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Green Accounting, Environmental Performance: Mediating Role of Corporate Governance

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Abstract: The focus of this research is to investigate the mediating role GCG in the relationship between green accounting, environmental performance, and financial performance of chemical companies listed IDX period 2019 – 2023 with a sample of 10 companies, where green accounting and environmental performance variables become independent variables with corporate governance as an intervening variable and financial performance as independent variables. The analysis used in this study is panel data regression to test the hypothesis and mediation test through the Sobel test with the help of *EViews software*. The results of the study are: green accounting and environmental performance partially affect corporate governance, green *accounting*, environmental performance and corporate governance have a positive effect on financial performance. The implications of this study show that the company's attention to environmental aspects through green accounting practices and environmental performance improvement, supported by good corporate governance, is able to encourage improved financial performance.

Keywords: Green Accounting, Environmental Performance, Good Corporate Governance, Financial Performance

INTRODUCTION

The anticipated global economic slowdown in 2024 (global nominal Gross Domestic Product growth of 2.4percent compared to 2.6 percent in 2023) implies lower demand growth as far as the chemical industry is concerned. The ongoing inflationary pressures in the energy sector are anticipated to persistently pose significant risks to chemical sector participants lacking access to essential raw materials, such as naphtha and ethane, amid expectations of sustained high prices. According to estimates, the average price of Brent crude oil is projected to reach USD 82 per barrel in 2024, slightly lower than the USD 83 average recorded in 2023. This scenario is likely to exert considerable strain on chemical industry companies, particularly in terms of their profitability (coface.com). The following is an overview of the financial conditions (profitability) of chemical companies that listing on the IDX in 2019-2023

Table 1. ROA of the Chemical Companies in Indonesia year of 2019-2023

No	CODE	Return On Asset (ROA)				
		2019	2020	2021	2022	2023
1	ADMG	0.116	0.188	0.004	0.155	0.120
2	AGII	0.012	0.010	0.013	0.013	0.022
3	BRPT	0.019	0.018	0.032	0.003	0.010
4	DPNS	0.012	0.008	0.063	0.068	0.046
5	PEARL	0.034	0.068	0.022	0.049	0.036
6	MDKI	0.036	0.041	0.039	0.037	0.045
7	ORANGE	0.022	0.035	0.017	0.005	0.047
8	SRSN	0.055	0.049	0.031	0.038	0.062
9	TPIA	0.007	0.014	0.030	0.030	0.006
10	UNIQUE	0.052	0.113	0.198	0.119	0.064
Average		0.037	0.054	0.045	0.052	0.046

Source: Author Processing, 2024

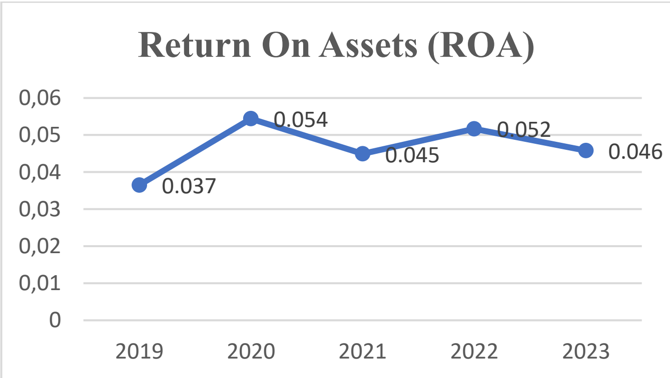

Figure 1. ROA of the Chemical Sub-Sector for the 2019-2023 Period
Source: Author Processing, 2024

From the table 1, the lowest decline in financial performance in 2023 occurred in the company PT Chandra Asri Pacific Tbk (TPIA) with a ROA value of 0.006, which decreased by 2.4 percent. This can happen because companies experience a decline in net income caused by abundant supply disruptions and declining demand. Thus, PT Chandra Asri Pacific Tbk (TPIA) suffered a loss for the current period of US$ 32.62 million. Reversing from the first quarter of 2023, which at that time recorded a profit for the current period of US$ 8.53 million. The most significant decline in financial performance in 2023 occurred in PT Unggul Indah Cahaya Tbk (UNIC) with a ROA value of 0.064, which decreased by 5.5percent from the previous year. This can happen due to the *downtrend* in selling prices in 2023 which resulted in the Company's margin experiencing pressure, because the cost of acquiring inventory is still based on high petroleum prices, while the selling price has adjusted to the current decline in petroleum prices, This led to a marked decrease in the Company's gross profit by 42.75 percent in 2023, with the figure declining from USD 58.12 million in 2022 to USD 33.28 million in 2023.

