

# Systematic Literature Review: The Influence of Green Accounting and Good Corporate Governance on Company Value with Profitability as a Mediation Variable

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## ABSTRACT

This study aims to conduct a *Systematic Literature Review* (SLR) to analyze the influence of *Green Accounting* on company value and profitability, the influence of *Good Corporate Governance* (GCG) on these two variables, and the role of profitability as a mediator in the relationship. The SLR method was used to synthesize 20 relevant articles published between 2019 to 2025 with a focus on the theory of Legitimacy, Stakeholder, and Signaling. The results show that *Green Accounting* generally has a positive effect on company value through increased environmental transparency, although inconsistencies arise in the mining sector. GCGs consistently increase the value of companies through strong oversight mechanisms, but their effectiveness is reduced in companies with concentrated ownership. These variables also have a positive impact on profitability, with *Green Accounting* improving long-term operational efficiency and GCG reducing conflicts of interest, although upfront costs may weigh on performance temporarily. Profitability acts as a partial mediator, giving investors a positive signal and increasing valuations. *Green Accounting* and GCG practices contribute significantly to corporate sustainability, especially in Indonesia, but require stricter regulatory support. Research gaps include methodological variations and a lack of focus on specific sectors, so further research is needed for better generalizations.

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## 1. INTRODUCTION

In recent years, concern for sustainability has grown and become a central focus across many sectors the modern world of business and accounting. Environmental issues such as climate change, pollution, and overexploitation of natural resources encourage the global community to demand greater responsibility from the

corporate world. Companies are now judged not only by their ability to generate profits, but also by their contribution to environmental sustainability and social welfare. This condition encourages the emergence of demands from the community and stakeholders for companies to carry out more responsible and sustainable business practices [1].

In response to sustainability issues, the concept of *Green Accounting* has begun to be adopted by many companies as part of environmental transparency and accountability. *Green Accounting* is a system that integrates costs and environmental impacts into financial reporting, thus providing a more realistic picture of the company's performance. Through the recognition of the cost of reclamation, waste treatment, and conservation activities, *Green Accounting* not only improves the quality of environmental information, but also strengthens the company's image in the eyes of the public and investors.

However, the results of previous research on the influence of *Green Accounting* on profitability and company value show inconsistent research. Several studies state that *Green Accounting* improves cost efficiency and profitability [2]. The results of the meta-analysis show that *Green Accounting* has a positive influence on the company's performance. This reinforces the findings of various studies that environmental cost management and disclosure not only serves as a form of compliance, but can also improve operational efficiency, corporate image, and stakeholder trust [3]. But other research has found that large environmental implementation costs can lower profitability and lead to less significant influences on company value [4]. The inconsistency of the results of this study shows the need for a more comprehensive systematic study.

Besides the environmental aspect, the application of Good Corporate Governance (GCG) greatly improves company performance and value. GCG aims to ensure that companies operate in a transparent, accountable, independent, and responsible manner [5]. Mechanisms such as independent commissioners, audit committees, and institutional ownership are believed to be able to increase the effectiveness of supervision, and strengthen investor confidence [6]. Several studies have also found that *Good Corporate Governance* does not always have a significant effect on company value, especially in the mining

sector which has complex ownership structures and operational characteristics [7].

Profitability is an important variable that is thought to play a mediator in the relationship. Profitability shows how well a company produces earnings and serves as an essential measure for investors when evaluating its future potential. If *Green Accounting* and GCG are able to increase operational effectiveness and governance, then profitability can increase and ultimately encourage increased company value. However, the role of profitability as a mediator has also shown mixed results in the literature.

The existence of the research gap shows the need for systematic review. Therefore, this study uses the *Systematic Literature Review* to examine and synthesize the results of previous research on the influence of *Green Accounting* and *Good Corporate Governance* on firm value with profitability positioned as the intervening factor. The SLR approach allows for a comprehensive analysis of research patterns, consistency of variable relationships, and research gaps based on relevant literature.

