Green Accounting, Leverage, and Cash Holding: Key Factors in Determining Firm Value

Dini Wahjoe Hapsari[1,*], Renaldy Febiana[1], Muna Norkhairunnisak Ustadi[2]

[1]*Accounting Department, Faculty Economic and Business, Telkom University, Jl. Telekomunikasi No.1, Bandung, Jawa Barat, Indonesia*
[2]*Department of Management, Universiti Kuala Lumpur Business School, 143, Jalan Raja Muda Abdul Aziz, Kuala Lumpur, Malaysia*
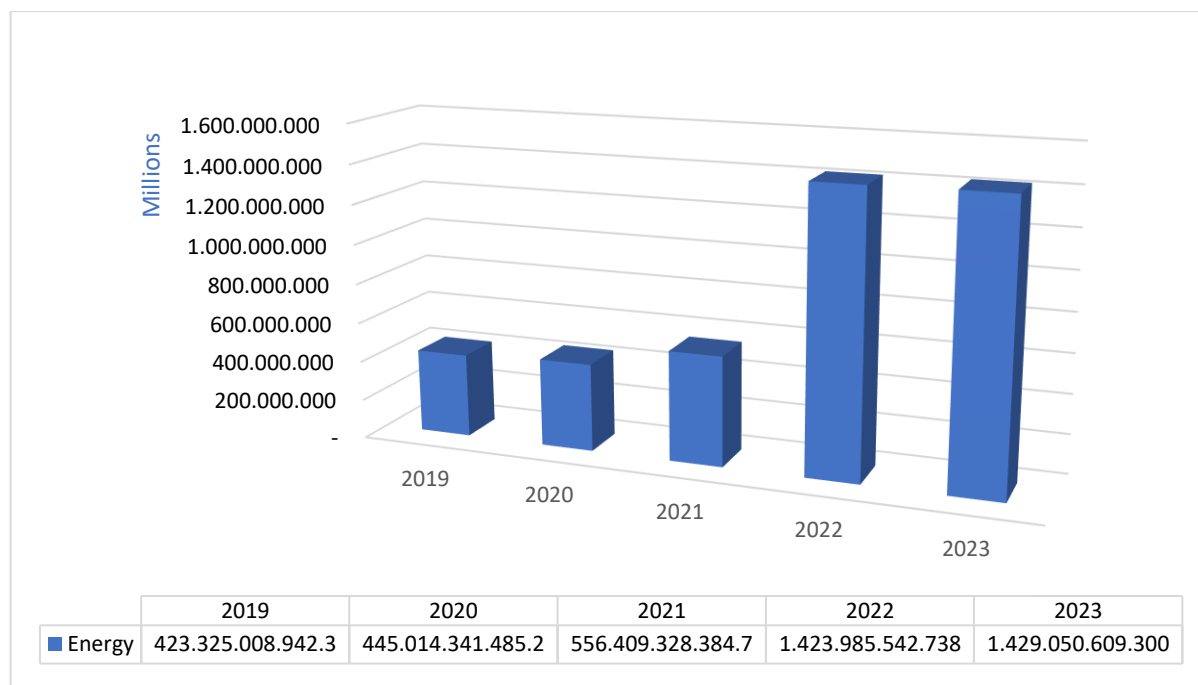*dinihapsari@telkomuniversity.ac.id

Abstract
The impact of green accounting, leverage, and cash holding on firm value in the Indonesian energy sector, particularly how these factors interact and influence both environmental and financial outcomes, remains underexplored. This study aims to bridge this gap by examining the effects of green accounting, leverage, and cash holding on firm value, thus providing valuable insights that could influence investor decisions. Utilizing a purposive sampling method, this research analyzes data from 75 companies within the sector. The findings reveal that maintaining optimal cash holdings is crucial, as it can maximize company profits and enhance firm value. Conversely, the implementation of green accounting varies significantly across companies in the energy sector, which means it does not consistently impact firm value in a significant way. This suggests that while green accounting practices are gaining traction for their potential environmental benefits, their direct influence on financial valuation is not uniformly perceived. Furthermore, leverage, as measured by the debt-to-equity ratio, shows that the use of external funding does not significantly affect investors' perceptions of firm value.

