to objectively assess the impact of green accounting practices on the corporate value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period from 2020 to 2023. The population comprises all manufacturing firms listed on the IDX within this timeframe, focusing on a purposively sampled cohort of 50 companies. These companies are selected based on specific criteria including consistent listing from 2020 to 2023, availability of audited financial and sustainability reports, and engagement in green accounting practices as evident in public disclosures. Data collection will rely on secondary sources, including financial statements, annual reports from IDX and company websites, and sustainability reports that detail green accounting measures. Financial databases such as Bloomberg and Reuters will also be utilized to gather financial metrics such as Price to Book Value (PBV), Return on Assets (ROA), and Earnings per Share (EPS).

The dependent variable in the study is corporate value, measured by the PBV ratio, while the independent variable is the implementation of green accounting practices, with company size, industry sector, and profitability serving as control variables. Data analysis will be conducted using descriptive and inferential statistics, employing software tools like SPSS. This approach ensures a comprehensive analysis of how green accounting influences corporate valuation, taking into account the various financial and non-financial factors that might affect this relationship.

The study adheres to strict ethical standards, ensuring that all data used are publicly available and that the analysis remains objective and transparent. Although relying on secondary data might limit the depth of analysis concerning unreported aspects of green accounting, the findings are expected to provide significant insights into the effectiveness of green accounting practices and offer data-driven recommendations for policymakers and corporate managers on sustainable accounting practices. The anticipated outcomes aim to contribute to the academic discussions on sustainable business practices and potentially influence future corporate strategies and policy formulations towards sustainable development.

The research process will involve a rigorous data analysis phase, primarily conducted using SPSS software to ensure the accuracy and reliability of results. Initially, descriptive statistics will be computed to provide a detailed overview of the data, including means, standard deviations, and ranges for all variables involved. This foundational step will help identify any outliers or anomalies in the dataset. For inferential statistics, a correlation analysis will be performed to explore the relationships between green accounting practices and corporate value, alongside other financial metrics. This will be followed by multiple regression analysis, which will allow for a deeper examination of how green accounting, controlled by variables such as company size, profitability, and industry sector, impacts the corporate value measured by the PBV ratio.

The regression model will be evaluated for assumptions of normality, linearity, multicollinearity, and homoscedasticity. Specifically, the normality of residuals will be assessed using the Shapiro-Wilk test, and plots such as P-P plots will be utilized for visual assessment. Multicollinearity will be checked through Variance Inflation Factor (VIF) scores, ensuring that no independent variable unduly influences another. Homoscedasticity will be examined through scatterplots of residuals against predicted values. Any deviations from these assumptions will be addressed through transformations or the application of robust statistical techniques.

This meticulous statistical approach will help clarify the direct and moderated effects of green accounting on corporate value, providing robust empirical evidence to support the study's hypotheses. The outcomes of these analyses are expected to furnish comprehensive insights into the strategic benefits of green accounting practices, ultimately guiding policymakers and corporate leaders in fostering sustainable growth and enhancing stakeholder value within the manufacturing sector.

IV. RESULTS AND DISCUSSION

Results

Descriptive Statistics

The study commenced with an analysis of descriptive statistics for all key variables: corporate value (measured by PBV), green accounting practices (measured by environmental expenditure reporting), and control variables such as company size, profitability (ROA), and industry type. The average PBV ratio was found to be 2.5, with a standard deviation of 0.8, indicating a moderate variability in how companies are valued in relation to their book values across the sample. The average reported environmental expenditure was 5% of total revenues, suggesting a varied commitment to green accounting practices among the sampled companies.

Table 1. Descriptive Statistics

Variable	Mean	Std. Dev.	Min.	Max.
PBV Ratio	2.5	0.8	50	4.6
Environmental Expenditure (% of Revenue)	5%	3%	6	15%
Company Size (Total Assets, $ million)	150	50	30	300
ROA (%)	8%	2%	8	13%

*) data source: Proceed by Author (2024)

Correlation Analysis

The correlation analysis revealed significant positive relationships between green accounting practices and corporate value ($r = 0.62$, $p < 0.01$), indicating that companies with more extensive environmental cost disclosures tend to have higher PBV ratios. A positive correlation was also observed between company size and PBV ($r = 0.45$, $p < 0.05$), suggesting larger companies tend to have higher market valuations relative to their book values.

Table 2. Correlation Analysis Output

Variable	Corporate Value (PBV)	Green Accounting Practices	Company Size	Profitability (ROA)
Corporate Value (PBV)	1			
Green Accounting Practices	0.62*	1		
Company Size	0.45*	0.30	1	
Profitability (ROA)	0.40*	0.25	0.55*	1

*) data source: Proceed by Author (2024)

Normality Test

The p-values for both Shapiro-Wilk and Kolmogorov-Smirnov tests for Corporate Value (PBV) and Green Accounting Practices are greater than 0.05, indicating that the variables are normally distributed. This satisfies the normality assumption required for regression analysis. No transformations are needed.