Chemical sub-sector companies are in the spotlight in this period due to the destructive effect on the ecosystem. The firm strives should be overcome this by implementing green accounting. The implementation of this application is instrumental in assessing and managing the environmental impact of corporate operations. Green accounting or environmental accounting serves as a vital starting point for companies seeking to minimize their environmental footprint and address the ecological challenges they encounter (Marota, 2024) The results of Case study conducted by (Hamzah, 2025) states that Green accounting has a beneficial effect on financial result where corporate governance is able to mediate green accounting in influencing financial performance. Thus, *green accounting* can assist companies in identifying and managing environmental costs related to the company's operations. But (Difla et al., 2023) stating that green accounting has a negative impact on financial performance because the company has not been able to implement good governance. Although some companies in the chemical sector have implemented green accounting by spending environmental costs, in reality most of the companies in the chemical industries in Indonesia have not reported their environmental achievement, that number of 72 companies in the sub-sector of the basic and chemical industries, only 10 companies have reported their financial performance in accordance with the company's performance rating assessment program in environmental management that called PROPER that has been issued by the Indonesian government and the results are still far from expectations as recorded in the following table:

Table 2. PROPER Rating in the Chemical companies for 2019-2023 Period

No	CODE	Year				
		2019	2020	2021	2022	2023
1	ADMG	3	3	3	3	3
2	AGII	3	3	3	3	3
3	BRPT	4	4	4	4	4
4	DPNS	3	3	3	3	3
5	PEARL	2	2	2	2	2
6	MDKI	2	2	2	2	2
7	ORANGE	3	3	3	3	3
8	SRSN	4	4	4	4	4
9	TPIA	4	4	4	4	5
10	UNIQUE	2	3	3	3	3

Source: Processing data by author, 2024

The preceding table illustrates, only one company, namely PT. Candra Asri Petrochemical (TPIA) which has a value of 5 is categorized as gold, which means that the company has had excellent environmental performance while other companies are still in a bad position. Non-compliance with regulations and weak management of environmental risks, which can ultimately lead to additional costs such as fines, decreased investor confidence, and reduced funding opportunities, these conditions can directly or indirectly suppress financial returns and hinder the growth of financial performance amid market demands that increasingly prioritize the principle of sustainability. Based on previous research conducted by Angelina & Nursasi, (2021) said that environmental performance does not have a notable influence on the company's financial performance. Meanwhile, previous research conducted by (Aulia et al., 2025) said that environmental performance measured using PROPER Our analysis reveals a positive influence of green accounting, environmental performance, and financial performance. However, this result diverges from the findings by Khairunisa & Pohan, (2022) The analysis indicates that environmental performance has a statistically significant negative relationship with the company's financial performance.

Improved performance and sustainability are supported by good governance. Managers who own shares in the company, can influence strategic and operational decisions. Managerial ownership can encourage managers to be more responsible in decision-making, as they have a direct interest in the company's performance, companies with high levels of managerial ownership tend to pay more attention to environmental aspects in their commercial activities strategies(Altania & Tanno, 2023). This shows that managers who own shares will be more likely to consider the long-term impact of their decisions, including those related to sustainability. Highest managerial ownership indicates that managers have a strong incentive to drive the company's growth and success, which can contribute to better company performance, while very low managerial ownership indicates that managers may not have enough motivation to improve the company's performance, which could be a warning signal for investors(Liu et al., 2024). Managerial powerlessness in terms of shareholding can lead to less future-oriented decisions, as well as the potential for the agency conflicts that arise from the separation of ownership and control can lead to inefficiencies in corporate decision-making to tend to be greater. Based on previous research conducted by Baiti & Hersugondo, (2023), it is said that corporate governance has a positive result on a business financial performance. Meanwhile, according to Laili et al., (2019) Corporate governance fails to mediate the business financial performance.

METHOD

This study employs a Statistical research approach, grounded in the positivist philosophical paradigm, which involves the analysis of numerical data using statistical techniques to describe and test hypotheses in measuring how capable corporate governance is as an intervening variable in mediating green accounting variables and environmental performance on company performance as dependent variables.

Measurement Variables, This research consists of two independent variables, namely Green Accounting (which is proxied with environmental costs) and environmental performance, (measured by PROPER), one intervening variable is GCG (proxied with managerial ownership) and one dependent variable, namely financial performance which is proxied with return on Asset (ROA). The measurements for each variable are as follows:

$$\mathrm{EC} = \frac{\text{CSR Cost}}{\text{Nett Profit}} \quad (1)$$

$$PROPER = \frac{\text{PROPER Rating}}{\text{Gold PROPER rating}} \quad (2)$$

$$MO = \frac{Number\ of\ Shares\ held\ by\ Directors + Commissioners + Managers}{Total\ Shares\ Outstanding} \quad (3)$$

$$\mathrm{ROA} = \frac{\text{Nett Profit}}{\text{Asset Total}} \quad (4)$$

Sampling Method, The study's population consists of 20 chemical sub-sector that listed on the IDX (2019-2023). A purposive sampling method yielded a sample of 10 companies.