Keywords: green accounting; leverage; cash holding; firm value

INTRODUCTION

The energy sector is engaged in the provision of energy in the form of products and services related to the extraction of energy, which includes renewable and non-renewable energy. The revenues of companies in this sector are highly influenced by the global prices of energy commodities, such as oil, natural gas, coal, as well as companies that provide services supporting the industry. The energy industry plays an important role in driving economic growth in Indonesia.

|	2019	2020	2021	2022	2023
■ Energy	423.325.008.942.3	445.014.341.485.2	556.409.328.384.7	1.423.985.542.738	1.429.050.609.300

Source: IDX, processed by author (2024)

Figure 1. Market Capitalization of Energy Companies

The growth of companies in this sector is quite rapid, which can be seen from the increasing number of companies conducting Initial Public Offering (IPO). This number of IPOs can have a significant impact on the market. The development of market capitalisation of energy companies listed on the Indonesia Stock Exchange in the period 2019-2023 can be seen in Figure 1.

Figure 1 shows the significant increase in market capitalization of the energy sector over the period 2019-2023. In 2020, there was a 5.1% increase, followed by a 25% increase in 2021. The year 2022 recorded the highest increase of 155%, and in 2023 the market capitalization rose again by 0.4%. The energy sector showed the most significant increase in 2022.

(Wikanto, 2022). Valdy Kurniawan, Head of Research at Phintraco Sekuritas, stated that the strengthening was due to the potential for performance growth in 2022 along with soaring prices of energy commodities such as coal and kerosene. Cheril Tanuwijaya, Head of Research at Jasa Utama Capital Sekuritas, said that the growth in market capitalization was supported by the increasing number of companies listed on the Indonesia Stock Exchange (Dewi, 2022).

The increase in market capitalization value is a positive signal for investors that the company is in good condition and has promising growth prospects, which is closely
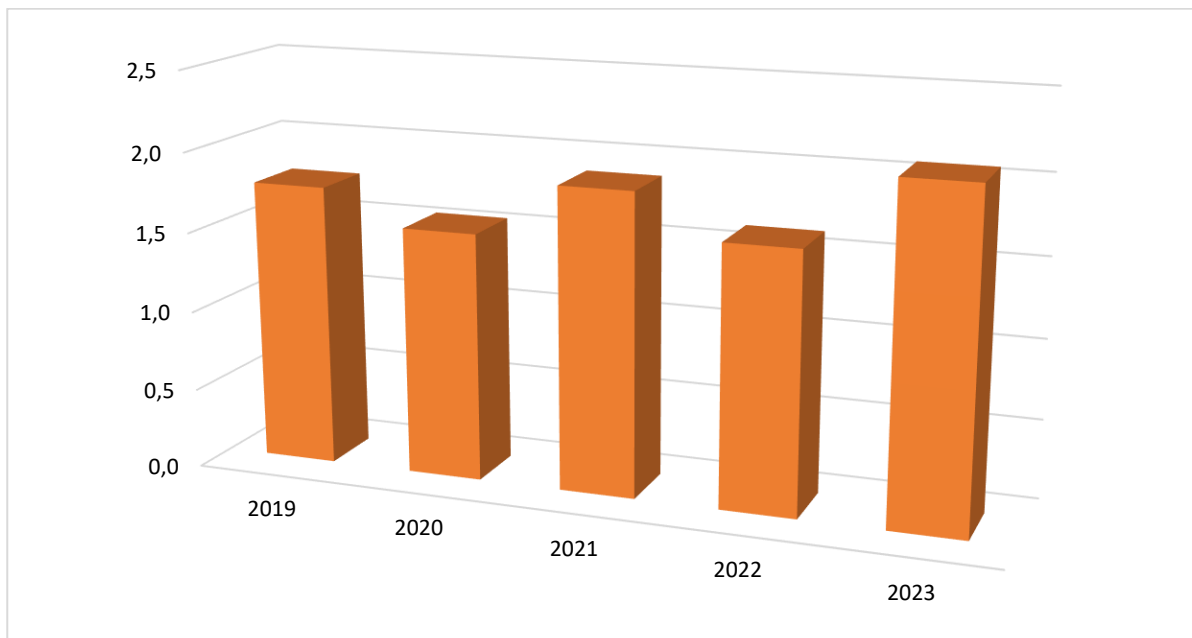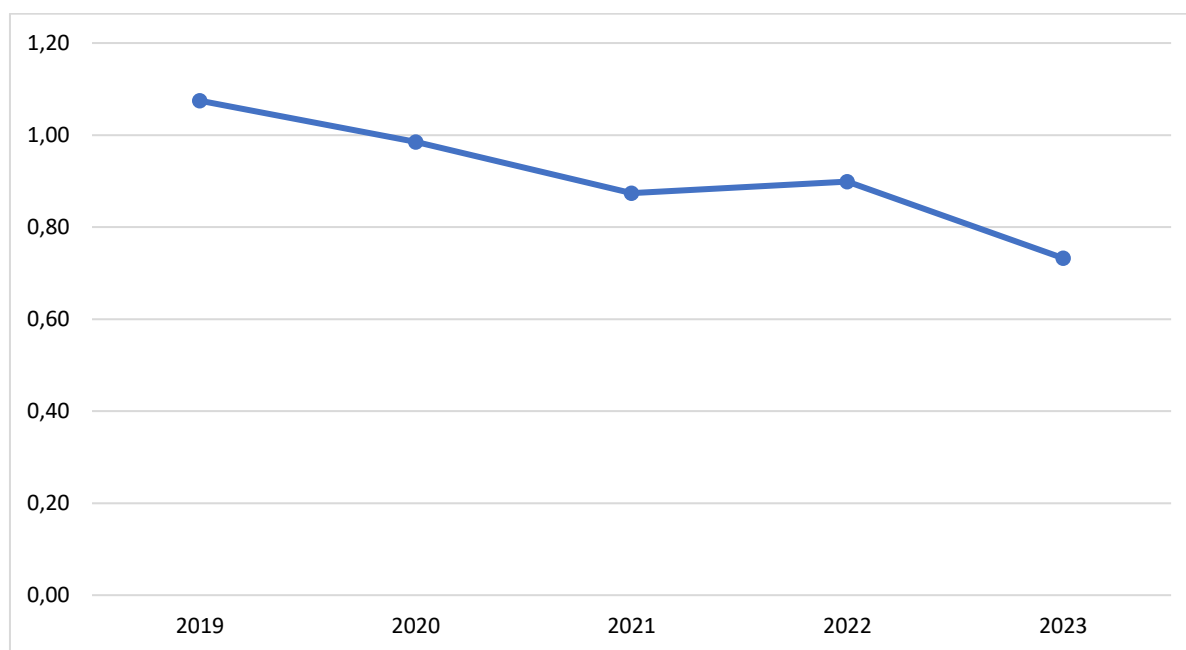
Source: IDX, processed by author (2024)

