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EFFECT OF GREEN ACCOUNTING, LEVERAGE, FIRM SIZE ON FIRM VALUE WITH PROFITABILITY AS INTERVENING VARIABLE

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ABSTRACT

Purpose: This study investigates how green accounting practices, leverage (debt levels), and company size influence profitability and ultimately firm value. The research focuses on companies listed in the Jakarta Islamic Index (JII). Previous research on these relationships has yielded mixed and inconsistent results. They point out that few studies have examined these variables together in a single model. This study aims to address this gap by creating a new model that explores the combined effects of green accounting, leverage, and size on profitability, and ultimately, firm value within the JII context.

Theoretical Framework: This research is grounded in two key theories: stakeholder theory and signaling theory. While past empirical studies haven't yielded definitive results, this research offers a fresh perspective. The novel model developed in this study builds upon existing knowledge by examining how several previously linked variables interact and influence firm performance.

Design/Methodology/Approach: This research employed a descriptive approach, analyzing financial data from company annual reports. To understand the relationships between the variables, a statistical technique called Structural Equation Modeling (SEM) was used. The study focused on companies listed on the Jakarta Islamic Index (JII) of the Indonesian Stock Exchange between 2019 and 2022. A 120-sample size from 30 companies was chosen strategically using a purposive sampling method from the JII.

Result and Discussion: This study found that leverage (debt) and company size have a positive and statistically significant impact on profitability. Interestingly, green accounting practices did not have a clear influence on firm value. There was a negative effect, but it wasn't statistically significant. Firm size itself also did not directly affect firm value in a statistically significant way. However, profitability itself has a strong and positive impact on firm value. Additionally, profitability can act as an indirect factor, mediating the relationship between leverage and firm value. Based on these results, the study recommends that companies listed on the Jakarta Islamic Index (JII) consider strategic use of debt financing. This can be a way to improve profitability and ultimately attract investors, leading to a higher firm value.

Originality/Value: This research introduces a novel model that investigates the interconnected effects of several variables with proven relationships.

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EFEITO DA CONTABILIDADE VERDE, ALAVANCAGEM E TAMANHO DA EMPRESA NO VALOR DA EMPRESA COM LUCRATIVIDADE COMO VARIÁVEL INTERVENIENTE RESUMO

Objetivo: Este estudo investiga como as práticas contábeis verdes, a alavancagem (níveis de endividamento) e o tamanho da empresa influenciam a lucratividade e, em última análise, o valor da empresa. A pesquisa concentra-se em empresas listadas no Índice Islâmico de Jacarta (JII). Pesquisas anteriores sobre essas relações produziram resultados mistos e inconsistentes. Eles ressaltam que poucos estudos examinaram essas variáveis juntas em um

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único modelo. Este estudo visa colmatar esta lacuna através da criação de um novo modelo que explora os efeitos combinados da contabilidade verde, da alavancagem e da dimensão na rentabilidade e, em última análise, no valor da empresa no contexto JII.
Enquadramento Teórico: Esta investigação baseia-se em duas teorias principais: teoria das partes interessadas e teoria da sinalização. Embora estudos empíricos anteriores não tenham produzido resultados definitivos, esta pesquisa oferece uma nova perspectiva. O novo modelo desenvolvido neste estudo baseia-se no conhecimento existente, examinando como diversas variáveis previamente vinculadas interagem e influenciam o desempenho da empresa.
Delineamento/Metodologia/Abordagem: Esta pesquisa empregou uma abordagem descritiva, analisando dados financeiros dos relatórios anuais das empresas. Para compreender as relações entre as variáveis, foi utilizada uma técnica estatística denominada Modelagem de Equações Estruturais (SEM). O estudo centrou-se em empresas cotadas no Índice Islâmico de Jacarta (JII) da Bolsa de Valores da Indonésia entre 2019 e 2022. Um tamanho de amostra de 120 de 30 empresas foi escolhido estrategicamente utilizando um método de amostragem proposital do JII.
Resultados e Discussão: Constatações: Este estudo concluiu que a alavancagem (dívida) e o tamanho da empresa têm um impacto positivo e estatisticamente significativo na rentabilidade. Curiosamente, as práticas de contabilidade verde não tiveram uma influência clara no valor da empresa. Houve um efeito negativo, mas não foi estatisticamente significativo. O próprio tamanho da empresa também não afetou diretamente o valor da empresa de forma estatisticamente significativa. No entanto, a própria rentabilidade tem um impacto forte e positivo no valor da empresa. Além disso, a rentabilidade pode atuar como fator indireto, mediando a relação entre alavancagem e valor da empresa. Com base nestes resultados, o estudo recomenda que as empresas listadas no Índice Islâmico de Jacarta (JII) considerem o uso estratégico do financiamento da dívida. Esta pode ser uma forma de melhorar a rentabilidade e, em última análise, atrair investidores, levando a um maior valor da empresa.
Originalidade/Valor: O novo modelo neste estudo vincula várias variáveis que anteriormente se mostraram relacionadas entre si.

Palavras-chave: Contabilidade Verde, Alavancagem, Tamanho da Empresa, Rentabilidade, Valor da Empresa.

EFECTO DE LA CONTABILIDAD VERDE, EL APALANCAMIENTO Y EL TAMAÑO DE LA EMPRESA SOBRE EL VALOR DE LA EMPRESA CON LA RENTABILIDAD COMO VARIABLE INTERMEDIA