Data collection techniques, the data used in the research is in the form of financial statements and annual reports which are secondary data. The collection techniques carried out in this study are by literature study and documentation study. Literature studies are carried out by collecting data that relies on literature or written sources, such as articles, journals, and theses, or other written media related to the topic of discussion in this study. Data collection for this study was facilitated through document analysis, utilizing annual reports and sustainability reports obtained from the official Indonesia Stock Exchange (IDX) website Stock Exchange www.idx.co.id and the respective company websites.

Data Analysis Method, The analysis in this study was carried out quantitatively, The analytical approach employed in this study was panel data regression, facilitated by Eviews software. It starts with conducting descriptive statistical analysis, testing the feasibility of the model, conducting hypothesis tests, and conducting path analysis. This is done to see if GCG can mediate environmental cost variables and environmental performance variables in influencing financial performance.

RESULTS AND DISCUSSION

Result

Signaling Theory

Transparent and positive disclosure of profits generated by the firm that serve as a notification that indicates the company's financial health and future growth potential. When a company reports better financial performance than market expectations, this can not only create trust among investors, but it can also attract more capital, which in turn can be used for further investment in operations and innovation(Shahid et al., 2024). Conversely, under-maximized disclosures or negative signals, such as unexpected declines in earnings, can create uncertainty and concern among stakeholders, which can result in a decline in stock value and difficulties in obtaining funds(Kharouf et al., 2020). The right signals can facilitate better access to resources, increase competitiveness, and ultimately contribute to a company's capacity for profit creation sustainably.

Legitimacy Theory

Legitimacy theory proposed by Suchman (1995) is classified into three types, namely pragmatic, moral, and cognitive. Pragmatic legitimacy focuses on the material considerations and practical interests of stakeholders, while moral legitimacy deals with the values underlying the company's decisions. Cognitive legitimacy concerns the company's adherence to norms with generally accepted social norms and expectations(Jeong & Kim, 2019). Green accounting and environmental accounting practices are essential for companies to achieve moral and cognitive legitimacy. In this case, *green accounting* serves as a tool to prove that companies are responsible for the impact their operations cause. When companies adopt green policies and report them through *green accounting*, they can improve their reputation in the market, As a result, the company may become more appealing to prospective investors, customers, and business partners who care about sustainability(Maama & Appiah, 2019). Companies committed to sustainability are often better prepared to deal with increasingly stringent changes in environmental regulations, reduce costs associated with fines or sanctions, and improve operational efficiency by reducing waste and resource use(Shad et al., 2020).

Stakeholder Theory

Stakeholder theory teaches that a firm long-term success depends on more than financial returns, moreover by how the company manages the relationship and meets the expectations of all parties who have an interest in it. Companies that can integrate the needs and interests of *stakeholders* into their business strategies tend to be better able to survive in increasingly complex and dynamic competition(Indy et al., 2022). This theory provides a broader view of corporate responsibility and the importance of sustainability and the well-being of all parties involved in its operations. (Freeman, 2023) underlines that responsible business not only generates profits, but also provides value for all stakeholders based on ethics and clear goals.

Financial Performance

Francis Hutabarat, (2021)**,** Assessing financial performance entails a thorough analysis of a company's financial achievements, guided by established financial management standards and protocols.. Performance is also the result of an assessment of the work done, the results will be assessed in relation to the established standards and guidelines, periodic evaluations or measurements. Financial performance is used to evaluate the achievement of profits, fulfillment of financial obligations, and the implementation of systematic and sustainable financial management standards. Through thorough analysis, management can identify financial strengths and weaknesses, as well as design strategies to improve efficiency and profitability. Financial performance measurement functions beyond as a tool to assess a company's achievements, furthermore as a basis for strategic decision-making, both for internal and external needs(Hasidi et al., 2024). Financial performance measurement can be measured using indicators such as liquidity ratio, solvency, activity, and profitability.

Corporate Governance

GCG is a system, rules of practice, and processes used to direct and supervise company management with the aim of obtaining *added value* for all *stakeholders*. Corporate governance contributes to improved performance, minimizes risk, and creates trust from the market or investors(Moridu, 2023). The implementation of effective governance can create added value for all stakeholders, because governance ensures that the company is managed with transparency, accountability, and compliance with the law to protect the interests of shareholders and other stakeholders. Responsibilities in corporate governance are divided among various parties involved in the management and supervision of the company, including: Board of Commissioners, Board of Directors, Governance Committee and Shareholders(Solomon, 2020).

