

Volume 2 Number 3, 2026  
**Riset Akuntansi dan Bisnis (RABI)**  
STIE KRAKATAU, Indonesia

## The Effect of Green Finance and Green Accounting on Manufacturing Firm Profitability in Makassar

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### ARTICLE INFO

**Received:** 20 June 2026;  
**Revised:** 10 July 2026;  
**Revised:** 22 July 2026;  
**Accepted:** 19 August 2026;  
Volume 2, Number 3  
2026, pp 167-181  
<https://doi.org/10.61401/rabi.v2i3.557>

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### ABSTRACT

**Purpose:** This study aims to analyze the effects of green finance and green accounting on the profitability of manufacturing companies in Makassar during the post-pandemic period.

**Methodology:** This study employed a quantitative explanatory approach using a purposive sampling technique. Secondary data were obtained from financial reports and sustainability reports of 30 sample observations covering the period from 2021 to 2025. Data analysis was conducted using multiple linear regression with the assistance of SPSS.

**Results:** The findings indicate that both partially and simultaneously, green finance and green accounting have a positive and significant effect on improving corporate profitability, as measured by Return on Assets (ROA).

**Conclusions:** The implementation of transparent environmental governance should not be perceived merely as a cost burden but rather as a strategic approach that promotes operational efficiency and enhances financial performance, particularly in labor-intensive industries.

**Limitations:** This study is limited to the use of Return on Assets (ROA) as a proxy for financial performance and focuses only on manufacturing companies in Makassar.

**Contribution:** This study provides empirical evidence for stakeholders and investors that environmental commitment in the manufacturing sector can strengthen corporate legitimacy and create long-term economic value.

**Keywords:** Green Finance, Green Accounting, Profitability, Return on Assets (ROA), Sustainability Report

**How to Cite:** Susi, & Rayyani, W. O. (2026). The Effect of Green Finance and Green Accounting on Manufacturing Firm Profitability in Makassar. *Riset Akuntansi dan Bisnis (RABI)*, 2(3), 167-181.

### 1. Introduction

Environmental degradation caused by the exploitation of natural resources has triggered global and national ecological crises, including in Indonesia. Over the past few decades, such degradation has generated various challenges, including ecological disasters, climate change, global warming, and social and economic crises within communities (Lako, 2018). The manufacturing industry has

become one of the major contributors to environmental problems due to its operational activities, which produce substantial amounts of waste and carbon emissions ([Annisa & Hamzah, 2026](#)). The corporate orientation toward profit maximization has frequently overlooked environmental consequences, thereby threatening the sustainability of human life and the preservation of the planet ([Lestari & Widyawati, 2022](#)).

These conditions indicate that a business paradigm solely oriented toward shareholder interests is no longer sufficient. Stakeholder Theory explains that companies must consider the interests of all parties affected by business activities, including society and the surrounding environment ([Freeman & McVea, 2005](#)). However, conventional accounting practices continue to be criticized for focusing primarily on financial transactions ([Fitriani & Hidayat, 2026](#)). Consequently, the accounting information generated often fails to adequately represent social and environmental aspects and may even provide misleading information by disregarding companies' non-financial values and impacts ([Lako, 2018](#)).

Green finance and green accounting have emerged as strategic approaches to address these challenges ([Bose, Khan, Rashid, & Islam, 2018](#)). Green finance encourages the allocation of capital toward environmentally friendly projects and activities, while green accounting functions to measure, record, and report environmental management costs by integrating them into corporate financial performance ([Rasyid, Azis, & Rahmat, 2025](#)). [Ma, Miao, Wang, and Wang \(2023\)](#) demonstrated that sustainable green finance development can stimulate economic growth while supporting sustainable regional development.