The research questions asked in this *systematic literature review* are: (1) How does *Green Accounting* affect company value? (2) How does *Good Corporate Governance* (GCG) affect the company's value? (3) How does *Green Accounting* affect profitability? (4) How does *Good Corporate Governance* (GCG) affect profitability? (5) What is the role of profitability as a mediator in the two relationships? (6) What are some research gaps that arise from previous literature?

This study aims to review prior research on the effects of *Green Accounting* and *Good Corporate Governance* on profitability and firm value, and to evaluate profitability's role as a mediator. The goal is to provide a clearer view of these relationships and strengthen studies in sustainability accounting and corporate governance.

## 2. LITERATURE REVIEW

### 2.1 *Green Accounting*

*Green Accounting* is one of the innovations in modern accounting practice that emerged as a response to increasing global awareness of environmental issues and sustainable development. Conceptually, *Green Accounting* is an accounting system that incorporates financial and environmental aspects into the company's decision-making, so that environmental performance can be assessed more accurately [8]. This means that green accounting does not only focus on presenting financial information that reflects economic performance alone, but also on non-financial information related to the impact of company activities on the environment.

[8] Explain that the main objective of *Green Accounting* is to provide relevant information for management in the strategic decision-making process related to the efficiency of natural resource use and environmental impact management, while increasing accountability and transparency to external stakeholders such as investors, regulators, and the public. From the external side, the implementation of *Green Accounting* is able to improve the company's reputation and image in the eyes of the public. Investors, consumers, and society are now increasingly paying attention to environmental responsibility as one of the important indicators in assessing company performance [9].

### 2.2 *Good Corporate Governance*

*Good Corporate Governance* (GCG) is a fundamental principle in managing business organizations in a transparent, responsible, and fair manner to create long-term value for

shareholders and other stakeholders. In general, GCG refers to the framework used to guide and oversee a company so that authority and accountability are balanced among management, the board of commissioners, shareholders, and all stakeholders [10]. The implementation of good corporate governance is an important factor in maintaining investor confidence, increasing operational efficiency, and encouraging long-term corporate sustainability [5].

According to the Organization for Economic Cooperation and Development [10], there are five main principles in the implementation of GCG, namely *transparency*, *accountability*, *responsibility*, *independency*, and *fairness* (reasonableness and equality). The principle of transparency requires companies to provide relevant, accurate, and timely information to stakeholders. Accountability demands that management be responsible for the decisions and performance produced. The principle of responsibility emphasizes compliance with laws and regulations as well as ethical business practices.

## 3. METHODS

This study uses *Systematic Literature Review* (SLR) to examine, identify, and synthesize the results of previous research related to *Green Accounting*, *Good Corporate Governance*, profitability, and corporate value. The SLR method was chosen because it provides a comprehensive understanding, overcomes inconsistencies in results and produces objective and replicable conclusions. The literature search is focused on articles published between 2019 and 2025 to ensure the relevance and timeliness of the data.

The article selection stage includes the identification of articles that are suitable for

keywords, filtering by title, abstract, and topic suitability, as well as feasibility assessment through full article reading by assessing the relevance of variables, scientific methods, reputable publications, and accessibility of the full text, so that 20 articles that meet the criteria for analysis are obtained. Data analysis is carried out through the extraction of important information from each article, including authors, year of publication, research variables, analysis methods, and main results, followed by grouping articles based on relationships between variables. The thematic synthesis process was carried out to identify research consistency, differences in research results, and research gaps that emerged from previous literature. The analysis in this SLR is also based on the theoretical framework of Legitimacy, Stakeholder Theory, and Signaling Theory to provide a deeper theoretical understanding of the patterns of relationships between the variables studied.

## 4. RESULTS AND DISCUSSION

### 4.1 The Influence of Green Accounting on Company Value

The influence of Green Accounting on company value is shown by a lot of literature that emphasizes that this practice can increase the transparency of environmental information. That way, the company can build legitimacy and investor trust. For example, disclosure of environmental costs such as reclamation and waste treatment can improve a company's image, ultimately driving an increase in market value [11]. These findings are in line with the research of [12], [13] which shows that Green Accounting has a positive impact on company value.