Figure 2. Firm Value of Sector Energy for 2019-2023

correlated with an increase in overall company value (Brigham & Houston, 2010). According to Prasetya and Musdholifah (2020), measuring company value can be done by looking at the company's stock market price, because the stock market price can reflect investors' views on the company's equity and can be used as a measure of the overall performance of a company.

This study uses Tobin's Q indicator to calculate firm value. The Tobin's Q ratio, developed by James Tobin, shows the relationship between market valuation and intrinsic value (Hayes, 2024). Tobin's Q Ratio is a ratio that is measured by adding up the market value of the company's shares and total debt, then dividing it by the company's total assets. A Tobin's Q value above 1 indicates that the company's stock price is high, indicating that the market assesses the company's condition as good, while a value below 1 indicates a low stock price, reflecting an unfavorable market assessment of the company's condition. The condition of the company using Tobin's Q of energy sector companies can be seen in Figure 2.

In general, the average valuation of companies in the energy sector is strong, with most being fairly valued or even overvalued. However, PT PGN stands out as an undervalued company or one with a weaker

Figure 3. PGN Undervalued Score for 2019-2023

valuation. The valuation data for PT PGN from 2019 to 2023 is shown in Figure 3.

PGN is still in an overvalued condition in 2019, which is then undervalued until 2023. PGN's company value for five years is on average relatively cheap (undervalued). This indicates that the company is poorly valued by the market. The decline in PGN's company value is due to force majeure conditions being experienced by the company and the low selling price of energy commodities.

Shares of the state-owned gas company, PGN, are experiencing force majeure conditions related to the implementation of the master liquified natural gas (LNG) sale and purchase agreement and confirmation notice (CN) with Gunvor Singapore Ltd as the buyer in 2023 (Adventy, 2023).

PGN shares experienced a significant decline of 36.36%, with the company's market capitalization of IDR 27.27 trillion. According to DBS Group Analyst, William Simadiputra, the force majeure that happened to PGN could prevent the company from expanding into the LNG business. Felix Darmawan an analyst at Panin Sekuritas stated that the force majeure conditions experienced by the company had a negative impact on the company's financial performance (Laoli, 2023). PGN made a provision of US\$ 4.4 million in the first nine

months of 2023. This affected the negative response from the market, although by a less significant amount.

Based on the description related to market price as a determinant of firm value is an interesting topic, especially in the energy sector. This study will examine how green accounting, leverage, and cash holding affect firm value.

Green accounting is an integrated process involving the measurement and recognition of the value, recording, summarizing, reporting, and disclosing of financial, social, and environmental objects, transactions, and events in the accounting process. The goal is to produce comprehensive, integrated, and relevant accounting information for financial, social, and environmental aspects, thereby providing benefits for all parties involved in economic and non-economic decision-making (Lako, 2018). The measurement of green accounting is based on a coverage percentage derived from 25 keywords formulated from the GRI 300 standard (Gola et al., 2022; Fernando et al., 2024).