The increasing global attention toward sustainability has encouraged companies to reconsider the relationship between environmental responsibility and business performance ([Liu & Wu, 2023](#)). In the past, environmental initiatives were frequently viewed as additional operational costs that could reduce short-term profitability. However, recent developments in sustainable business practices indicate that environmental responsibility can become a strategic capability that creates economic value ([Broadstock, Chan, Cheng, & Wang, 2021](#)). Companies that integrate environmental considerations into financial decision-making are more likely to improve resource efficiency, reduce operational risks, and strengthen their competitive position ([Saragih, 2026](#)). This perspective reflects a shift from the traditional profit-oriented approach toward a sustainable business model that balances economic objectives with environmental and social responsibilities.

In Indonesia, the implementation of sustainable business practices has become increasingly important due to growing regulatory pressure and stakeholder expectations. Manufacturing companies, as one of the sectors with high resource consumption and environmental impact, face greater demands to demonstrate responsible production processes ([Nurhasanah, Astriani, & Trisyanto, 2025](#)). The obligation to disclose sustainability-related information has encouraged companies to provide greater transparency regarding environmental management activities, investment allocation, and environmental costs. Through green finance and green accounting practices, companies are able to demonstrate their commitment to sustainability while providing relevant information for investors and other stakeholders in evaluating long-term business prospects.

From a strategic management perspective, environmental investments should not only be interpreted as compliance activities but also as mechanisms for improving organizational efficiency. Green finance enables companies to direct financial resources toward environmentally sustainable projects, such as renewable energy adoption, waste reduction technology, and energy efficiency improvements ([Zhuang & Chen, 2026](#)). Meanwhile, green accounting provides a systematic approach to identifying, measuring, and communicating environmental costs and benefits within corporate reporting systems. The integration of both approaches may support managerial decision-making by providing broader information regarding the economic consequences of environmental activities ([Faedah et al., 2025](#)).

Furthermore, the manufacturing sector in developing economies faces unique challenges because companies must maintain profitability while responding to increasing sustainability demands ([Tan, Su, & Wang, 2023](#)). In this context, understanding whether environmental-oriented strategies can generate measurable financial benefits becomes an important research issue ([Susanti, Hertati, & Putri, 2023](#)). Although previous studies have examined the relationship between environmental practices and financial performance, empirical evidence remains diverse due to differences in industrial characteristics, geographical contexts, measurement approaches, and levels of sustainability implementation. Therefore, further investigation is required to provide contextual evidence regarding how green finance and green accounting contribute to profitability improvement, particularly in manufacturing companies operating in regional industrial centers such as Makassar.

Although green governance has strong ethical and regulatory value, its influence on corporate profitability remains inconsistent across empirical studies. [Lako \(2018\)](#) stated that the implementation of green accounting and environmental performance positively and significantly affects the ability of manufacturing companies to generate profits, as measured by Return on Assets (ROA) and Return on Equity (ROE). In contrast, [Rasyid and Adi \(2026\)](#) found that green financing in Indonesian food and beverage manufacturing companies did not significantly influence profitability or firm value. These inconsistent findings suggest that the economic benefits of green financing generally emerge over the long term and may not be fully reflected in short-term financial performance ([Velte, 2017](#)).

The inconsistency of previous research findings provides an opportunity to re-examine the relationship between green finance, green accounting, and corporate profitability. This study focuses on manufacturing companies in Makassar, one of the strategic industrial centers in Eastern Indonesia. The high level of production activity in this region has the potential to generate negative externalities in the form of industrial waste, making the implementation of green finance and green accounting essential for maintaining operational sustainability and strengthening corporate legitimacy among stakeholders. This study examines the 2021–2025 observation period, representing the post-pandemic recovery phase. During this period, companies not only faced challenges related to business recovery but also increasing pressure to transition toward cleaner energy and sustainable practices from both governments and global investors ([Ramadhani, 2025](#)).