RESUMEN

Propósito: Este estudio investiga cómo las prácticas de contabilidad ecológica, el apalancamiento (niveles de deuda) y el tamaño de la empresa influyen en la rentabilidad y, en última instancia, en el valor de la empresa. La investigación se centra en las empresas que figuran en el Índice Islámico de Yakarta (JII). Investigaciones anteriores sobre estas relaciones han arrojado resultados mixtos e inconsistentes. Señalan que pocos estudios han examinado estas variables juntas en un solo modelo. Este estudio tiene como objetivo abordar esta brecha mediante la creación de un nuevo modelo que explore los efectos combinados de la contabilidad, el apalancamiento y el tamaño verdes sobre la rentabilidad y, en última instancia, el valor de la empresa dentro del contexto de la JII.
Marco Teórico: Esta investigación se basa en dos teorías clave: la teoría de las partes interesadas y la teoría de la señalización. Si bien estudios empíricos anteriores no han arrojado resultados definitivos, esta investigación ofrece una nueva perspectiva. El novedoso modelo desarrollado en este estudio se basa en el conocimiento existente al examinar cómo varias variables previamente vinculadas interactúan e influyen en el desempeño de la empresa.
Diseño/Metodología/Enfoque: Esta investigación empleó un enfoque descriptivo, analizando datos financieros de los informes anuales de las empresas. Para comprender las relaciones entre las variables se utilizó una técnica estadística denominada Modelado de Ecuaciones Estructurales (SEM). El estudio se centró en empresas que cotizan en el Índice Islámico de Yakarta (JII) de la Bolsa de Valores de Indonesia entre 2019 y 2022. Se eligió estratégicamente un tamaño de muestra de 120 de 30 empresas utilizando un método de muestreo intencional del JII.
Resultado y Discusión: Este estudio encontró que el apalancamiento (deuda) y el tamaño de la empresa tienen un impacto positivo y estadísticamente significativo en la rentabilidad. Curiosamente, las prácticas de contabilidad ecológica no tuvieron una influencia clara en el valor de las empresas. Hubo un efecto negativo, pero no fue estadísticamente significativo. El tamaño de la empresa en sí tampoco afectó directamente el valor de la empresa de manera estadísticamente significativa. Sin embargo, la rentabilidad en sí misma tiene un impacto fuerte y positivo en el valor de la empresa. Además, la rentabilidad puede actuar como un factor indirecto, mediando la relación entre el apalancamiento y el valor de la empresa. Sobre la base de estos resultados, el estudio recomienda que las empresas que cotizan en el Índice Islámico de Yakarta (JII) consideren el uso estratégico de la financiación de deuda. Esta puede ser una forma de mejorar la rentabilidad y, en última instancia, atraer inversores, lo que generará un mayor valor de la empresa.

Originalidad/Valor: Esta investigación introduce un modelo novedoso que investiga los efectos interconectados de varias variables con relaciones comprobadas.

Palabras clave: Contabilidad Verde, Apalancamiento, Tamaño de la Empresa, Rentabilidad, Valor de la Empresa.

1 INTRODUCTION

The main goal of starting a business is to make it more valuable for everyone involved, mostly by increasing the wealth of shareholders (Brigham & Houston, 2014). As (Arsyad et al., 2021) suggested, a favorable association is established between the level of wealth experienced by the owner and the firm value ratio. The valuation of the corporation is demonstrated through the market value of its shares. (Brigham & Houston, 2014) argue a positive association exists between stock price and firm value. As the company's value rises, the wealth of its shareholders also increases. (Wilkinson, 2022) states that the primary goal of publicly traded corporations is to increase its value. Therefore, the valuation of the firm will be significant as it will reflect the performance of the company, consequently impacting investors' perceptions and perspectives regarding the target company being evaluated. (Keown et al., 2020) assert that performance of a company financially directly affects its value and profitability. The improvement of the company's financial performance will result in a proportional rise in the company's value. The process of financial statement analysis involves assessing the financial performance of a firm, as evidenced by the information presented in its financial statements. Financial ratio analysis is a widely utilized method in financial statement analysis, wherein one account is compared to another. According to scholarly research, the valuation of a firm can offer valuable insights into its overall state and performance. Regional and worldwide stock exchange conditions have a significant impact on the of the company’s success in the market (Nurwulandari & Darwin, 2020). If the company's value improves, potential investors will perceive the company's performance as favorable, leading to an increase in share value. Enhancing the company's value will result in a positive perception of the company's performance by potential investors, hence causing a rise in the company's share value. A large return on investment for shareholders indicates a big increase in the value of the company. The company generates income through its various commercial activities. According to State Owned Enterprises Minister of Indonesia, there exist potential for Indonesia to become the leading Islamic economy as it rank third in the Global Islamic Economy Moreover, (Santoso & Astuti, 2020) sees earning per share and and dividend of Jakarta Islamic Index companies as determinants for its price and values. The study will center its attention on Table 1, which encompasses processed data. This table displays the financial statements of companies in the Jakarta Islamic Index that are listed on the Indonesia Stock Exchange.

Table 1

JII Companies Price & EPS

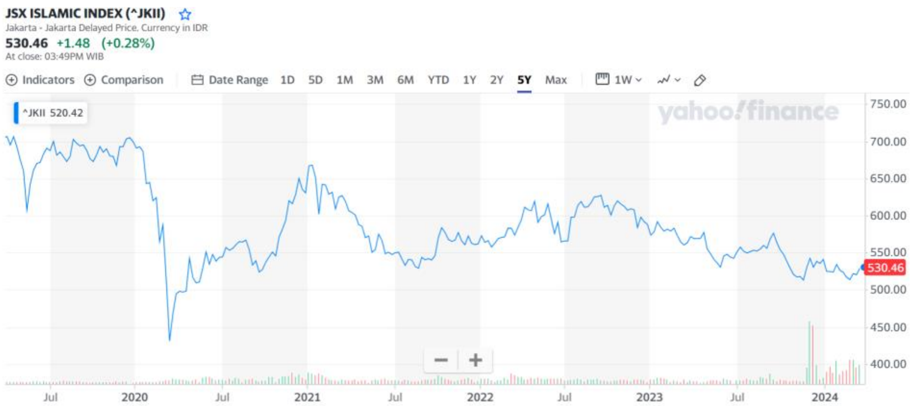
No	Description	2019	2020	2021	2022
1	Population	30	30	19	19
2	Price	115787	89086	112270	131110
	% Up (Down)	-	-23.1%	26%	16.8%
3	EPS	9476	6947	4296	6000
	% Up (Down)	-	-26.7%	-38.2%%	39.7%

Source: IDX data, Author's compilation (2024)

Earnings per share clearly displays oscillatory patterns, marked by both upward and negative movements, according to the mean outcomes seen in the compilation of company's financial statements used as research samples. A drop of -7% was noted between 2019 and 2020, as reported by the World Bank. The COVID-19 pandemic brought Indonesia's GDP growth rate to a record low of 2.06% in 2020. At its peak in 2022, the stock rate was the highest it has been since 2019. While businesses tracking the Jakarta Islamic Index saw a dip in price from 2019 to 2021, they made a remarkable return in 2022, increasing their profits by 42.8 percent from 2020. A possible explanation for the rise in sample companies' earnings per share could be the confidence of Indonesia in managing Covid-19 pandemic situation. The World Bank predicts that, as a result of rising consumer confidence and better trade terms, Indonesia's economy will accelerate over 5% in 2022.