Green Accounting

Environmental accounting embeds sustainability into financial practices. This includes identifying, measuring, and reporting costs linked to environmental activities, notably waste management and resource conservation. The application of green accounting enables companies to optimize resource allocation, reduce environmental degradation, and improve their financial bottom line. By integrating environmental accounting into business operations, companies can achieve a more sustainable and profitable future (H. Riyadh et al., 2022). There are various reasons why companies implement green accounting, namely: fulfilling environmental responsibility, complying with environmental regulations, and improving the company's operational efficiency. The positive impact of the implementation of green accounting for companies is increased transparency in financial statements that cover environmental aspects. The company can provide more complete information to stakeholders regarding the ecological impact caused by the company's operations, more efficient management of resources (the company will be encouraged to minimize the waste of energy, water, and other raw materials(Ardiana et al., 2023). This not only helps to reduce operational costs, but also increases the company's competitiveness in a global market that is increasingly concerned with sustainability issues) and improves the company's reputation (Companies that apply *green accounting* principles will be seen as responsible and environmentally conscious entities. A good reputation can attract consumers who care more about environmental issues, as well as investors who prioritize companies with sustainable business practices).

Environmental Performance

Environmental performance is the result or achievement achieved by a company to reducing the environmental consequences of its business activities. This describes how the company expresses the company's ability to integrate social, economic, and environmental aspects in operational management which is a strategy to minimize environmental harm while meeting the expectations of stakeholders. (Qian & Xing, 2018) define that environmental performance is an assessment of the performance that has been pursued by the company by empowering and caring for the environment both around and outside the company's operational activities. The environmental performance of a company is reflected in its participation in environmental protection initiatives, which is assessed through the PROPER program, a Ministry of Environment and Forestry program designed to evaluate corporate environmental management achievements. The aspects of PROPER assessment include the company's compliance with water, sea, and air pollution control regulations, management of hazardous material (B3), and environmental impact assessment (EIA). Compliance with this regulation is a requirement for companies that want to improve the reputation of the company, The PROPER color criteria are based on the Regulation of the Minister of Environment Number 18 of 2010 Article 6: Gold 5, Green 4, Blue 3, Red 2 and black 1.

Conceptual Framework

Background and theoretical foundation presented will form a framework of thinking that will be used as a reference in formulating the Hypothesis in this study, the following is a framework of thinking drawn from the background of the problems and theories that support this research

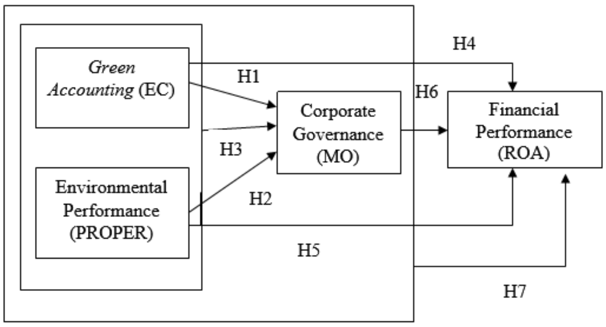

Figure 2. Research Design
Source: Data processed by the author, 2024

Pursuant to the conceptual framework discussed, the hypothesis is posited as:

a) **H1** = Green Accounting has an effect on corporate governance. Environmental Cost can increase transparency and accountability of companies in reporting their environmental impacts. This transparency is expected to strengthen corporate governance, because companies that implement green accounting show a commitment to sustainable business practices(Efunniyi et al., 2024). In this context, *green accounting* is considered a strategic tool that supports more responsible decision-making. Companies that implement good governance and conduct environmental accounting disclosures can achieve better corporate financial performance. Research conducted by(Anggraeni et al., 2024), is known that there is a positive influence on *green accounting* on corporate governance. If the company is well run then Investors are likely to view the company as a viable investment prospect, so that the company performs well and reflects the level of profitability generated.

b) **H2** = Environmental Performance affects corporate governance. Businesses that integrate environmental considerations into their operations tend to stronger governance due to pressure from stakeholders to adhere to sustainability standards and maintain legitimacy. By running a company that pays attention to environmental sustainability, it can meet the expectations of *stakeholders* so that it can attract a number of *stakeholders* to be loyal to the company's products so that they are willing to invest in companies that make financial performance even better(Nguyen et al., 2023). Preceding research efforts by (Abedin et al., 2023) with results showed that enhanced environmental performance contributes to improved corporate governance