## 2. Literature Review and Hypothesis/es Development

Financial performance is a primary consideration in evaluating the extent to which a company successfully operates and manages its business activities ([Budiono & Dura, 2021](#)). In general, the main objective of a business entity is to obtain and maximize profits from the resources and capital invested in it. A company's ability to generate profits reflects the effectiveness of its operational management and serves as an important consideration for investors, creditors, and other stakeholders in assessing the company's prospects and sustainability ([Bualay, 2019](#)). In financial research, profitability is commonly measured using the Return on Assets (ROA) ratio. This ratio reflects a company's ability to generate profits through the utilization of its total assets ([Surianti, Hutagalung, Gultom, & Nasution, 2025](#)). In the manufacturing sector, effective resource management is particularly important because companies generally require substantial asset investments and operate through complex production activities. Therefore, operational efficiency is a key factor in achieving optimal profitability ([Putra & Widiyanti, 2026](#)).

The development of the modern business environment indicates that non-financial factors also contribute significantly to corporate profitability. According to Stakeholder Theory, a company's survival largely depends on the support of all parties affected by or influencing corporate activities, including society and the ecological environment ([Freeman & McVea, 2005](#)). Companies are no longer evaluated solely based on their financial achievements but also on their commitment to addressing environmental challenges. These stakeholder expectations encourage manufacturing companies to integrate sustainability issues into their operational strategies to obtain social legitimacy, minimize public rejection risks, and ultimately maintain operational stability that supports sustainable profitability ([Yudiska, Rosalina, & Yanto, 2026](#)).

One tangible form of commitment is the adoption of green finance. Green finance refers to financing schemes, investment activities, and capital allocation specifically directed toward supporting sustainability projects, energy efficiency initiatives and environmentally friendly business activities ([Ma, Miao, Wang, & Wang, 2023](#)). Investment in clean energy transition projects or environmentally friendly technologies often incurs substantial initial costs. However, in the medium and long terms, such financing can improve operational efficiency, including reducing energy consumption costs and minimizing the risk of environmental penalties imposed by regulators. These long-term efficiency benefits are expected to contribute positively to corporate financial performance.

In addition to financing aspects, transparency in environmental management reporting has become an essential factor in the implementation of green accounting ([Handayani, Japlani, & Ali, 2026](#)). Green accounting represents a broader accounting paradigm that does not merely focus on recording financial transactions but also incorporates and discloses social and environmental management costs such as waste treatment and environmental certification costs ([Lako, 2018](#)). When companies transparently report their environmental expenditures, information asymmetry between management and investors is reduced. Reliable environmental information can enhance corporate reputation among market participants and environmentally conscious investors, potentially expanding market opportunities and improving a company's ability to generate profits ([Jasim & Hassn, 2026](#)).

Although green governance theoretically provides various benefits, previous empirical studies have demonstrated inconsistent findings regarding its impact on corporate performance. [Putri, Hidayati, and Amin \(2019\)](#) found that green accounting implementation and environmental performance have a positive and significant effect on the profitability of Indonesian manufacturing companies, as measured by Return on Assets (ROA). In contrast, [Rasyid and Adi \(2026\)](#) revealed that green financing in manufacturing companies does not significantly affect profitability or firm value. These differences indicate that the economic benefits of green governance may depend on specific company characteristics, operational scale, and extent to which environmental impacts are directly managed within operational areas.

Based on this research gap, this study seeks to provide a more contextual perspective by examining the influence of green finance and green accounting on manufacturing companies with large-scale operational activities in Makassar during the post-pandemic period (2021–2025). The selection of this research context is based on the characteristics of manufacturing industries, which generally have a high resource consumption intensity. Therefore, corporate sustainability commitments can be evaluated by examining the realization of environmental investments and management practices in the region. This contextual approach is expected to provide a more comprehensive understanding of the relationship between environmental commitment and financial performance.

The relationship between environmental responsibility and corporate financial performance has become an important topic in contemporary accounting and management research. The increasing awareness of climate change, environmental degradation, and resource limitations has encouraged companies to incorporate sustainability considerations into their strategic decision-making ([Qiu, Shaukat, & Tharyan, 2016](#)). From this perspective, corporate sustainability is no longer viewed solely as a social obligation but also as an approach that can support long-term economic performance. Companies that can integrate environmental considerations into their business strategies may achieve operational advantages through improved efficiency, reduced risks, and stronger relationships with stakeholders.