Figure 1

Jakarta Islamic Index



Source: Yahoo Finance (2024)

Moreover, the Jakarta Islamic Index exhibits fluctuations in the observed period from 2019 to 2022. Though there is a decrease in the early to mid-2021, the index increases in the year 2022 as seen in Figure 1.

Green accounting has emerged as a result of the convergence of environmental sustainability and corporate finance, and its impact on business value. The field of study under consideration investigates the influence of environmentally conscious practices, specifically green innovation and green accounting, on the financial performance and market valuation of corporations. The correlation between green accounting practices and firm value is a subject of continuous investigation, however there remain unexplored domains. There is a lack of comprehension of the manner in which investors view green accounting information and the subsequent impact on firm value. Do individuals completely appreciate the environmental advantages, or do they necessitate additional education? Research could investigate investor behavior by employing methodologies such as surveys or experiments. The Research Gap phenomenon refers to the existence of disparities in the findings of prior studies, which lead to divergent conclusions regarding the impact of green accounting, leverage, business size, and profitability as an intervening variable on firm value.

The findings of several studies (Holzner & Wagner, 2022; Indriastuti & Mutamimah, 2023; Khan & Gupta, 2023) indicate a positive and significant result between green accounting and a company's profitability. In contrast, alternative research findings indicate that green accounting exerts a detrimental and statistically significant impact on profitability, as evidenced by the conclusions drawn by (Cho & Patten, 2013; Holzner & Wagner, 2022).

The findings of (Abor, 2005; Nasimi, 2016; Singh & Bagga, 2019; Vătavu, 2015) indicate that Leverage and profitability are positively and statistically significantly related. In contrast, several research findings suggest that leverage exerts a detrimental and statistically significant impact on profitability (Hamid et al., 2015; Khalifa Tailab, 2014; Shubita & Alswalhah, 2012).

The correlation between size of a company and profitability has been the subject of prior research, revealing a positive and statistically significant association (Aydın Unal et al., 2017; Hamidah & Umdiana, 2017; Karim et al., 2023). In contrast, alternative research findings suggest that the scale of a company has a detrimental and statistically significant impact on its profitability (Hirdinis, 2019; Niresh & Velnampy, 2014).

The findings of several studies (Adiputra & Hermawan, 2020; Alexander, 2023; Faisal et al., 2018; Tanasya & Handayani, 2020; Indriastuti & Chariri, 2021; Nurjanah & Arifa, 2023;

Plumlee et al., 2015) indicate a positive and statistically significant relationship between green accounting and firm value. In contrast, alternative research findings suggest that green accounting has a negligible and adverse impact on firm value, as indicated by the conclusions made by (Nurjanah & Arifa, 2023). Additional studies have shown conflicting findings, suggesting that green accounting may have a detrimental impact on business value. These conclusions are supported by the research conducted by (Astari et al., 2023; Lindawati et al., 2023; Nuswandari et al., 2019; Sukmadilaga et al., 2023).

According to research conducted by (Djashan, 2019; Putra & Wahyuni, 2021; Sari, 2020; Singla & Prakash, 2023; Yanti & Darmayanti, 2019), it has been found that leverage has a positive and significant impact on business value. In contrast, alternative research findings suggest that the impact of leverage on business value is not statistically significant (Handayani et al., 2022; Sinuraya & Dillak, 2021).

The research conducted by (Adiputra & Hermawan, 2020; Altaf & Ahmad, 2019; Danso et al., 2020; Djashan, 2019; Juhandi et al., 2019; Siddik et al., 2017; Zuhroh, 2019) concludes that firm size has a positive and significant impact on firm value. In contrast to the aforementioned conclusion, alternative study findings suggest that the impact of company size on firm value is not statistically significant (Dwiastuti & Dillak, 2019; Prabowo & Widoatmodjo, 2023).

The existing body of research suggests a positive and significant relationship between profitability and firm value. This conclusion is supported by several studies conducted by (Ariyanti, 2019; Hermuningsih, 2012; Juhandi et al., 2019; Marsha & Murtaqi, 2017; Prabowo & Widoatmodjo, 2023; Sari, 2020; Yanti & Darmayanti, 2019). In contrast, several research findings suggest that profitability exerts a detrimental and statistically significant impact on the value of firms (Siddik et al., 2017; Wulandari et al., 2014). According to the findings of (Hamidah & Umdiana, 2017), profitability has no impact on the value of the company.

The present study examines the relationship between green accounting and company value, with profitability serving as an intervening variable. The findings of previous research conducted (Asni & Agustia, 2022; Tanasya & Handayani, 2020; Paramita & Ali, 2023; Yanto, 2018) suggest that profitability can act as an intervening variable in this relationship. In contrast, alternative research findings suggest that profitability does not serve as a mediating variable in the relationship between green accounting and firm value (Nurjanah & Arifa, 2023; Paramita & Ali, 2023).

The existing literature has examined the relationship between leverage and company value, with profitability serving as an intervening variable. Several studies (Firda & Efriadi, 2020; Henryanto Wijaya, 2020; Khotimah et al., 2021), have suggested that profitability can act as a mediating variable in this relationship. In contrast, several research findings suggest that profitability does not serve as a mediator in the relationship between leverage and business value (Niresh & Velnampy, 2014; Prabowo & Widoatmodjo, 2023).