Research by Margie and Melinda (2024), Nugroho (2023), Gantino et al. (2023), Astari et al. (2023), and Anggita et al. (2022) suggests that green accounting indicates a company's environmental concern, which can enhance the company's image. Companies implementing green accounting may gain investor confidence, leading to an increase in share value and overall company value. In contrast, Susilawati et al. (2024) and Fernando et al. (2024) argue that green accounting does not significantly impact firm value. Although the implementation of green accounting can improve a company's reputation, its application has not been uniformly or clearly executed across all companies. This indicates that the use of green accounting is not yet optimal in evaluating firm value.

Leverage is a measure of a company's ability to pay off its debts with the capital it has (Widyastuti et al., 2022). According to Prasetya and Musdholifah (2020), leverage refers to the use of debt for financing in companies, which, if managed properly, can increase company value due to tax benefits. Proper use of debt can prevent managers from utilizing excessive cash for activities that do not enhance company value. Research by Uddin et al. (2022) and Widyastuti et al. (2022) shows that companies optimizing capital from debt can increase profits, which in turn boosts investor confidence and company value. Conversely, Prasetya and Musdholifah (2020) and Ifada et al. (2020) argue that investors do not

focus heavily on the size of corporate debt but rather on the effective and efficient use of funds to enhance firm value.

Cash holding refers to the cash held by a company to carry out its activities (Ginglinger & Saddour, 2008; Firmansyah et al., 2020). Companies maintain cash for various purposes, including minimizing transaction costs when obtaining capital, preventing asset sales, meeting payment obligations, and ensuring the ability to seize investment opportunities (Ha & Tai, 2017; Priyono & Suzan, 2023). Optimal cash holding directly enhances a company's operations and investments, thereby maximizing its overall value. Research by Jaradat et al. (2021) and Ifada et al. (2020) indicates that companies with higher cash holdings can better optimize their activities, which benefits the company and increases its value. However, this finding contrasts with the research by Habib et al. (2021) and Firmansyah et al. (2020), which suggests that a large amount of cash, when managed improperly, may not align with investor interests and could reduce investor attraction. Additionally, Priyono and Suzan (2023) argue that high cash holdings do not impact firm value because they are not an effective measure of creditor and investor confidence.

The energy sector faces significant environmental challenges, which have become a critical concern in investment decision-making. The implementation of green accounting provides transparency regarding the environmental impacts of a company, thereby enhancing investor trust and interest. Additionally, leverage reflects the financial risks faced by the company, while cash holding indicates the company's ability to meet short-term obligations and finance future projects. The combination of these three factors—green accounting, leverage, and cash holding—offers a comprehensive understanding of the company's efforts to enhance firm value, making this study highly relevant for stakeholders and investors, and represents the novelty of the research.

The objective of this research is to analyze the influence of green accounting, leverage, and cash holding on firm value, particularly in energy sector companies, and to provide insights into how these factors can be optimized to attract investors and ensure sustainable growth.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT
Signalling Theory

Signaling theory represents a strategic approach used by companies

to convey information to investors about management's views on the company's future performance prospects (Brigham & Houston, 2010). According to this theory, high-quality companies emit positive signals to the market, which helps distinguish them from lower-quality ones (Widyastuti et al., 2022). The information shared with investors is deemed essential as it provides insights into the company's past, present, and expected future performance (Khasanah, 2019).

Firm Value

Stock price serves as an indicator of a company's value; a higher stock price means greater returns for investors, which can attract more investor interest in the company's shares and enhance its market worth (Gantino et al., 2023). The overall value of a company reflects the quality of its performance (Anggita et al., 2022). Companies with good performance will increase their value, whereas companies with poor performance will decrease their value.

The indicator for measuring company value is Tobin's Q, which is calculated by summing the market value of the company's shares and its liabilities, then comparing this total to the company's assets. A Tobin's Q ratio above 1 indicates that the company is considered overvalued by the market,

suggesting a positive evaluation. Conversely, a Tobin's Q ratio below 1 indicates that the company is considered undervalued by the market, suggesting a less favorable evaluation.

Green Accounting

Green accounting is an accounting concept that represents efforts to incorporate environmental and social benefits into economic decision-making through sustainability reports (Sukmadilaga et al., 2023). The application of green accounting can yield relevant information related to environmental management, and if managed well by companies, it can enhance their profitability (Gantino et al., 2023).