From the perspective of Stakeholder Theory, companies operate within a broader social environment where their success depends not only on internal capabilities but also on the support and acceptance of external stakeholders. [Freeman and McVea \(2005\)](#) emphasized that organizations must consider the interests of various stakeholders, including investors, employees, consumers, government institutions, communities, and the natural environment. In the context of environmental management, companies that demonstrate a commitment to sustainability are more likely to obtain stakeholder legitimacy. Such legitimacy can improve corporate reputation, increase investor confidence, and reduce potential conflicts related to environmental issues. Therefore, environmentally oriented strategies may indirectly contribute to financial performance by strengthening stakeholder relationships.

Green finance is a strategic mechanism through which companies can achieve sustainability objectives while maintaining economic efficiency. Green finance refers to financial activities that support environmentally responsible investments, including renewable energy projects, energy efficiency programs, sustainable production technologies and pollution reduction initiatives ([Eccles, Ioannou, & Serafeim, 2014](#)). Unlike conventional financing decisions, which primarily focus on

short-term financial returns, green finance considers both economic benefits and environmental impacts. This approach encourages companies to allocate capital to projects that generate long-term value while reducing environmental risks.

The implementation of green finance can influence profitability through several mechanisms. First, investing in environmentally friendly technologies can improve operational efficiency by reducing energy consumption, production waste, and resource dependency. Although green investments generally require significant initial expenditures, the resulting efficiency gains may reduce long-term operational costs. Second, companies implementing green finance initiatives may experience lower regulatory risk because they comply with environmental standards. Avoiding environmental penalties and improving regulatory relationships can contribute to a more stable financial performance. Third, green finance can enhance corporate attractiveness to environmentally conscious investors, thereby increasing access to sustainable sources of capital.

Previous studies have provided empirical evidence of the relationship between green finance and corporate performance. [Ramadhani \(2025\)](#) found that green finance development contributes to sustainable economic growth by encouraging environmentally oriented investment and improving resource allocation efficiency. [Putri et al. \(2019\)](#) demonstrate that green finance and environmental performance positively influence corporate value and profitability. [Rasyid and Adi \(2026\)](#) reported different findings, indicating that green financing does not significantly affect profitability and firm value in Indonesian manufacturing companies. These differences suggest that the financial benefits of green finance may depend on industry characteristics, implementation intensity, and companies' ability to transform environmental investments into operational advantages. Therefore, further empirical investigation is required to clarify the role of green finance in improving profitability, particularly in manufacturing companies with intensive production activities. Based on these arguments, green finance is expected to contribute positively to corporate profitability because environmentally oriented investments can create efficiency improvements, strengthen legitimacy, and provide long-term economic benefits to firms. Therefore, the first hypothesis is as follows:

*H<sub>1</sub>: Green finance has a positive and significant effect on the profitability (ROA) of manufacturing companies in Makassar*

In addition to green finance, green accounting is an important component of sustainable corporate governance. Green accounting expands the traditional accounting framework by incorporating environmental information into corporate reporting systems. Conventional accounting practices generally focus on financial transactions and economic outcomes, whereas environmental costs and impacts are often excluded or treated separately. Green accounting addresses this limitation by identifying, measuring, recording, and disclosing the environmental costs associated with business activities such as waste management, environmental restoration, pollution control, and sustainability programs.

The implementation of green accounting provides several benefits to companies. From a managerial perspective, environmental accounting information enables companies to identify inefficient resource utilization and develop effective cost management strategies. By explicitly recognizing environmental costs, management can evaluate production processes and determine opportunities to improve operational efficiency. Furthermore, transparent disclosure of environmental information



reduces information asymmetry between companies and their stakeholders. Investors and consumers increasingly consider sustainability performance an important factor in decision-making, meaning that companies with transparent environmental reporting may achieve stronger market recognition and reputation.

Green accounting can also function as a strategic communication tool to demonstrate corporate responsibility. In the modern business environment, stakeholders demand greater transparency regarding the environmental impact of corporate activities. These signals may improve stakeholder trust, strengthen corporate legitimacy, and ultimately contribute to improved performance. In manufacturing industries, where environmental impacts are relatively significant, green accounting is particularly relevant because it allows companies to balance production activities with environmental accountability.