The existing literature suggests that there is a relationship between company size and firm value, with profitability serving as an intervening variable (Firda & Efriadi, 2020; Prabowo & Widoatmodjo, 2023). In contrast, several study findings suggest that profitability does not serve as a mediator in the relationship between business size and firm value (Djashan, 2019; Niresh & Velnampy, 2014).

The evaluation of the organization's performance is conducted by employing the green accounting variable, which is symbolised by the indicators of ISO14001 implementation. These indicators function as a metric to assess the organization's compliance with environmental obligations.

The variable denoting the magnitude of the company is computed using the natural logarithm of the sum of all assets, which serves as an indicator of the quantity of assets possessed. An additional factor that warrants consideration is leverage, denoted by the proportion of earnings before taxes to tax expense. An additional aspect that warrants consideration is profitability, as quantified by the metric Return on Assets. This metric assesses the profitability of the company relative to its sales performance. Price Book Value, a metric utilised to evaluate the worth of shares listed on the Indonesian stock exchange, signifies the variable value of the company.

Organizations exhibiting elevated company performance ratios tend to exhibit a preference for utilizing internal company finances as a means to fund new investments and support ongoing business operations.

Stakeholder theory, as seen in (Dianty, 2022; Donaldson & Preston, 1995), asserts that every stakeholder is entitled to receive knowledge regarding the impact of the company's organizational activities on the surrounding environment. Various stakeholder groups hold divergent perspectives regarding the optimal management approach for the company. Company stakeholders have an inherent entitlement to access information regarding the company's environmental responsibility. The comprehension of green enterprises is a complex phenomenon that warrants a comprehensive explanation outside the confines of a singular theoretical framework. (Brooks & Schopohl, 2021), assert that stakeholders theory provides firms with a framework to effectively address environmental and social concerns, enabling them to adopt a proactive approach in managing these issues due to their significant influence on organizational performance.

H1: Green Accounting practices has a substantial and direct effect on profitability.

H2: The utilization of leverage has a substantial and direct effect on profitability.

H3: The size of a company has a substantial and direct effect on its profitability.

Signaling theory posits that when firm managers provide owners with accounts, they convey their perceptions of the organization and their expectations regarding its future actions and prospects. The manager of a business should anticipate the potential for business growth and hence should bear this in consideration. The corporation will communicate this message to investors via the report. If the executives of a firm see a decline in its prospects, it is likely that the corporation would divest its shares. Financial reports provide valuable insights into the performance of a company. Share prices will increase if investors observe indications of the company's future growth acceleration. This is beneficial for shareholders as it conveys a clear message. In order to ensure the reliability of the signal, it is imperative that it is not easily replicable by other companies (Godfrey et al., 2010).

H4: Green Accounting practices has a substantial and direct effect on firm value.

H5: The utilization of leverage has a substantial and direct effect on firm value.

H6: The scale of a company has a substantial and direct effect on firm value e.

H7: Profitability has a substantial and direct effect on firm value.

The company's level of engagement with environmental issues, debt ratio, and size will positively impact the profitability ratio. Based on the provided signal, it is probable that the investor will register and make an investment, so enhancing the company's worth.

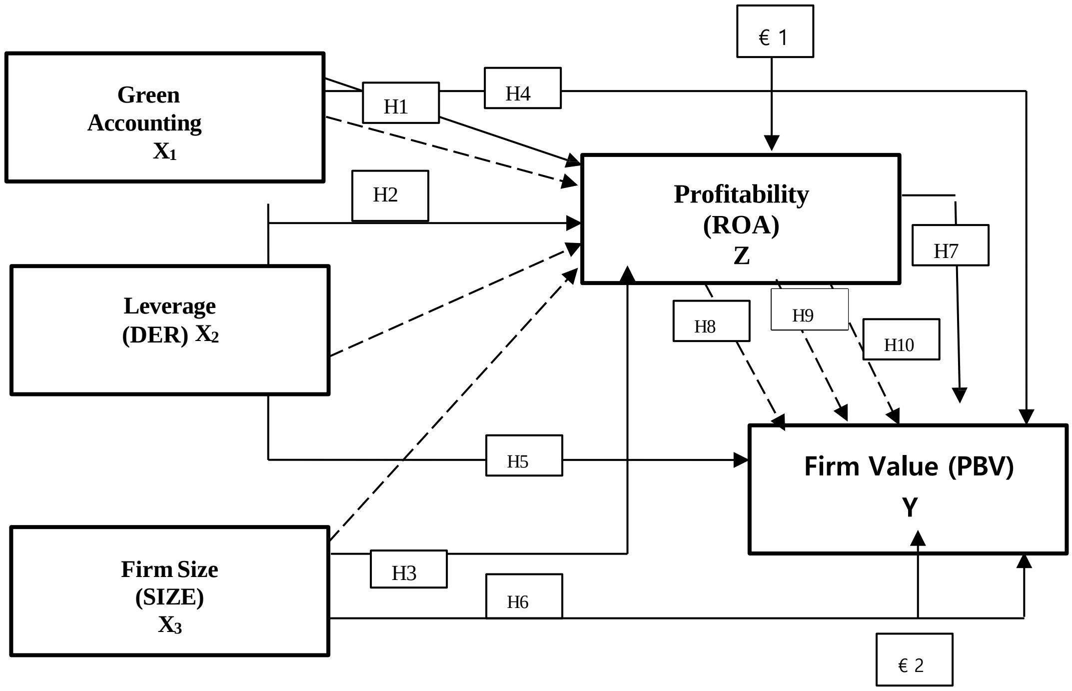
H8: Green Accounting exerts a substantial effect on the value of a company, with profitability serving as a mediating variable.

H9: The effect of leverage on firm value is substantial, with profitability serving as a mediating variable.

H10: The size of a firm exerts a substantial effect on its value, with profitability serving as a mediating variable.

