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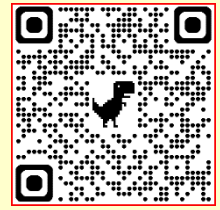
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## THE IMPACT OF DEBT FINANCING AND EQUITY FINANCING ON GREEN ACCOUNTING DISCLOSURE

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### ABSTRACT

*Green accounting has emerged as a form of corporate responsibility towards environmental issues, which is increasingly gaining attention from various stakeholders. However, several companies in the basic materials sector in Indonesia have yet to fully disclose their green accounting practices. This study aims to analyze the effect of debt financing and equity financing on green accounting disclosure in basic materials sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. This research employs a quantitative approach using secondary data. The sample was selected using purposive sampling, resulting in 141 companies that met the criteria. Data were obtained from annual reports and sustainability reports and analyzed using the Partial Least Squares (PLS) method with the assistance of SmartPLS version 3.0. The results reveal that both debt financing and equity financing have a positive influence on green accounting disclosure. These findings highlight that financing decisions affect not only the financial aspects of the firm but also contribute to more responsible reporting practices. Thus, companies may consider these insights when managing their funding strategies to align with sustainability values.*

**KEY WORDS:** Debt financing, equity financing, green accounting, sustainability accounting

### INTRODUCTION

The level of green accounting disclosure in basic materials companies plays a crucial role in demonstrating a commitment to environmental sustainability. The importance of green accounting lies in its role in helping companies understand and manage environmental risks, while also opening up opportunities for operational efficiency and sustainable innovation (Putra & Sisdiyanto, 2024). Based on data from the Indonesia Stock Exchange (IDX), the percentage of listed companies in the basic materials sector, the percentage of green accounting disclosures increased during the

2021–2023 period. In 2021, approximately 30% of companies had fully disclosed green accounting, 45% were still in the initial reporting stage, and 25% had not disclosed at all. In 2022, the number of companies disclosing green accounting increased to 34.38%, while 40.63% were still in the initial reporting stage, and 25% had not yet reported. In 2023, of the total 103 companies, 38.18% had fully disclosed green accounting, 30% were still in the reporting stage without integrating environmental aspects, and 42.73% had not yet disclosed (Indonesia Stock Exchange, 2023)

Green accounting known as environmental accounting, is an accounting system that incorporates environmental costs and benefits into financial accounting practices (Sadiku et al., 2021). So that the company spends operational costs for good and sustainable environmental management (Chang et al., 2024). Financing is one factor influencing green accounting disclosure. Companies with optimal capital structures tend to integrate sustainability principles into their accounting policies, including in the preparation and disclosure of sustainability reports (Handayani & Saputra, 2024). In the context of debt financing, highly leveraged companies often face pressure from creditors to increase transparency and accountability in financial reporting, including in environmental reporting (Wahyuni et al., 2024). While equity financing also plays a significant role in green accounting disclosures, equity investors are increasingly considering environmental, social, and governance (ESG) factors in their investment decisions (Nurrohmah et al., 2025). Companies with strong institutional ownership, representing large equity investors, tend to be more transparent in disclosing environmental information. This reflects pressure from equity shareholders to improve sustainability practices (Tambunan & Wahyuliza, 2025).

Research conducted (Saragih, 2024) examined the relationship between debt financing types and green accounting disclosures, where the research results showed that debt-based financing had a negative impact on the quality of environmental disclosures. In the context of capital structure (Ramadhania & Sugara, 2025) found that a high proportion of debt in corporate financing negatively impacts financial performance, which can indirectly reduce the company's attention to environmental reporting. Similar results were also found by (Chang et al., 2024), which states that dependence on debt financing has a significant negative impact on the level of green accounting disclosure.

Research by (Aprilia, 2025) This study shows that companies that use equity are more committed to social and environmental responsibility, which has positive implications for green accounting disclosure. Companies supported by equity financing tend to have higher levels of green accounting disclosure than companies that use more debt (Rahmadhani et al., 2024). Companies with good environmental policies have an incentive to improve environmental reporting to maintain creditor confidence (Aulia et al., 2023). Although these studies have made important contributions, there is still limited research that simultaneously examines the influence of debt and equity financing decisions on green accounting disclosures, particularly in basic materials sector companies in Indonesia.

Building on previous research, this study aims to provide a more in-depth analysis of debt and equity financing, which influence green accounting disclosures in basic materials companies listed on the Indonesia Stock Exchange (IDX) for the 2021-2023 period. It also aims to identify the extent to which financing can contribute to improving corporate transparency and accountability in environmental reporting.