Empirical studies have supported the positive relationship between green accounting and financial performance. [Lako \(2018\)](#) found that green accounting implementation and environmental performance positively affect profitability among manufacturing companies listed on the Indonesia Stock Exchange. [Ma et al. \(2023\)](#) demonstrated that corporate environmental responsibility and green accounting practices influence financial performance by improving corporate reputations and stakeholder relationships. However, differences in research findings indicate that the impact of green accounting may vary depending on the level of environmental disclosure, organizational commitment, and industry conditions.

The manufacturing sector in Makassar provides a relevant context for examining the role of green accounting, as companies in this sector face significant environmental challenges related to production waste, energy consumption, and resource utilization. Through transparent environmental reporting, manufacturing companies can demonstrate accountability and identify opportunities to improve operational efficiency. Therefore, green accounting is expected to become an important factor contributing to profitability improvement. Based on the theoretical explanation and previous empirical evidence, green accounting is predicted to positively contribute to corporate profitability. Accordingly, the second hypothesis is formulated as follows:

*H<sub>2</sub>: Green accounting has a positive and significant effect on the profitability (ROA) of manufacturing companies in Makassar*

Based on theoretical foundations, previous empirical findings, and identified research gaps, this study proposes that environmental commitments represented by green finance allocation and green accounting transparency have the potential to improve corporate financial performance. Social legitimacy obtained from stakeholders, long-term operational efficiency, and increased investor confidence are expected to contribute to higher profitability in manufacturing companies.

The green accounting ( $X_2$ ) variable has a regression coefficient of 0.017, with a significance level of 0.015. Because the significance value was less than 0.05 and the coefficient was positive,  $H_2$  was accepted. This indicates that Green Accounting has a positive and significant effect on profitability.

### **3. Methodology**

This study employed a quantitative approach with an explanatory research design that aimed to test hypotheses and explain the causal relationships between independent and dependent variables. The

data used in this study were secondary data obtained from the annual financial and sustainability reports of the companies under investigation.

The population of this study consisted of all large-scale manufacturing companies operating in Makassar and its surrounding areas. The sample was selected using a purposive sampling technique to ensure that the selected companies met the research objectives of this study. The sample criteria included manufacturing companies listed on the Indonesia Stock Exchange (IDX) and operating in the Makassar region, companies that published annual financial and/or sustainability reports consecutively during the 2021–2025 period, and companies that disclosed information related to green financing, environmental costs, or waste management practices in their published reports. The research data were collected using a documentation method by obtaining official reports from the Indonesia Stock Exchange website and the official websites of each company. The dependent variable in this study is financial performance, which is represented by corporate profitability. Profitability was measured using Return on Assets (ROA), which indicates a company's ability to generate net income from its total assets. ROA was calculated by comparing the net income after tax with the total company assets.

$$ROA = \frac{(NetIncomeAfterTax)}{TotalAssets} \quad (1)$$

Formula (1) shows Return on Assets (ROA) is a profitability ratio used to measure a company's ability to generate net income from its total assets. ROA is calculated by dividing net income after tax by total assets. A higher ROA indicates that the company is more efficient in utilizing its assets to generate profits, reflecting better financial performance.

The first independent variable in this study is green finance ( $X_1$ ). This variable is measured using a dummy variable based on corporate disclosures regarding the acquisition or utilization of green financing, such as environmentally friendly project financing, renewable energy investments, and energy efficiency. Companies that disclose the allocation or implementation of green finance are assigned a value of 1, whereas companies that do not disclose green finance-related activities are assigned a value of 0.

The second independent variable is green accounting ( $X_2$ ). This variable was also measured using a dummy variable based on environmental cost disclosures. Companies are assigned a value of 1 if they record or disclose costs specifically related to environmental management, such as waste treatment, ISO 14001 certification, and environmental restoration costs. Conversely, companies that do not explicitly disclose environmental costs are assigned a value of zero.