c) **H3** = Green Accounting and Environmental Performance Together Affect Corporate Governance. *Green accounting* is an accounting approach that takes into account environmental aspects in the company's financial management process. Considering this, environmental cost is considered a strategic tool that supports more responsible decision-making. The implementation of *green accounting* encourages companies to focus more on activities that support environmental sustainability, thereby improving their environmental performance(Dura & Suharsono, 2022). Environmental performance, which includes a company's efforts to reduce negative impacts on the environment, also plays an important role in improving corporate governance. Companies that have good environmental performance tend to gain greater trust from stakeholders, including investors and the public. Good environmental performance can influence corporate governance through improved reputation and better relationships with stakeholders. (ENDIANA et al., 2020) show that *green accounting* and environmental performance simultaneously have a significant effect on corporate governance.
d) **H4** = Green Accounting affects financial performance. A company that prioritizes environmental protection and incorporates it into its strategic planning is more likely to achieve sustainable performance and enhance its reputation among stakeholders and investors. However, this requires the company to incur environmental costs, rather than avoiding them, in order to ensure long-term success and credibility. According to previous research from (Fasua & Osifo, 2020) with results showing that environmental accounting has a significant impact on financial performance. The adoption of green accounting, reflected in environmental disclosures, is anticipated to enhance environmental performance, thereby contributing to improved financial outcomes (H. A. Riyadh et al., 2020).
e) **H5** = Environmental Performance Affects Financial Performance. Company activities that produce waste or environmental pollution require useful efforts to reduce the risk of environmental pollution and carry out the company's obligation to protect the environment. In theory, the legitimacy of the company must comply with applicable norms or rules so that it is accepted by the public in carrying out operational activities, especially in protecting the environment inside and outside the company. According to (IFADA et al., 2021), it is argued that the environmental performance of a company has a positive result on financial performance.
f) **H6** = Corporate governance affects financial performance. Good *Corporate Governance* (GCG) is a series of mechanisms designed to ensure that companies are managed efficiently, transparently, and responsibly. In practice, good governance can help companies manage risk more effectively, bolstering stakeholder trust. The existence of strong governance is believed to create a business environment that is conducive to the growth of the company's financial performance(Moridu, 2023). The role of corporate governance is not only limited to regulatory compliance, but also affects strategic decision-making. With good governance, company management can focus more on business strategies that generate long-term added value. Financial performance is also affected by the level of supervision and transparency applied. Companies that implement good governance practices tend to be more accountable in financial reporting, thereby increasing investor confidence(Salehi et al., 2023). This trust has a good effect for the business financial stability, allows easier access to funding, and affects overall financial performance.
g) **H7** = Green Accounting, Environmental performance and corporate governance affect financial performance. Green accounting represents a methodological Strategy that incorporates environmental costs into a company's financial reporting framework, thereby providing a more comprehensive depiction of its economic and environmental

performance. The adoption of green accounting principles is likely to promote transparency and accountability in environmental reporting, thereby contributing to more sustainable business practices in natural resource management and minimize environmental risks that impact financial sustainability(Zik-Rullahi & Jide, 2023). According to(Rahman & Islam, 2023), this integrated strategy not only contributes to operational efficiency but also enhances the reputation of companies in a global market that is increasingly concerned about sustainability. This shows that the practice of *green accounting* is one of the strategies to increase the company's profitability through effective management of environmental risks. Effective environmental management is reflected in a company's environmental performance, demonstrating its commitment to sustainability. Fuadah et al (2019) show that companies that demonstrate compliance with environmental regulations tend to gain higher trust from the public and investors. This can encourage easier access to funding and new markets. When environmental performance is combined with good corporate governance, companies are able to reduce operational risks, including conflicts with regulators or local communities. Good *corporate governance*, as explained by (Freeman, 2023) plays an important role in ensuring that the implementation of sustainability policies runs consistently and effectively. With adequate oversight, environmental initiatives and *green accounting* can be aligned with the company's strategic goals. Strong governance also helps prevent potential misuse of resources that could harm the company in the long run. (Salisa et al., 2024)The synergy between *green accounting*, environmental performance, and corporate governance creates added value for the company, both in the form of increasing customer trust and cost efficiency.

Results

Descriptive Statistic Analysis

Tabel 3. Statistic Descriptive Result

Remark	Mean	Median	Maximum	Minimum	Std.Dev
ROA	0.046650	0.035150	0.198200	0.003500	0.045370
EC	0.060226	0.027100	0.462100	0.000100	0.049383
Proper	0.620000	0.600000	1.000000	0.400000	0.152530
OM	0.336116	0.363500	0.721800	0.039600	0.224512

Source: Processing data by author, 2024

The descriptive statistical analysis provides an overview of the data distribution, encompassing measures of central tendency (mean) and dispersion (standard deviation, maximum, and minimum values). The results indicate that the standard deviation is less than the mean for all variables, suggesting a relatively stable and normal distribution of the data, thereby supporting the suitability of the data for further analysis.