However, not all research results are uniform. Research [14] shows different results, where Green Accounting has a significant negative effect. These findings are reinforced by the research [4], which found that not all investors consider environmental aspects when valuing companies, so the relationship between Green Accounting and company value is weak. Even so, Green Accounting through cost disclosure such as reclamation not only increases transparency,

but also serves as a long-term strategy for competitive advantage, which can drive an increase in the market value of a company [11].

In theory, Legitimacy Theory explains that the disclosure of environmental information helps companies gain support from stakeholders, which is reflected in the increase in market value. Inconsistencies in results, as seen in the mining sector, suggest that investors may prioritize traditional financial indicators over environmental aspects, especially in high-risk situations.

This needs to be integrated with other financial indicators so that the impact is maximized. In Indonesia, where environmental regulations are still evolving, companies need to be encouraged through tax incentives or certification to increase the adoption of this practice, so that the value of the company can increase significantly.

### 4.2 The Influence of Good Corporate Governance on Company Value

The influence of *Good Corporate Governance* on company values through mechanisms such as independent commissioners, audit committees, and institutional ownership, which increase transparency, accountability, and reduce managerial risk. Research [15] confirms that good governance increases market value due to higher company credibility in line with [16] research that *Good Corporate Governance* has a positive and significant effect on company value.

However, this influence is not always significant, especially in companies with concentrated ownership structures, such as in the mining sector where the dominance of certain shareholders can weaken the effectiveness of supervision, as research by [7] has found. Strengthened by other research [17] shows that Good Corporate Governance has no effect on Company Value.

Strong governance mechanisms serve as a foundation for reducing information asymmetry and managerial risk, which ultimately increases the value of the company. Stakeholder Theory and Legitimacy Theory

support these findings, where transparency and accountability build investor trust.

In Indonesia, the dominance of the majority shareholders can weaken the effectiveness of GCG, so its influence is not always significant. This points to the need for structural reforms, such as increasing the proportion of independent commissioners, to ensure effective governance. The implication is that companies with good GCG tend to be more resistant to market volatility, especially in the era of digitalization where stakeholder trust is the key to sustainability.

#### **4.3 The Influence of Green Accounting on Profitability**

The influence of *Green Accounting* is generally on profitability by increasing production cost efficiency, reducing waste, and optimizing energy use [1]. *Green Accounting* proxied through environmental costs has a positive and significant effect on profitability (ROA) [18]. This means that the higher the application of environmental accounting, the higher the company's profitability.

*Green Accounting* has a significant negative effect, if the company's environmental performance is higher, the company's profit decreases, because the company needs to incur high environmental costs so that ROE decreases. Initial implementation costs, such as investments in green technologies, environmental audits, and GRI reporting, can lower short-term profitability, especially in companies with limited financial capacity [19].

*Green Accounting* is seen as an investment that provides long-term returns through operational efficiencies, although the initial costs may depress profitability temporarily. Legitimacy Theory explains that this practice builds social legitimacy, which encourages stakeholder support and increases income. However, in companies with limited financial capacity, implementation costs can be a burden, so external support such as government subsidies is required.

In Indonesia, where the industrial sector is still dominant, the adoption of *Green Accounting* can increase profitability through

the reduction of waste and energy costs, but it requires education and training for management. The practical implication is that companies need to conduct an in-depth cost-benefit analysis before implementation to avoid short-term negative impacts.

#### **4.4 The Influence of Good Corporate Governance on Profitability**

*Good Corporate Governance* (GCG) affects the company's profitability through effective risk management, strong internal controls, and reduction of conflicts of interest between management and shareholders. Wahyudin and Solikhah (2017) [6] found the positive impact of GCG on indicators such as Return on Assets (ROA), Return on Equity (ROE), and net profit margin. However, in the mining sector with the dominance of certain shareholders, GCG is not always significant due to the weak effectiveness of the supervisory board [7]. The results of a study by Al-ahdal et al. (2021)[20] the results indicate that the accountability of the board and audit committee does not meaningfully influence company performance when assessed using ROE and a market-based value rati.