Based on the background above, the questions in this research are as follows:

**RQ1:** How does debt financing affect green accounting disclosure in basic materials sector companies in Indonesia?

**RQ2:** How does equity financing affect green accounting disclosure in basic materials sector companies in Indonesia?

## RESEARCH METHODS

Method This study uses a quantitative descriptive approach. The data

used in this study is secondary data obtained from basic materials manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2021-2023. The population in this study was 290 companies. The sampling technique used purposive sampling. 47 companies were found that met the research sample criteria with 3 periods, resulting in a total of 141 research data. The variables used in this study were debt financing (X1), equity financing (X2), and green accounting disclosure (Y). Data analysis was conducted using SmartPLS version 3.0 with a focus on measurement model analysis (outer model), structural model evaluation (inner model), and hypothesis testing to see the direct influence between variables.

## RESEARCH RESULTS

### Descriptive Statistical Analysis

Table 1. Descriptive Statistical Analysis

	Debt Financing	Equity Financing	Green Accounting
Obs	141	141	141
Mean	0.37	0.623	0.738
Std. Dev	0.239	0.239	0.44
Min	0.01	0.15	0
Max	0.85	0.99	1

Source: Processed by SEM PLS, 2025

Based on descriptive analysis of 141 data, it is known that the average debt financing is 0.37 and equity financing is 0.623, indicating that companies tend to rely more on equity than debt. These two variables have the same level of variation, with a standard deviation of 0.239. The range of debt financing is between 0.01 and 0.85, while equity financing ranges from 0.15 to 0.99. Meanwhile, the green accounting variable has the highest average of 0.738 with a standard deviation of 0.44, indicating that the implementation of green accounting is quite high but still varies, with a minimum value of 0 and a maximum of 1.

### Analysis Outer Model

Outer model used to evaluate the relationship between latent constructs and their measurement indicators. Evaluation is conducted to ensure that each indicator adequately represents the construct, both in terms of validity and reliability. In this study, convergent validity, average variance extracted (AVE), and reliability were tested using composite reliability and Cronbach's Alpha.

### Covergent Validity Test

The Coverage Validity test aims to determine whether the indicator scores for each variable have a good relationship, or in other words, a high score. An indicator is considered valid if the factor loading value is greater than 0.70.

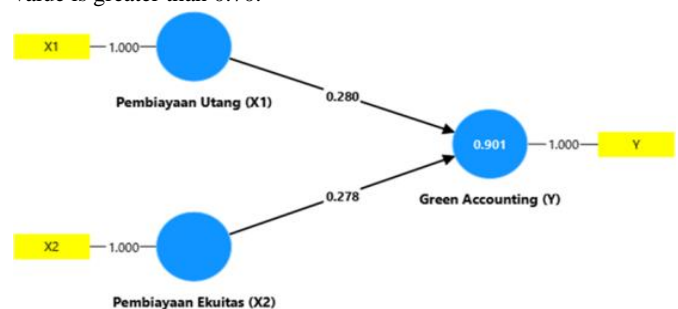


Figure 1. Research Results Model

Source: Processed by SEM PLS, 2025

The results of the study using PLS-SEM show that both debt financing and equity financing have a positive effect on green accounting disclosure, with path coefficients of 0.280 and 0.278, respectively.

**Average Variance Extracted (AVE)**

Each construct's validity was tested using the Average Variance Extracted (AVE) test. A construct is declared valid if the AVE value is greater than 0.50. All evidence clearly demonstrates that the latent variables included in this study accurately represent the indicators.

Table 2. Average Variance Extracted(AVE)

	Average Variance Extracted(AVE)
Equity Financing	1,000
Debt Financing	1,000
Green Accounting Disclosure	1,000

Source: Processed by SEM PLS, 2025

From the table above, the good AVE values for Equity Financing (1000>0.50), and Debt Financing (1000>0.50), so it can be concluded that the AVE values for each construct are good.

**Composite Reliability and Cronbach's Alpha**

Composite Reliability and Cronbach's Alpha tests were conducted to assess the construct's reliability as indicated by the indicator blocks. A construct is considered reliable if both the Cronbach's Alpha and Composite Reliability values exceed 0.70.

Table 3. Composite Reliability and Cronbach's Alpha

	Cronbach's Alpha	Composite Reliability
Equity Financing	1,000	1,000
Debt Financing	1,000	1,000
Green Accounting Disclosure	1,000	1,000

Source: Processed by SEM PLS, 2025

**Analysis Inner Model**

Inner model used to analyze the structural relationships between latent constructs in the research model, namely to determine the effect of debt financing and equity financing on green accounting disclosure. Testing is carried out using the R-square value and hypothesis testing.