Test Model

Tabel 4. *Result of Test Model*

Test category	Equation 1		Equation 2	
Chow test	0.0000	FEM	0.0001	FEM
Hausman Test	0.2690	REM	0.6441	REM
Langrange Multiplier	0.0000		0.0000	
Result		REM		REM

Source: Processing data by author, 2024

The model selection process, comprising the Chow test, Hausman test, and Lagrange multiplier test, indicated that the Random Effects Model (REM) is the most suitable specification for both Equation 1 and Equation 2. The panel data regression results, based on the REM, are presented in the following table:

Panel Data Regression Test Results

Tabel 5. Result of Panael Data Regression Test

Equation 1 (EC, Proper to OM)					Equation 2 (EC, Proper, OM, to ROA)				
Var.	Coeff	std Error	t-value	Prob	Var.	Coeff	std Error	t-value	Prob
C	0.389775	0.091448	4.262266	0.0001	C	0.036216	0.046730	0.774996	0.0423
EC	0.168162	0.046675	3.602855	0.0008	EC	0.000705	0.000313	2.255891	0.0257
Proper	0.082786	0.026915	3.075880	0.0025	Proper	0.001381	0.000423	3.263287	0.0014
					OM	0.066352	0.003007	2.063470	0.0080
R Square			0.456894						0.556169
Adjusted R Square			0.425273						0.515385
F. Statistic			8.124038						0.912515
F.Statistic (prob)			0.000933						0.032424

Source: Processing data by author, 2024

From the table above, it explain that:

The Environmental Cost (EC) variable has a regression coefficient of 0.168162, with a t-statistical value of 3.602855 and a probability of 0.0008,The environmental performance variable (Proper) has a regression coefficient of 0.082786, with a t-statistic of 3.075880 and a probability of 0.0025.The Prob value (*F-statistic*) 0.000933 is under 0.05, and the F value less than F table is 8.124038 more than 3.20 which shows that the regression model is simultaneously significant. The *green accounting* (EC) variable has a regression coefficient of 0.000705, with a t-statistical value of 2.255891 and a probability of 0.0257.The environmental performance variable (Proper) has a regression coefficient of 0.001381, with a t-statistic of 3.263287 and a probability of 0.0014.The corporate governance variable (OM) has a regression coefficient of 0.066352, with a t-statistical value of 2.063470 and a probability of 0.0080.The Prob (*F-statistic*) is 0.032424 less than 0.05, supported by the F-statistical value of 3.712515 and the F value of the more Ftabel, which is 3.712515 upper 2.80

Test Results Path Analysis

Tabel 6. Result of Path Analysis

	Sobel Test	Prob.	remark
EC - OM - ROA	0.00037691	0.0008	Mediated
Proper - OM - ROA	0.00231617	0.0025	Mediated

Source: Processing data by author, 2024

The table 6 describe of the path test as state:

Corporate Governance (OM) is able to mediate green Accounting (EC) with a sobel test value of 0.00037691 and a prob value of 0.0008. The mediating effect of Corporate Governance (OM) on the relationship between Environmental Performance (PROPER) is statistically significant, as evidenced by a Sobel test value of 0.00231617 and a corresponding probability value of 0.0025.

Discussion

The results of the regression test show that *Green Accounting*, represented by the environmental cost variable (EC), has a positive and significant influence on corporate governance (OM), This finding shows that the higher the company's expenditure on environmental activities such as waste management, the use of renewable energy, and compliance with environmental regulations, the better the quality of corporate governance. This happens because the implementation of *green accounting* encourages management to be more transparent, accountable, and strategic in managing company resources and responding to environmental risks. Theoretically, these findings support the theory of legitimacy, in which the practice *of green accounting* is used as a means for companies to gain social legitimacy and support from stakeholders. Spending on environmental sustainability creates a positive perception of management integrity and compliance, which is an integral part of good governance

Environmental performance (Proper) has a positive and significant influence on corporate governance (OM), this saw of the panel data regression result in table 1.4. Based on these results, The empirical evidence suggests that environmental performance has a significant and positive impact on the quality of corporate governance. Indication of the findings that actively implement environmentally friendly practices such as energy efficiency, emission reduction, and obtaining PROPER ratings or environmental certifications tend to have better internal management systems. Positive environmental performance reflects that the company's management is able to integrate sustainability aspects into operational processes and decision-making. This strengthens the role of management in carrying out transparent and responsible supervision, planning, and reporting functions. Stakeholder theory, states that companies have a responsibility to meet the interests of various parties involved, including the public, government, and investors. When stakeholders' expectations for environmental performance are met, trust in management increases, and companies are considered to have good governance. In other words, success in environmental management is an indicator that management has the capacity and commitment to implement the principles of *good corporate governance*. This shows that good environmental performance encourages management to strengthen internal management systems and improve the quality of governance. Consequently, it can be inferred that environmental performance not only contributes to the external reputation of the company, but also strengthens the managerial structure and processes within the company.