Data analysis was conducted using multiple linear regression to examine the effects of green finance and Green Accounting on corporate profitability. Before hypothesis testing, the data were examined using classical assumption tests, including normality, multicollinearity, autocorrelation, and heteroscedasticity tests. These tests were conducted to ensure that the regression model met the requirements of the Best Linear Unbiased Estimator (BLUE), thereby producing reliable and unbiased parameter estimates. Hypothesis testing was performed using the t-test to examine the individual effect of each independent variable on profitability and the F-test to evaluate the



simultaneous effects of both independent variables. All statistical tests were conducted at a significance level of 5 %( $\alpha = 0.05$ ).

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon \quad (2)$$

Formula (2) shows  $Y$  represents the Return on Assets (ROA) as a measure of corporate profitability,  $\alpha$  represents the constant value,  $\beta_1$  and  $\beta_2$  represent the regression coefficients,  $X_1$  represents green finance,  $X_2$  represents green accounting, and  $\epsilon$  represents the error term. These variables are used to examine the influence of green finance and green accounting on the profitability of manufacturing companies

## 4. Results and Discussion

### 4.1 Normality Test

The normality test in this study was conducted using the One-Sample Kolmogorov–Smirnov Test on the Unstandardized Residual values.

Table 1. Normality test results

| Description            | Unstandardized Residual |
|------------------------|-------------------------|
| N                      | 30                      |
| Test Statistic         | 0.076                   |
| Asymp. Sig. (2-tailed) | 0.200                   |

Table 1 shows the asymptotic. Sig. (2-tailed) value was 0.200. Because the significance value of 0.200 is greater than the predetermined significance level of 0.05, it can be concluded that the residual data are normally distributed and meet the assumptions required for regression analysis.

### 4.2 Multicollinearity Test

A multicollinearity test was conducted to determine whether there was a correlation among the independent variables included in the regression model.

Table 2. Multicollinearity test results

| Model                      | Tolerance | VIF   | Description                 |
|----------------------------|-----------|-------|-----------------------------|
| Green Finance ( $X_1$ )    | 0.771     | 1.296 | Free from Multicollinearity |
| Green Accounting ( $X_2$ ) | 0.771     | 1.296 | Free from Multicollinearity |

Table 2 shows both green finance ( $X_1$ ) and green accounting ( $X_2$ ) obtained a tolerance value of 0.771 (greater than 0.10) and a Variance Inflation Factor (VIF) value of 1.296 (less than 10). These findings indicate that there is no multicollinearity problem among the independent variables in the regression model.

### 4.3 Heteroscedasticity Test

The heteroscedasticity test was conducted by examining the scatterplot graph between the predicted values of the dependent variable and the residual values.

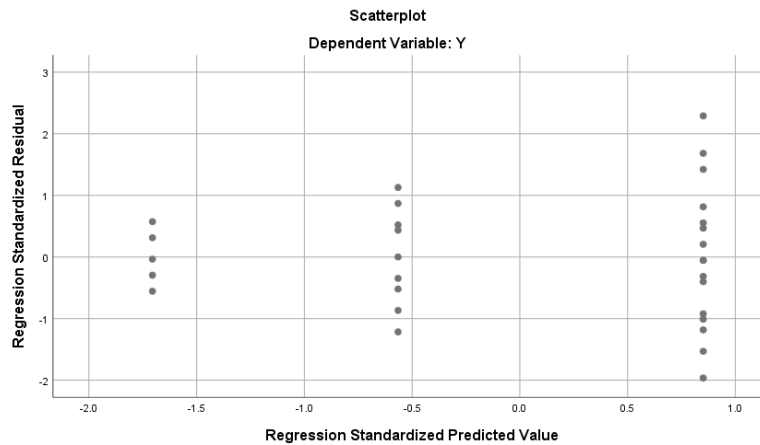


Figure 1. Scatterplot graph

Figure 1 shows the data points are randomly distributed both above and below the value of 0 on the Y-axis and do not form any specific or systematic patterns. This distribution indicates that there is no heteroscedasticity problem in the regression model. Therefore, the regression model satisfied the assumption of homoscedasticity and could be used for further analysis.