Figure 2

Research Model



Information :
: Partially : Through Mediation

Source: Author's compilation

2 DESIGN AND METHODOLOGY

This section presents the research design, population and sample, data and instrumentation, and data analysis process. The research makes use of quantitative descriptive data. The primary data source utilized in this study comprises secondary data sourced from the Annual Reports of firms included in the Jakarta Islamic Index for the period of 2019-2022. The data was gathered from the respective companies' websites, specifically the Stock Exchange website, which served as the research sample. The study employed the purposive sampling approach, which is a sampling strategy that involves selecting participants based on specific and specified criteria. The statistical methods employed in inferential analysis are non-parametric statistics, which pertain to the analysis of independent data distributions and do not necessitate the establishment of standard parameters. Furthermore, it is worth noting that studies employing inferential statistics rarely utilise social measuring scales, such as ordinal and nominal scales, which are frequently utilised in non-parametric statistics. Analytical instruments are utilised to support these scales within the research paradigm, Partial Least Squares software was utilised in the study to analyze inferential statistical data. The examination commenced with the measurement model (outer model), progressed to the model structure (inner model), and culminated in the application of Structural Equation Modelling model analysis for hypothesis testing. (Sugiyono, 2017), found that Operational Variables are key to translating constructor features into observable variables. The operational definition describes the methodology used to study and manipulate the construct, allowing other researchers to replicate measurements or find better ways to assess constructs.

Citations of mediating effects from sources in images (Zhao et al., 2010):

a) complementary (partial mediation) if a*b is significant, c is significant, and a*b*c is significant;
b) competitive (partial mediation) if a*b is significant, c is substantial, but a*b*c is not significant;
c) indirect-only (full mediation) if a*b is significant, but c is not significant;
d) direct-only (no mediation) if a*b is not significant, but c is significant;
e) no effect (no mediation) if a*b is not significant and c is not significant.

3 RESULTS AND DISCUSSION

The green accounting variable, linked to ISO 14001 certification, ranges from 0 to 1 (average: 0.66, standard deviation: 0.48). The research companies, on average, seem to be practicing green accounting. This conclusion is based on the green accounting variable, which has an average value of 0.66, which aligns with the ISO 14001 indicator. The leverage variable, linked with debt-to-equity indicator, below the government standard 4:1 (average: 1,35, standard deviation: 1.26). The greater the debt, the more debt the company has. If it isn't careful, that debt will hurt the company, thus it needs to regulate its debt levels carefully. The range of values for company size is from 0.00 to 30.94, with 17.28 as the mean and 5.61 as the standard deviation. As a percentage of total assets, it reveals how big the business is. A lack of substantial assets sends a negative message to investors, whereas a surplus of assets sends a positive message. With each passing level, investor confidence is rising. The profitability variable, linked with return on asset indicator, range from -0.03 to 0.31 (average: 0.07, standard deviation: 2.52), which indicates that the firm can return 7% of its total assets. According to this ratio, a higher return on assets (ROA) is better and more appealing to investors. A company's worth can be approximated by looking at its Price Book Value (PBV), since outcomes are first rate (average: 20127.83, standard deviation: 106891.7), which comes from PBV higher than the standard deviation. The dispersion of the data exhibits typical outcomes and generates objective conclusions due to the fact that the standard deviation represents really large deviations. PBV data show that the data fluctuates not too large, assuming they are not biased.

Table 2

Descriptive Statistics

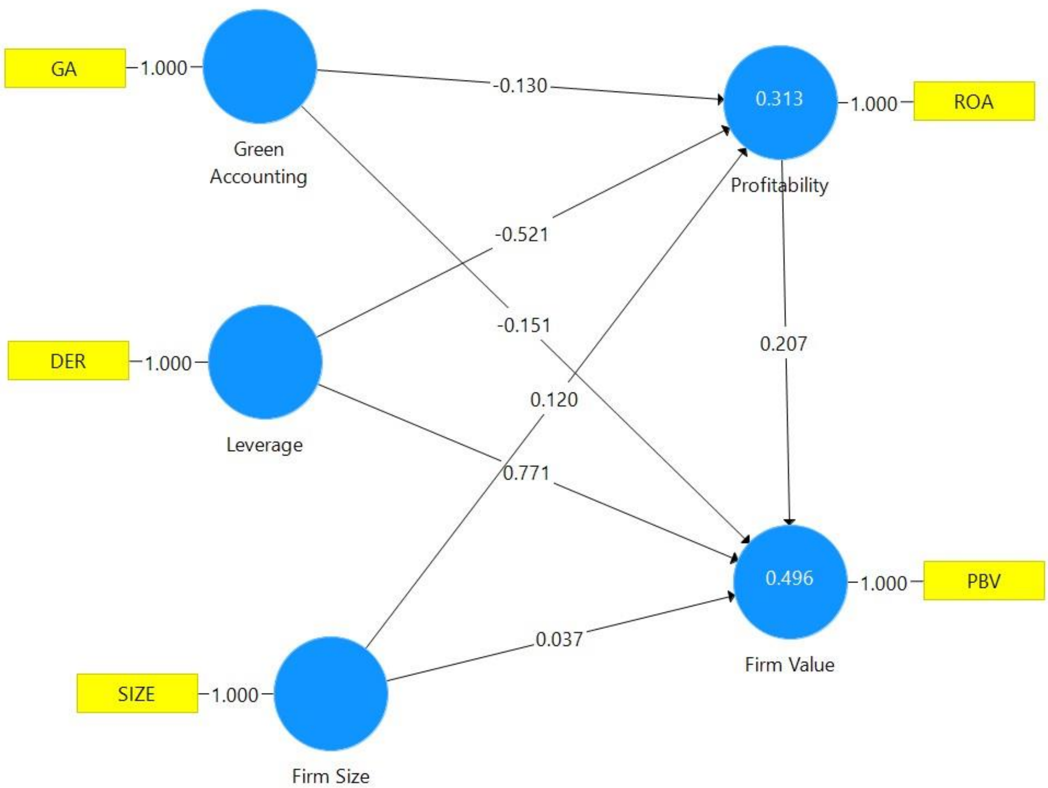
	M	Mn	Mx	SD	Kurt.	Skew.
Green Accounting	0.66	0.00	1.00	0.48	-1.57	-0.68
Leverage	1.35	0.13	6.16	1.26	3.49	1.75
Firm Size	17.28	0.00	30.94	5.61	1.54	0.62
Profitability	0.07	-0.03	0.31	0.06	2.52	1.41
Firm Value	20127.83	0.00	652670.6	106891.7	26.575	5.30

Source: Statistic output

Structural Equation Modeling is utilized in this study with SmartPLS software. After running algorithm computations and bootstrapping, it gave diverse outputs (Nurwulandari & Darwin, 2020). Tests for Discriminant Validity and Construct Reliability Make Up the Measurement Model Analysis (Outer Model).