**R-Square**

R-Square used to determine the extent of influence of the independent variable on the dependent variable. A good R2 value is 0.75, a moderate R2 value is 0.50, and a weak R2 value is 0.25.

Table 4. R-Square

	R-square	R-square adjusted
Green Accounting(Y)	0.901	0.900

Source: Processed by SEM PLS, 2025

From the table above it can be seen that the R-square value of 0.901 indicates that 90.1% of the Green Accounting variable can be explained by the independent variables in the model. The adjusted R-square value of 0.900 indicates good adjustment to the number of

independent variables, so the model is considered robust and does not experience overfitting.

**Hypothesis Testing**

To analyze the effect of debt financing and equity financing on green accounting disclosure, a partial significance test was conducted. The t-statistic was used to assess the hypothesis at a 5% significance level, with a critical limit of 1.96. The hypothesis was accepted if the t-statistic value was >1.96. Furthermore, the alternative hypothesis (Ha) was also accepted if the p-value was <0.05.

Table 5. Partial Significance Testing

	Original sample (O)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values
Debt Financing (X1) -> Green Accounting (Y)	0.280	0.015	18,786	0,000
Equity Financing (X2) -> Green Accounting (Y)	0.278	0.017	16,084	0,000

Source: Processed by SEM PLS, 2025

Based on the results of partial significance testing The results showed that debt financing had a significant positive effect on green accounting with a t-statistic of 18.786 and a p-value of 0.000. Similarly, equity financing also had a positive effect on green accounting with a coefficient of 16.084 and a p-value of 0.000, indicating significance at the 95% confidence level. Therefore, all hypotheses in the study were accepted.

**DISCUSSION**

**The Effect of Debt Financing on Green Accounting Disclosure**

The results of the study show that debt financing has a positive effect on green accounting disclosure. Increasing the proportion of debt used by companies encourages management to be more transparent in disclosing environmental activities to maintain creditor confidence. Transparency in green accounting reporting is one way to demonstrate that a company is socially and environmentally responsible and has the capacity to manage external risks associated with debt financing. According to research (Wulandari et al., 2025) states that leverage has a positive effect on carbon emission disclosure. This means that the higher a company's debt level, the more likely it is to disclose information related to carbon emissions. (Fadmaulida & Putra, 2024) This study demonstrates that leverage not only increases ESG disclosure but also improves company value. This suggests that when investors, especially institutional equity holders, demand ESG transparency, companies are more motivated to disclose green accounting in detail and strategically. Meanwhile, (Febriawaningsih et al., 2024) In his research on the mining sector in Indonesia, he found that leverage has a positive influence on sustainability report disclosure. This research finding differs from the findings of (Saragih, 2024) which shows that debt-based financing actually has a negative impact on the quality of environmental disclosure. These differences in results may be due to differences in sectors, research periods, and capital market conditions that influence companies' environmental reporting

policies. Thus, this study supports the view that debt financing has a significant effect on green accounting disclosure, mainly due to pressure from creditors to increase transparency.

### The Effect of Equity Financing on Green Accounting Disclosure

Equity financing also has a positive effect on green accounting disclosure. The greater a company's equity financing, the more likely management is to disclose environmental information in greater detail and strategically. Investor demands for accountability and sustainability are forcing companies to adjust their reporting policies to align with modern capital market expectations that emphasize long-term value and corporate reputation (Almaqtari et al., 2024) shows that companies with equity-based financing structures are more open in disclosing environmental information due to pressure from investors who are increasingly paying attention to ESG factors. This result is also supported by (Fathia & Sulfitri, 2023) who found that companies that rely more on equity financing tend to have higher levels of green accounting disclosure because shareholders demand better sustainability policies. Equity-based financing has a significant positive effect on green accounting disclosure, indicating that funding from shareholders encourages companies to clarify environmental policies and sustainability practices (Saragih, 2024). However, companies remain motivated to implement sustainable practices to maintain investor confidence and a positive corporate image.

## CONCLUSION AND SUGESTIONS

This study shows that both debt and equity financing have a positive influence on the level of green accounting disclosure in basic materials companies in Indonesia. Companies that obtain debt financing tend to be encouraged to disclose environmental information to meet creditors' transparency demands. Meanwhile, companies with a greater proportion of equity financing show a stronger tendency to adopt environmental reporting practices, as investors' attention to sustainability and corporate social responsibility increases. These results confirm that financing structure plays a role not only in financial decisions but also impacts a company's sustainability communication strategy. Future research is recommended to consider other variables that may influence green accounting disclosure, such as industrial policies, managerial factors, and corporate governance.

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