#### 4.4 Multiple Linear Regression Analysis and Partial Hypothesis Testing (t-Test)

Multiple linear regression analysis was conducted to determine the direction and magnitude of the influence of independent variables on the dependent variable, as well as to examine the hypotheses partially using a t-test.

Table 3. Multiple linear regression analysis and t-test results

| Model                      | Unstandardized Coefficients (B) | t     | Sig.  |
|----------------------------|---------------------------------|-------|-------|
| (Constant)                 | 0.048                           | 9.398 | 0.000 |
| Green Finance ( $X_1$ )    | 0.021                           | 4.298 | 0.000 |
| Green Accounting ( $X_2$ ) | 0.017                           | 2.584 | 0.015 |

$$Y = 0,048 + 0,021X_1 + 0,017X_2 \quad (4)$$

Table 3 and (4) shows the hypothesis testing results indicate that green finance ( $X_1$ ) has a regression coefficient of 0.021 with a significance level of 0.000. Since the significance value is less than 0.05 and the coefficient is positive,  $H_1$  is accepted, indicating that green finance has a positive and significant effect on profitability. Furthermore, green accounting ( $X_2$ ) has a regression coefficient of 0.017 with a significance level of 0.015. As the significance value is below 0.05 and the coefficient is positive,  $H_2$  is accepted, demonstrating that green accounting also has a positive and significant effect on profitability.

#### 4.5 Model Feasibility Test Results

##### 4.5.1 Simultaneous Feasibility Test (F-Test)

Table 4. F-test (ANOVA) results

| Model      | Sum of Squares | df | Mean Square | F      | Sig.  |
|------------|----------------|----|-------------|--------|-------|
| Regression | 0.006          | 2  | 0.003       | 23.187 | 0.000 |
| Residual   | 0.004          | 27 | 0.000       |        |       |
| Total      | 0.010          | 29 |             |        |       |

Table 4 shows that the calculated F-value is 23.187, with a significance level of 0.000. Because the significance value is less than 0.05, the regression model is considered statistically feasible (fit). Simultaneously, green finance and green accounting significantly affect profitability.

##### 4.5.2 Coefficient of Determination Test ( $R^2$ )

Table 5. Coefficient of determination test results

| Model | R     | R Square | Adjusted R Square |
|-------|-------|----------|-------------------|
| 1     | 0.795 | 0.632    | 0.605             |

Table 5 shows the adjusted R Square value is 0.605. This finding indicates that Green Finance and Green Accounting can explain 60.5% of the variation in profitability. The remaining 39.5% is explained by other factors outside the research model.

#### 4.6 Discussion

##### 4.6.1 The Effect of Green Finance on Profitability

Based on the results of the first hypothesis testing ( $H_1$ ), Green Finance has a positive and significant effect on the profitability of manufacturing companies in Makassar, as measured by Return on Assets (ROA). The positive regression coefficient (0.021) indicates that a higher level of green finance disclosure or allocation by companies leads to increased profitability. This finding is consistent with the Stakeholder Theory proposed by [Freeman and McVea \(2005\)](#), which emphasizes that companies must fulfill environmental expectations of stakeholders to maintain their operational legitimacy. For large-scale manufacturing companies in Makassar, allocating funds for green financing, such as transitioning to renewable energy sources or investing in environmentally friendly machinery, requires substantial initial investment. However, in the long term, these investments can generate significant operational efficiency, including energy cost savings and a reduction in environmental penalty risks or potential rejection from surrounding communities. Such efficiencies contribute directly to increased net income and asset utilization, which are reflected in the improved ROA.

This finding supports previous studies by [Ramadhani \(2025\)](#) and [Putri, Hidayati, and Amin \(2019\)](#), which demonstrated that the expansion of green financing positively contributes to corporate financial sustainability. However, this result contradicts the findings of [Rasyid and Adi \(2026\)](#), who reported that green financing had not yet been reflected in financial performance. The specific context of manufacturing companies in Makassar, characterized by high operational intensity, demonstrates that the economic benefits of green governance can have a tangible impact on corporate profitability.