Figure 3

Research Model Test Results



Source: SmartPLS output (2024)

When using the software, the indicator reliability test comes first when checking for dependability. Loading factor value of 0.50 is considered reliable in the test. All of the indicators' loading factor values found in this investigation are credible.

The assessment of internal consistency reliability in the second reliability test involves examining the composite reliability value of the indicator block that measures the construct. It is generally accepted that the composite dependability value should be equal to or greater than 0.70. It might be considered dependable. Moreover, the reliability test results obtained from the smart pls output demonstrate that the structures exhibit exceptional quality and reliability. To improve the trustworthiness of the data, we used a statistical method called Cronbach's Alpha. This test examines the consistency of the results from our third reliability test. A score of 0.70 or higher on Cronbach's Alpha is generally considered acceptable, which suggests the data is reliable and can be trusted. In SmartPLS models, we can check how well the measures capture the intended concepts using convergent validity. This involves looking at the Average Variance Extracted (AVE) score. An AVE of 0.50 or higher suggests that the measures used are all related to the concept they're supposed to represent. This strengthens the overall validity of the model in SmartPLS. Another way to check the validity of a SmartPLS model is through discriminant validity. This ensures that the concepts we're measuring are truly distinct from each other. A recommended method for this is the Heterotrait-Monotrait ratio (HTMT). HTMT provides the most precise measure of how well-separated the concepts are. It relies on a complex analysis but thankfully, SmartPLS can handle it. If the HTMT score is below 0.90, it means the concepts are distinct. Looking at Table 3, we see that all HTMT values are less than 0.90. This confirms that the data accurately captures separate concepts, strengthening the model's validity. It's important to note that SmartPLS offers other initial reliability tests, but this section focuses on discriminant validity. In the commonly employed rule of thumb test, it is generally expected that the loading factor value should be 0.50, indicating a high level of reliability. The reliability of each indicator's loading factor value established in this investigation can be deemed satisfactory. The presence of Figure 2 is evident.

Table 3

HTML Analysis

	Firm Size	Firm Value	Green Accounting	Leverage	Profitability
Firm Size					
Firm Value	0.068				
Green Accounting	0.089	0.155			
Leverage	0.015	0.655	0.043		
Profitability	0.139	0.171	0.163	0.528	

Source: SmartPLS output (2024)

As a measure of the model's goodness-of-fit, the R-Square value is examined during the evaluation of the structural model. To what degree does the independent variable affect the dependent variable? The R-Square coefficient measures this. As the number of indicators for each component fluctuates, the influence grows in magnitude with increasing value.

Table 4

R-Square Analysis

	R-Sq.	R-Sq. Adjusted
Firm Value	0.496	0.478
Profitability	0.313	0.295

Source: SmartPLS output (2024)

Table 4 indicates that the variables of Green Accounting, Leverage, Firm Size, and Profitability have a moderate strength in describing Firm Value (Y), with a coefficient of 0.496.

The analysis shows that green accounting, leverage, and firm size variables have a moderate ability to explain profitability, with a combined effect size of 0.313. Next, to examine how much each variable individually affects profitability, we look at two things in Table 5: the coefficient value (positive means a positive impact, negative means a negative impact) and its T-value (indicates how statistically significant the impact is). Table 5 also provides the information needed to assess how much these variables might indirectly affect profitability through other factors, as the result of the calculation of indirect effect transpire in the table.

The coefficient (Green Accounting -> Profitability)*(Profitability->Firm Value) (-.130)*(0.207) = -0.027, with P-Values 0.097 > 0.050, suggests that Green Accounting has a statistically negligible and negative impact on Firm Value, with Profitability serving as an intervening variable. Based on the calculation findings, Figure 2 indicates that the mediation category is No Effect (No Mediation). The indirect effect has no substantial influence. The direct influence of X1 -> Y is statistically insignificant, as indicated by P-Values 0.053 < 0.050.

The coefficient (Leverage->Profitability) (Profitability ->Firm Value) (-0.521) * (0.207) = -0.108, with P-Values 0.005 < 0.050, suggests that there is a significant relationship between Leverage and Firm Value, with Profitability serving as an intervening variable. Looking at Figure 2, it seems we have partial mediation. The calculations show both a direct effect and an indirect effect of the independent variable on the dependent variable, with both having a significant impact. The analysis confirms a statistically significant direct relationship between X2 and Y, as demonstrated by the findings. P-values range from 0.000 to 0.050.

The calculated coefficient (Size -> Prof) (Prof -> Value) (0.120) * (0.207) = 0.016, along with the corresponding P-Values of 0.075 > 0.050, suggests that there is no significant relationship between Firm Size (X2) and Company Value (Y), with Profitability serving as an intervening variable. Based on the calculation findings, Figure 2 indicates that the mediation category is Direct Only (No Mediation). The reason the direct effect of Size on profitability might seem unexpected is because of the indirect effect. Analysis shows a statistically significant direct effect of Size on profitability. This is because the p-value (0.042) is lower than the typical significance level of 0.05. In general, to determine if a result is significant, we look at the p-value or the T-value of the path coefficient. For a significance level of 5%, the T-value needs to be higher than 1.97 (from a one-tailed T-table). Essentially, to accept our research hypothesis (likely proposing a relationship between Size and profitability), the p-value needs to be lower than 5%.