Environmental Cost (EC) and Environmental Performance has an effect on corporate governance, which indicates that a company's expenditure on environmental costs has a significant influence on the quality of corporate governance. Green accounting implemented to requires transparency and accountability in environment-based financial reporting, which directly encourages management to be more responsible, strategic, and efficient in running company operations. The Environmental Performance Variable (Proper) also makes a positive contribution to corporate governance. The better the firm achievements in environmental aspects such as regulatory compliance, emission reduction, and environmental certification, the higher the managerial quality which is reflected through careful planning, effective internal supervision, and accountable reporting. These findings show that environmental management, both through accounting practices (*green accounting*) and tangible results (environmental performance), is an important element in forming good corporate governance. This is in line with the theory of legitimacy, where companies need to meet the expectations of the public and stakeholders on environmental issues in order to gain social support. On the other hand, based on *stakeholder theory*, environmental management practices and results demonstrate management's commitment to corporate social responsibility, which strengthens the integrity and credibility of governance.

The results of the regression test showed that *green accounting* (EC) had a positive and significant influence on financial performance (ROA). This indicates that the higher the costs incurred by the company for environmental activities, such as waste management, clean energy, and environmental audits, the better its financial performance will be. These findings support the theory of legitimacy, in which spending on the environment is used to gain social legitimacy, which can improve the reputation and attractiveness of investors. The implementation of green accounting has a positive impact on financial performance, which indicates that the company's management has integrated environmental activities as a strategic component of the business that provides economic added value. These findings reflect that the company's investments in environmental management, such as waste management, energy efficiency, the use of environmentally friendly materials, and green technologies, are no longer seen as a cost burden, but rather as a long-term investment that increases profitability. Management has systematically identified, measured, and reported environmental costs and benefits, so that the information can be used for more accurate and efficiency-oriented decision-making. The integration of environmental data into business planning allows companies to minimize waste, reduce operational costs, and avoid potential losses due to regulatory violations. In addition, these findings also indicate that management is working to improve transparency and accountability through sustainability reporting, which in turn increases the trust of investors, consumers, and other stakeholders. The company's reputation as an environmentally responsible entity also increases competitiveness and has a positive impact on financial performance.

Environmental performance (Proper) also has a positive and significant influence on financial performance (ROA), meaning that companies that have good environmental performance, for example through the achievement of PROPER ratings or environmental certification, will experience an increase in their financial performance. A high PROPER rating can improve the company's reputation in the eyes of investors, consumers, and other stakeholders, good environmental management efforts not only meet regulatory demands, but also be able to provide economic value through increased profitability, good environmental performance can also be used as a company's competitive advantage. The company's efforts are to ensure that the company's production and operating processes meet waste control, energy efficiency, and responsible resource use standards. Companies is should be reduce operational costs and efficiency increased by allocating specific budgets for environmental programs and integrating environmental indicators into internal reporting and performance assessment systems. The efforts that have been made by the company in improving environmental success are communicated through sustainability reports and other corporate communication strategies to strengthen the image and increase market trust. This can be explained through *stakeholder* theory, where the fulfillment of stakeholder expectations in the environmental field increases customer and investor trust and loyalty.

Corporate governance (OM) has an effect on financial performance (ROA) with the positive trend, in this case governance provides an understanding that the application of good corporate governance principles is an important factor that can increase the company's profitability. These findings indicate that the better the implementation of governance mechanisms, such as transparency, accountability, independence, and managerial responsibility, the more effective the company is in managing assets and resources to generate profits. Strong governance also strengthens business ethics, thereby reducing the potential for conflicts of interest, fraud, and decisions that are unfavorable to the company. The positive reputation resulting from good governance will increase the company's value and contribute to improving financial performance, in this study the governance that is proxied with managerial ownership shows that the greater the proportion of shareholding by the manager, the higher the managerial motivation in improving the business financial performance. This supports the theory of agency, which states that the union of interests between managers and owners will minimize agency conflicts and encourage decision-making that benefits the company.

Green Accounting (EC), Environmental Performance and managerial ownership have a positive effect on financial performance, the results of this study show that the application of green accounting is no longer seen as a cost burden, but as a long-term investment that is able to create operational efficiency and increase profitability. Therefore, management needs to strengthen the environmental cost recording system, increase the transparency of sustainability reporting, and adopt internationally recognized environmental reporting standards. Companies that consistently allocate funds for environmental management tend to have better financial performance. Environmental spending is not a burden, but a form of long-term strategic investment that supports operational efficiency and improves the company's reputation in the eyes of the public and investors. These results support the theory of legitimacy, in which accountability to the environment reinforces the social position and value of the company. Companies that manage to take good care of the environmental aspects through waste reduction, energy efficiency, and the acquisition of a PROPER rating tend to get a positive response from *stakeholders*, including customers and investors. This supports the *stakeholder* theory, which states that the fulfillment of stakeholder expectations will have a positive impact on the company's sustainability and profits, in addition to the quality of good managerial management will have a direct impact on improving the company's financial performance. Increasing the portion of shares owned by managers is able to reduce agency conflicts because managers have direct incentives to improve company performance, management will be more motivated in making strategic decisions, including decisions related to environmental activities, which support the achievement of optimal financial performance. Integrating environmental policies, improving environmental performance, and strengthening governance will be the key to improving the company's financial performance The higher the quality of governance, the more optimal the utilization of resources and cost control, which has an impact on achieving profitability and company value.