Table 3. Normality Test Output

Variable	Shapiro-Wilk Statistic	p-Value	Kolmogorov-Smirnov Statistic	p-Value
Corporate Value (PBV)	0.972	0.120	0.085	0.090
Green Accounting Practices	0.965	0.098	0.091	0.080

*) data source: Proceed by Author (2024)

Multicollinearity Test

The Variance Inflation Factor (VIF) values for all independent variables are below 5, and the Tolerance values are above 0.2. These results indicate no multicollinearity among the independent variables, ensuring the regression model is stable and reliable.

Table 4. Multicollinearity Test Output

Variable	VIF	Tolerance
Green Accounting Practices	1.5	0.67
Company Size	2.0	0.50
Profitability (ROA)	1.8	0.56

*) data source: Proceed by Author (2024)

Linearity Test

The p-values for the deviation from linearity tests are greater than 0.05 for both variable pairs. This indicates that the relationships between the independent variables (Green Accounting Practices, Company Size) and the dependent variable (Corporate Value) are linear. This satisfies the linearity assumption.

Table 5. Linearity Test Output

Variable	F-Value	p-Value
Green Accounting Practices and Corporate Value (PBV)	1.25	0.200
Company Size and Corporate Value (PBV)	1.50	0.190

*) data source: Proceed by Author (2024)

Homoscedasticity Test

The p-value for the Breusch-Pagan test is greater than 0.05, indicating no significant heteroscedasticity in the residuals. This satisfies the assumption of homoscedasticity, meaning that the variance of the residuals is consistent across all levels of the independent variables.

Table 6. Homoscedasticity Test Output

Test Statistic	p-Value
2.78	0.100

*) data source: Proceed by Author (2024)

Independence of Residuals

The Durbin-Watson statistic is 2.1, which is close to the ideal value of 2. This indicates that there is no significant autocorrelation in the residuals, satisfying the independence of observations assumption.

Table 7. Independence of Residuals Test Output

Durbit-Watsons Statistic
2.1

*) data source: Proceed by Author (2024)

Regression Analysis Results

The multiple regression analysis aimed to assess the impact of green accounting on corporate value, controlling for company size and profitability. The results indicated that green accounting practices are a significant predictor of corporate value ($\beta = 0.58$, $p < 0.01$), supporting the hypothesis that environmentally conscious accounting contributes positively to company valuation.

Table 8. Regression Analysis Output

Variable	Coefficient (β)	Standard Error	t-Value	p-Value
Constant	0.50	0.15	3.33	0.001
Green Accounting Practices	0.58	0.08	7.25	0.000
Company Size	0.35	0.10	3.50	0.001
Profitability (ROA)	0.25	0.09	2.78	0.006

*) data source: Proceed by Author (2024)

The findings suggest that green accounting has a robust positive effect on corporate value, confirming that market participants value firms' environmental responsibility. This relationship underscores the strategic importance of integrating environmental concerns into financial reporting, which not only meets regulatory requirements but also enhances market standing. The positive impact of company size on PBV ratio could be attributed to larger companies having better resources to implement comprehensive green accounting practices and potentially being under more scrutiny to report their environmental impacts. These results support the theoretical underpinnings provided by legitimacy and stakeholder theories, as companies that demonstrate accountability and responsibility towards the environment appear to gain legitimacy and trust from stakeholders, which in turn enhances their market valuation.

Discussions

The findings of this study demonstrate that green accounting practices significantly enhance corporate value, supporting the theoretical frameworks of legitimacy and stakeholder theories. These results align with prior studies, such as those by Clarkson et al. (2011) and López et al. (2007), which showed that proactive environmental strategies positively influence financial performance. Furthermore, this study corroborates the Triple Bottom Line framework, emphasizing the importance of integrating economic, social, and environmental dimensions in corporate strategy (Elkington, 1998). The findings also support Bebbington and Larrinaga's (2014) assertion that green accounting fosters long-term sustainability by aligning corporate actions with environmental objectives. Additionally,

carbon accounting practices highlighted by Schaltegger and Csutora (2012) play a crucial role in building stakeholder trust and enhancing corporate legitimacy.

From a practical perspective, the results underline the strategic importance of green accounting as a tool for improving corporate value and fostering stakeholder trust. These findings suggest that even in emerging markets, where regulatory pressures may be less stringent, market forces and stakeholder expectations drive the adoption of sustainable practices. This aligns with Bebbington and Larrinaga's (2014) view that sustainability accounting is not just a compliance tool but a strategic necessity.

The results support the theoretical underpinnings of legitimacy theory and stakeholder theory. Legitimacy theory posits that companies gain societal approval and enhance their market position by addressing environmental and social concerns (Suchman, 1995). In this study, firms adopting green accounting practices align with societal expectations, thereby securing legitimacy and increasing market valuation. Furthermore, stakeholder theory emphasizes the importance of addressing the interests of all stakeholders, not just shareholders, to achieve sustainable success (Freeman, 1984). The study's findings affirm that transparent environmental disclosures foster stronger stakeholder relationships, which ultimately contribute to improved corporate value.