Table 5

Indirect and Direct Effect

Direct Effect	**O**	**M**	**SD**	**T-Stat**	**P -Val**
Size -> Value	0.037	0.033	0.041	0.906	0.365
Size -> Prof	0.120	0.123	0.059	2.034	0.042
GA -> Value	-0.151	-0.137	0.078	1.942	0.053
GA -> Prof	-0.130	-0.138	0.075	1.724	0.085
LEV -> Value	0.771	0.737	0.160	4.818	0.000
LEV -> Prof	-0.521	-0.527	0.038	13.855	0.000
Prof -> Value	0.207	0.197	0.064	3.213	0.001
Indirect Effect	**O**	**M**	**SD**	**T-Stat**	**P -Val**
Size -> Prof -> Value	0.025	0.024	0.014	1.786	0.075
GA -> Prof -> Value	-0.027	-0.027	0.016	1.661	0.097
Lev -> Prof -> Value	-0.108	-0.105	0.038	2.804	0.005

Source: SmartPLS output (2024)

3.1 GREEN ACCOUNTING EFFECT ON PROFITABILITY

The t-test findings indicated that the P-Values for Green Accounting were 0.085, which is below than the significance level of 0.05. Similarly, the t-statistic (1.724) was lower than the t-estimated value (1.97). Additionally, the size of the effect was found to be -0.130. If the Green Accounting variable is found to have a negative and statistically negligible impact on profitability, then the null hypothesis (H1) is rejected. Based on the Stakeholder hypothesis, it is imperative for companies to divulge environmental information in order to cultivate a positive perception among stakeholders, positioning the company as one that demonstrates concern for the environment. In order to ensure stability, it is crucial for companies to maintain the implementation of green accounting in the sector. By establishing a clear image in the implementation of green accounting, it becomes easier to gain the trust of both external and internal stakeholders. In this scenario, a consumer who is not concerned about the company's environmental interests will negatively impact the company's profitability. The findings of this study corroborate the findings of prior studies conducted by (Elisabeth & Maria, 2022; Imanuel Wihandoko et al., 2022; Soedarman et al., 2023) which indicate that green accounting has a detrimental and statistically negligible impact.

3.2 LEVERAGE EFFECT ON PROFITABILITY

The t-test findings indicated that the P-Values Leverage was 0.000, which is less than the significance level of 0.05. Similarly, the t-statistic (13.855) was greater than the t-estimated value (1.97), and the size of the effect was -0.521. If the variable of Leverage has a negative and statistically significant impact on profitability, then the alternative hypothesis (H2) is adopted. This show that the higher the leverage, the lower the profitability of the company, and it has a significant influence. The findings of this study are consistent with previous research undertaken by (Hamid et al., 2015; Shubita & Alswalhah, 2012), which posits that leverage exerts a detrimental and statistically significant impact on the profitability.

3.3 FIRM SIZE EFFECT ON PROFITABILITY

The t-test findings indicated that the P-Values for Firm Size were 0.042, which is less than the significance level of 0.05. Similarly, the t-statistic (2.034) was more than the t-estimated value (1.97). The Firm Size variable has a positive and substantial effect on Profitability, with a magnitude of 0.120. Therefore, H3 is accepted. The findings of the data analysis conducted in this study suggest that the companies included in the sample exhibit a positive correlation between asset size and profitability, which means that the higher the size of the company the higher the profitability of a company. The findings of this study corroborate the outcomes of previous research conducted by (Aydın Unal et al., 2017; Hamidah & Umdiana, 2017; Karim et al., 2023), which argue that the size of a company exerts a positive and statistically significant impact on its profitability.

3.4 GREEN ACCOUNTING EFFECT ON FIRM VALUE

The t-test findings indicated that the P-Values for Green Accounting were 0.053, which is greater than the significance level of 0.05. Similarly, the t-statistic (1.942) was lower than the t-estimated value (1.97), and the size of the effect was -0.151. If the Green Accounting variable is found to have a negative and statistically negligible impact on company value, then the null hypothesis H4 is rejected. Based on the signaling theory, share prices will increase if investors observe indications of the company's future growth acceleration. it is imperative for companies to divulge environmental information as it beneficial to convey clear message and cultivate a positive perception among shareholders, positioning the company as one that demonstrates concern for the environment. In order to ensure stability, it is crucial for companies to maintain the implementation of green accounting. By establishing a clear image in the implementation of green accounting, it becomes easier to gain the trust of shareholders. This study's findings corroborate the findings of prior studies conducted by (Bing & Li, 2019; Fahad & Busru, 2020; Nurjanah & Arifa, 2023), which indicate that green accounting has a detrimental impact and is not statistically significant in relation to business value.

3.5 LEVERAGE HAS A POSITIVE AND SIGNIFICANT EFFECT ON FIRM VALUE.

The t-test findings indicated that the P-Values for Leverage were 0.000, which is below than the significance level of 0.05. Additionally, the t-statistic (4.818) was greater than the t-estimated value (1.97), and the size of the impact was 0.771. The acceptance of H5 is based on the positive and large impact of the leverage variable on firm value. Based on the signaling theory, share prices will increase if investors observe indications of the company's future growth acceleration. It is imperative for companies to divulge debt information as it beneficial to convey clear message and cultivate a positive perception among shareholders, positioning the company as one that demonstrates concern for the management of its debt. In order to ensure stability, it is crucial for companies to manage the level of debt of a company. By establishing a clear image in the debt use, it becomes easier to gain the trust of shareholders. The findings of this study are consistent with previous research undertaken by (Danso et al., 2020; Djashan, 2019; Fajaria et al., 2017; Sari, 2020; Singla & Prakash, 2023; Yanti & Darmayanti, 2019), these studies have shown evidence supporting the notion that leverage structure has a positive and statistically significant impact on company value.

3.6 FIRM SIZE EFFECT ON FIRM VALUE

The t-test findings indicated that the P-Values for Firm Size were 0.365, which is greater than the significance level of 0.05. Similarly, the t-statistic (0.906) was lower than the t-estimated value (1.97), and the size of the effect was 0.037. Based on the data processing results, it can be concluded that the Firm Size variable has a positive but statistically negligible impact on firm value. Consequently, the null hypothesis (H6) is rejected. The findings of this study suggest that the analysis of the company's size was conducted utilising the Natural Logarithm (Ln) method. The impact of Total Assets on the company's worth is both positive and statistically negligible. Investors take into account not just the company's size but also the substantial amount of assets it possesses. The absence of effective management will not provide substantial consequences for the company's worth. Companies having substantial firm sizes, while failing to effectively manage sources of financial resources, will not reap any advantages.