The results of the Sobel test show that corporate governance mediates the influence between *green accounting* and financial performance (Sobel value: 0.00037691, *p-value* less than 0.05), as well as the influence between environmental performance and financial performance (Sobel value: 0.00231617, *p-value* under 0.05), because the probability value of both tests is below the significance level of 0.05, it can be concluded that the corporate governance variable is significantly mediate the influence of *green accounting* and environmental performance on the company's financial performance. This means that there is an indirect influence between *green accounting* and environmental performance on financial performance through corporate governance, meaning that the better the implementation of *green accounting* and environmental performance of a company, it will encourage improvements in corporate governance which ultimately improves the company's financial performance.

The results of the regression test show that *Green Accounting*, represented by the environmental cost variable (EC), has a positive and significant influence on corporate governance (OM), This finding shows that the higher the company's expenditure on environmental activities such as waste management, the use of renewable energy, and compliance with environmental regulations, the better the quality of corporate governance. This happens because the implementation of *green accounting* encourages management to be more transparent, accountable, and strategic in managing company resources and responding to environmental risks. Theoretically, these findings support the theory of legitimacy, in which the practice *of green accounting* is used as a means for companies to gain social legitimacy and support from stakeholders. Spending on environmental sustainability creates a positive perception of management integrity and compliance, which is an integral part of good governance

Environmental performance (Proper) has a positive and significant influence on corporate governance (OM), this saw of the panel data regression result in table 1.4. Based on these results, The empirical evidence suggests that environmental performance has a significant and positive impact on the quality of corporate governance. Indication of the findings that actively implement environmentally friendly practices such as energy efficiency, emission reduction, and obtaining PROPER ratings or environmental certifications tend to have better internal management systems. Positive environmental performance reflects that the company's management is able to integrate sustainability aspects into operational processes and decision-making. This strengthens the role of management in carrying out transparent and responsible supervision, planning, and reporting functions. Stakeholder theory, states that companies have a responsibility to meet the interests of various parties involved, including the public, government, and investors. When stakeholders' expectations for environmental performance are met, trust in management increases, and companies are considered to have good governance. In other words, success in environmental management is an indicator that management has the capacity and commitment to implement the principles of *good corporate governance*. This shows that good environmental performance encourages management to strengthen internal management systems and improve the quality of governance. Consequently, it can be inferred that environmental performance not only contributes to the external reputation of the company, but also strengthens the managerial structure and processes within the company.

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CONCLUSION

The results of this study demonstrate that Green Accounting, Environmental Performance, and Corporate Governance have a positive and significant impact on Financial Performance. The implementation of Green Accounting and Environmental Performance enhances business Governance, which in turn improves Financial Performance. Moreover, Corporate Governance can mediates Environmental Cost, Proper, and ROA

Green Accounting has a dominant influence on corporate governance, indicating that increased expenditure on environmental activities, such as waste management and the adoption of renewable energy, is associated with enhanced governance quality. This is reflected in improved transparency, accountability, and management responsibility, ultimately contributing to the company's social legitimacy among stakeholders. The findings suggest that the implementation of green accounting practices and environmental performance reporting is indicative of effective corporate management. Effective corporate governance has a profound impact on financial performance, emerging as a key determinant of a company's ability to achieve optimal financial outcomes. The consistent implementation of sound governance principles enhances management efficacy and bolsters investor confidence, ultimately yielding positive financial results. Companies with robust governance structures are better positioned to leverage Green Accounting and environmental performance to drive financial performance. Effective governance enables the integration of sustainability practices and green accounting, thereby enhancing their impact on financial outcomes.

The findings suggest that companies should integrate environmental policies into their financial planning, enhance environmental performance through waste management and energy efficiency, and strengthen governance mechanisms. By doing so, companies can improve their financial performance and achieve long-term sustainability. The study's results support the Legitimacy Theory and Stakeholder Theory, highlighting the importance of environmental accountability and social responsibility in enhancing a company's reputation and financial performance. Effective governance, transparency, and accountability are crucial in driving business success and achieving optimal financial outcomes.

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