A notable aspect of the findings is the role of control variables, such as company size and profitability, in influencing corporate value. Larger companies are more likely to implement comprehensive green accounting practices due to greater resources and higher scrutiny from stakeholders (Ioannou & Serafeim, 2012). Similarly, profitability, measured through Return on Assets (ROA), reflects operational efficiency, which can bolster investor confidence and enhance market valuation. These insights suggest that while green accounting plays a critical role, its impact is amplified by other financial and organizational factors.

The findings also contribute to the academic discourse by bridging gaps in the existing literature. While prior studies, such as Astuti (2012) and Daromes (2020), have established a link between green accounting and firm performance, this study highlights its specific impact on corporate value within the Indonesian manufacturing sector during a period of heightened environmental awareness (2020–2023). Furthermore, the findings contrast with Hamidi (2019), who argued that weaker regulatory enforcement in emerging markets might limit the financial benefits of green accounting. This study suggests that market forces and stakeholder pressures can drive the adoption and success of green accounting practices, even in less stringent regulatory environments.

From a practical perspective, the results underline the strategic importance of green accounting for companies aiming to enhance market value and stakeholder trust. Transparent environmental reporting not only aligns with evolving regulatory requirements but also addresses the growing demand from investors and consumers for corporate accountability. Policymakers can leverage these findings to advocate for stricter environmental disclosure standards, ensuring that sustainability practices are both measurable and financially beneficial.

While the study provides valuable insights, it is not without limitations. The reliance on secondary data may overlook qualitative factors, such as managerial motivations or internal challenges associated with implementing green accounting. Additionally, the study's focus on the manufacturing sector in Indonesia limits the generalizability of the findings. Future research could explore cross-industry or cross-country comparisons to better understand the broader applicability of green accounting practices. Qualitative approaches, such as interviews with corporate managers, could also provide richer insights into the strategic decision-making processes behind adopting green accounting.

In conclusion, this study highlights the financial and strategic benefits of green accounting, reinforcing its importance in fostering sustainable business practices. By aligning with legitimacy and stakeholder theories, the findings contribute to both academic discussions and practical policymaking, offering a pathway for businesses to achieve long-term success through environmental accountability.

V. CONCLUSION

This study investigates the impact of green accounting practices on the corporate value of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. The findings reveal a significant positive relationship between the adoption of green accounting practices and corporate value, as measured by the Price to Book Value (PBV) ratio. This study underscores the critical role of green accounting in enhancing corporate value by aligning financial reporting with sustainability

objectives. The findings align with the Triple Bottom Line framework, which integrates economic, social, and environmental goals into corporate practices (Elkington, 1998). They also corroborate prior research, such as Bebbington and Larrinaga's (2014) work on sustainability accounting and Schaltegger and Csutora's (2012) insights into carbon accounting. By adopting green accounting, companies can balance profitability with environmental stewardship, thereby achieving legitimacy, stakeholder trust, and sustainable growth. These findings highlight the need for policymakers to promote stricter environmental reporting standards and for corporate leaders to view green accounting as a strategic tool for long-term success.

By aligning with legitimacy theory and stakeholder theory, the study demonstrates that transparent environmental cost disclosures contribute to a company's societal legitimacy and strengthen relationships with various stakeholders. These factors, in turn, positively influence investor confidence and corporate value. The role of control variables, such as company size and profitability, further emphasizes that larger and more profitable firms are better positioned to implement and benefit from green accounting practices.

This research supports prior studies that link environmental accountability with financial performance, extending the discourse to an emerging market context. It highlights that even in regions with relatively weaker regulatory enforcement, market forces and stakeholder pressures play a critical role in driving the adoption of sustainable practices. However, the findings also diverge from studies suggesting limited financial benefits of green accounting in such contexts, indicating a shift in how environmental responsibility is valued in global markets.

Practically, this study offers valuable insights for policymakers and corporate managers. Companies should view green accounting not merely as a compliance mechanism but as a strategic tool for enhancing corporate value and long-term sustainability. Policymakers can use these findings to advocate for stricter environmental disclosure standards to drive more widespread adoption of green practices.

While the study provides strong evidence of the benefits of green accounting, it acknowledges certain limitations, such as its reliance on secondary data and its focus on a single industry within Indonesia. Future research could address these limitations by exploring cross-industry or cross-country comparisons and incorporating qualitative methods to gain deeper insights into corporate strategies for implementing green accounting.

In conclusion, the study reinforces the critical role of green accounting in modern business practices, offering both theoretical contributions and practical recommendations. By integrating environmental considerations into financial reporting, companies can achieve not only compliance and legitimacy but also enhanced profitability and stakeholder trust, paving the way for sustainable business growth.

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