The assessment of investors in making investment decisions is typically influenced by the size of a firm, as it serves as an indicator of the company's capacity to generate operating profit and its level of financial stability. Companies that possess substantial firm sizes and the capacity to create profits are likely to exhibit greater stability and distribute larger dividends. On the other hand, corporations that have smaller sizes typically prioritise increasing their assets and distributing smaller dividends. The findings of the present study corroborate the findings of previous research undertaken by (Dwiastuti & Dillak, 2019; Prabowo & Widoatmodjo, 2023), which indicate that the size of a corporation has a positive but statistically negligible impact on its worth.

3.7 PROFITABILITY EFFECT ON FIRM VALUE

The t-test findings indicated that the P-Values for Profitability were 0.001, which is less than the significance level of 0.05. Similarly, the t-statistic (3.213) was greater than the t-estimated value (1,982). The size of the effect was found to be 0.207. In order to establish a positive and statistically significant relationship between the profitability variable and company value, the acceptance of H7 is warranted, as the data processing findings provide support for the hypothesis. It suggests that the company's average worth is not constant. The fluctuations in profitability serve as indicators to investors that prioritise profitability as a key factor in their investment decisions. Essentially, the firm's worth is influenced by its profitability, which refers to the net profit generated by the company during its operations. The evaluation of a company by investors often relies on its profitability, which is determined by the company's ability to create profit and distribute it to shareholders in the form of dividends. The findings of this study are consistent with previous research conducted by (Hermuningsih, 2012; Juhandi et al., 2019; Marsha & Murtaqi, 2017; Prabowo & Widoatmodjo, 2023; Putra & Wahyuni, 2021; Sari, 2020; Yanti & Darmayanti, 2019), these studies have consistently demonstrated that probability exerts a positive and statistically significant impact on firm value.

3.8 GREEN ACCOUNTING EFFECT ON FIRM VALUE WITH PROFITABILITY AS INTERVENING VARIABLE

The analysis did not find a significant effect of green accounting on profitability. This is because the p-value (0.097) is higher than the standard significance level (0.05), and the t-statistic (1.661) is lower than the critical value (1.97). The effect size (-0.027) is also very small. Since green accounting doesn't significantly impact profitability, it can't be an indirect factor influencing firm value. This means we reject Hypothesis 8 (H8). Investors seem to be placing less importance on green accounting practices when making investment decisions. There's no clear evidence that green accounting directly affects firm value. The findings confirms previous research by (Nurjanah & Arifa, 2023; Paramita & Ali, 2023), that profitability is not a mediating variable between green accounting and firm value. Even after considering the indirect effect through profitability, the impact of green accounting remains negative and statistically insignificant. It's important to note that some other studies value (Asni & Agustia, 2022; Handayani et al., 2022; Paramita & Ali, 2023; Rahmawati et al., 2021; Yanto, 2018) found profitability to be a mediator in the relationship between green accounting and firm value. These findings contradict our results.

3.9 LEVERAGE EFFECT ON FIRM VALUE WITH PROFITABILITY AS INTERVENING VARIABLE

The analysis confirms our hypothesis (H9). There's a statistically significant negative relationship between leverage (debt) and firm value (p-value < 0.05, t-statistic > 1.97). This means higher debt generally leads to lower firm value. Interestingly, the effect size (-0.108) suggests a moderate negative impact. However, the analysis also shows that profitability weakens this negative effect. In other words, companies with higher profitability can mitigate the negative impact of debt on their value. These findings align with investor priorities. They likely consider both a company's profitability and its debt management practice. Lower debt combined with strong profitability can make a company more attractive to investors seeking long-term sustainability and growth. The study also highlights a potential concern. Even with good profitability, high debt can be risky. The worry is that profits might only cover loan interest payments, limiting the company's ability to grow and distribute dividends to shareholders. It is important to note that researches by (Firda & Efriadi, 2020; Henryanto Wijaya, 2020; Khotimah et al., 2021) found that profitability to be a mediator in the relationship between leverage and firm value. This findings support our result. While some other studies, (Niresh & Velnampy, 2014; Prabowo & Widoatmodjo, 2023) found profitability in not mediating in the relationship between leverage and firm value.

3.10 FIRM SIZE EFFECT ON FIRM VALUE WITH PROFITABILITY AS AN INTERVENING VARIABLE

The analysis did not find evidence that company size affects firm value indirectly through profitability. This is because the p-value (0.075) is higher than the significance level (0.05), the t-statistic (1.786) is lower than the critical value (1.97), and the effect size (0.025) is very small. We reject Hypothesis 10 (H10) based on this. There's also no significant direct relationship between company size and profitability. Even after considering the indirect effect via profitability, the impact of size remains negative but statistically insignificant. These finding contradict previous research by (Firda & Efriadi, 2020; Prabowo & Widoatmodjo, 2023) which posits that profitability can be a mediating variable between company size and firm value.

4 CONCLUSION

The variables of leverage and firm size exhibit a direct and statistically significant detrimental impact on profitability. Companies listed in the Jakarta Islamic Index typically rely on internal money to finance their operational endeavours. Leverage and profitability have a direct and considerable impact on firm value, with Leverage having a negative influence and Profitability having a positive effect. Nevertheless, the impact of green accounting on profitability and business value, when considering profitability as an intervening variable, is found to be insignificant, both in direct and indirect terms. Investors exhibit a heightened level of interest in the leverage or debt ratio. In the context of business value, it may be observed that profitability exerts a direct and statistically significant impact. It suggests that a company's capacity to generate profit can lead to improved outcomes in terms of firm value. Profitability can serve as a partial mediator for the relationship between Leverage and solid value. The concept of leverage in relation to a company's value implies that effective debt management is crucial. It is recommended to utilise strategic Use of Debt: In leverage positive effect on firm value, managers can strategically use debt financing to increase returns for shareholders. This can be achieved by: Funding profitable investments and expansion projects, taking advantage of potential tax benefits associated with debt interest payments, and improving financial ratios with borrowed funds. While on the reverse, managers need to prioritize conservative debt strategy to avoid financial risk.

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