#### *4.6.2 The Effect of Green Accounting on Profitability*

The results of the second hypothesis testing ( $H_2$ ) indicate that Green Accounting has a positive and significant effect on the profitability (ROA) of manufacturing companies in Makassar. The regression coefficient of 0.017 demonstrates that transparency in environmental cost reporting is positively associated with increased corporate profitability. The implementation of green accounting, characterized by the disclosure of waste management costs and environmental preservation activities in sustainability reports, serves as a positive market signal. When companies transparently disclose their environmental commitments rather than merely engaging in greenwashing, public trust and confidence among green investors increase. This trust strengthens the corporate reputation, which may directly expand market opportunities and increase product sales. Furthermore, green accounting assists management in identifying inefficient resource utilization, thereby improving production costs and operational efficiency. This finding strengthens the results of previous studies conducted by [Putri, Hidayati, and Amin \(2019\)](#) and [Hermawan, Musmini, and Werastuti \(2025\)](#), which concluded that environmental accounting disclosure significantly impacts improving profitability performance (ROA/ROE) in the manufacturing sector.

### **5. Conclusions**

#### **5.1 Conclusion**

Based on the examination of secondary data and the discussion regarding the effects of green finance and green accounting on the profitability of manufacturing companies in Makassar during the 2021–2025 period, it can be concluded that Green Finance has a positive and significant effect on profitability (ROA). This finding indicates that capital allocation to sustainable and environmentally friendly projects can create long-term operational efficiency, thereby contributing to improved corporate financial performance. Furthermore, Green Accounting has a positive and significant effect on profitability (ROA). Transparency in disclosing environmental costs in corporate reports can strengthen social legitimacy and enhance investor confidence, which ultimately contributes to increased corporate net income.

#### **5.2 Research Limitations**

This study has several limitations that should be considered when interpreting the findings. First, this research is limited to manufacturing companies operating in Makassar, which may restrict the generalizability of the results to other regions or industrial sectors with different operational characteristics. Second, profitability is measured only using Return on Assets (ROA) as a proxy for financial performance, while other financial indicators, such as Return on Equity (ROE), Tobin's Q, or market-based performance measures, were not included. Third, the measurement of Green Finance and Green Accounting relies on information disclosed in corporate reports using a dummy variable approach, which may not fully capture the depth, quality, and effectiveness of companies' environmental practices. Therefore, future studies should consider broader indicators and more comprehensive measurement approaches to provide deeper insights into the relationship between sustainability practices and corporate financial performance.

#### **5.3 Suggestions and Directions for Future Research**

Future research is encouraged to expand the scope of analysis by involving manufacturing companies from different regions and other environmentally sensitive sectors, such as energy, mining, and agriculture, to improve the generalizability of the findings. Future studies should also

incorporate additional financial performance indicators, including ROE, Tobin's Q, or other market-based measures, to provide a more comprehensive evaluation of corporate performance. Furthermore, researchers are recommended to develop more detailed measurement instruments for Green Finance and Green Accounting, such as sustainability performance indices, environmental disclosure scores, or ESG-related indicators, to better assess the quality of corporate environmental commitments. Future research may also consider including moderating or mediating variables, such as environmental performance, corporate governance, or stakeholder pressure, to further explain the mechanisms through which sustainability practices influence profitability.

### Acknowledgement

The authors would like to express their sincere gratitude to all parties who have provided support and assistance throughout the research process. Special appreciation is extended to the Faculty of Economics and Business, Universitas Muhammadiyah Makassar, for providing academic support and research facilities that contributed to the completion of this study. The authors also acknowledge the valuable contributions of all institutions and companies that provided access to the secondary data required for this research. Finally, the authors would like to thank colleagues, reviewers, and all individuals who provided constructive feedback and encouragement during the preparation of this manuscript. Any remaining errors and interpretations are solely the responsibility of the authors.

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