The influence of GCG on profitability highlights how good governance optimizes resource allocation and reduces inefficiencies, which is supported by Agency Theory through agent-principal conflict control [21]. Positive findings on indicators such as ROA and ROE show that GCG improves internal efficiency, but in sectors with predominance of ownership, its effectiveness is reduced [22]. This implies that in Indonesia, where ownership structures are often concentrated, there needs to be regulations that encourage ownership diversification [23]. Practically, companies with strong GCGs tend to have more stable profitability, especially in the face of economic crises, so they are a priority for long-term investors [24].

#### **4.5 The Role of Profitability as a Mediator**

Profitability is often seen as the main link between Green Accounting and Good Corporate Governance practices and

company values in various studies. Some research shows that when companies start implementing consistent environmental management or improving their governance, the impact is usually seen in improved financial performance. This better performance then makes investors see the company's value higher [25].

However, these findings are not always uniform. Research by Ekawati (2023) found that profitability has not been fully effective as an intermediary. One of the reasons is that the cost of running a stricter environmental or governance program can reduce the company's profits. In line with the findings of research by [26], which explained that sustainability investments do tend to cut profits at the beginning of their implementation.

Similar results also appeared in [27] research, which revealed that profitability is not always directly proportional to the value of the company. High profits do not necessarily indicate real financial strength, because the figure can be influenced by accounting policies or may not necessarily reflect the company's ability to generate stable cash flow [28].

From a theoretical point of view, these findings are compatible with Signal Theory, which states that profitability can be a signal to investors about the future of the company [29]. In addition, Stakeholder Theory explains that companies that are good at managing the environment and its governance will more easily get support from various interested parties [30]. Therefore, profitability is often considered a key indicator that links sustainability and GCG practices to the increase in company value.

Even so, how well profitability acts as a mediator depends largely on how the company implements the practice. If the implementation is inconsistent, the impact on the company's performance and value will definitely not be maximized. Especially in Indonesia, where a company's profitability is still influenced by many external factors such as regulations, market conditions, and operational costs, a more comprehensive and planned approach is needed so that

sustainability efforts truly provide added value for the company [6], [23].

## 5. CONCLUSION

This article conducts a systematic literature review to analyze the influence of *Green Accounting* and *Good Corporate Governance* (GCG) on company value and profitability, as well as the role of profitability as a mediator in these relationships. Key findings show that *Green Accounting* generally has a positive effect on company value through increased transparency and legitimacy, although the results are inconsistent in sectors with high environmental risks such as mining. GCGs consistently increase the value of companies through strong oversight mechanisms, but their effectiveness is reduced in companies with concentrated ownership. Both variables also have a positive impact on profitability, with *Green Accounting* improving long-term operational efficiency and GCG reducing conflicts of interest, although upfront costs may weigh on profitability temporarily. Profitability acts as a partial mediator, where improved financial performance becomes a bridge to higher company value.

Theoretically, these findings support Legitimacy Theory, Stakeholder Theory, Agency Theory, and Signal Theory, suggesting that sustainability and good governance practices not only improve financial performance but also build stakeholder trust. The practical implication is that companies in Indonesia need to integrate *Green Accounting* and GCG in their business strategies to increase value and profitability, especially with the support of stricter regulations and incentives from the government. However, the study has limitations, such as methodological variation and limited focus on specific sectors, which may affect the generalization of results.

For future research, it is recommended to conduct empirical studies in Indonesia with more sophisticated analytical models, such as Structural Equation Modeling (SEM), to test the causal relationship and mediation in more depth. Follow-up research can also explore the mining sector specifically

and integrate moderation variables such as environmental regulations to provide more targeted policy recommendations. As such, this article contributes to the sustainability

accounting literature and encourages the adoption of more responsible practices for the long-term sustainability of companies.

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