In this study, green accounting measurement uses a coverage percentage tool based on 25 keywords formulated from the GRI 300 standards (Gola et al., 2022; Fernando et al., 2024). The following are the 25 keywords formulated from the GRI 300 standards as presented in Table 1.

Table 1 shows the 25 keywords formulated from the GRI 300 standards related to environmental impact. The greater the number of keywords disclosed, the higher the level of green accounting disclosure by the company. The calculation of word count or frequency in the

Table 1. Keywords Based on GRI Standards 300

Sustainable	Plastic	Carbon Footprint	Ecology
Community	Water Conservation	Environment Friendly	Species
Renewable	Ecosystem	Environmental Impact	Pollutants
Pollution	Waste Management	Air Quality	Waterbodies
Protected Area	Recycled Material	Biodiversity	Energy Conservation
Environmental Cost	Natural Resources Plantation	Carbon Emissions	Non-renewable

Source: Gola et al. (2022); Fernando et al. (2024)

sustainability reports of energy sector companies listed on the Indonesia Stock Exchange for the period 2019-2023 was conducted using NVIVO software (Fernando et al., 2024).

Leverage

According to Prasetya & Musdholifah (2020), leverage refers to the proportion of a company's financing that comes from debt, which can provide tax savings and potentially benefit the company. Strategic planning is essential for managing the use of debt as a funding source to achieve corporate gains. However, if a company fails to manage its debt effectively, it may face challenges in meeting its debt obligations and interest payments.

Cash Holding

Cash holding refers to the amount of cash a company keeps on hand to fund and operate its various activities. According to Hapsari & Norris (2022), cash holding reflects a company's financial strategy, business

plans, macroeconomic environment, and corporate governance. It is considered a highly liquid asset compared to other asset components within total assets.

Having a large amount of cash allows managers greater control over assets and investment decisions (Jensen, 1986). Companies with substantial cash reserves can enhance financial flexibility and better prepare for unexpected changes (Jaradat et al., 2021).

Green Accounting and Firm Value

Green accounting is represented through the GRI 300 standards using the Coverage Percentage; a higher frequency of disclosed keywords sends a positive signal to investors when evaluating a company's stock. Implementing green accounting can provide relevant information about environmental management and is valuable for decision-making (Gantino et al., 2023). Investors view companies that effectively manage their environmental impact as being

environmentally responsible. The higher the implementation of green accounting, the more it influences investor decision-making, which ultimately can increase the firm value.

In line with this, research by Margie and Melinda (2024), Nugroho (2023), Gantino et al. (2023), Astari et al. (2023), and Anggita et al. (2022) indicates that green accounting has a positive and significant impact on company value. Therefore, it can be concluded that the more a company is responsible for the environment, the more it enhances a positive perception of the company. A high level of green accounting implementation in a company builds investor trust, which can increase the company's market value.

H_1: Green Accounting positively affects Firm Value

Leverage and Firm Value

Leverage represents the use of debt by a company to achieve its goal of maximizing profits by increasing its operational activities. A company that optimally utilizes its debt as a source of funding to conduct its operations will boost its profits (Widyastuti et al., 2022). An increase in profits sends a positive signal to investors, as the company is seen as profitable and capable of providing returns to its investors, which in turn positively

impacts the firm value. According to Prasetya & Musdholifah (2020), using debt as a source of funding can also benefit a company by reducing tax costs. A company that optimizes its use of debt enhances its value due to tax savings on interest expenses (Uddin et al., 2022).

Similarly, studies by Uddin et al. (2022) and Widyastuti et al. (2022) show that leverage has a positive impact on company value. Therefore, it can be concluded that the more optimally a company uses its debt, the higher its value will be due to increased profitability and tax savings.

H_2: Leverage positively affects Firm Value

Cash Holding and Firm Value

Cash holding is the most liquid asset a company possesses and can be used to support its operational activities (Hapsari & Norris, 2022). The level of cash holdings varies between companies, depending on their conditions and needs. This becomes crucial if not optimized properly in determining the cash holding amount. Cash holding can be utilized by a company for operational purposes to increase its profits. Companies that manage their cash holdings effectively can enhance their productivity, as good cash management acts as a positive signal to investors. This

indicates that an optimal level of cash holdings can increase company's overall worth.

Consistent with this, studies by Jaradat et al. (2021) and Ifada et al. (2020) have shown that cash holding has a positive impact on company value. Therefore, it can be concluded that having a large amount of cash allows a company to optimize its operational activities and increase its profitability. An optimal level of cash holdings indicates that a company manages its cash very well, which in turn can enhance the firm value.

H$_3$: Leverage positively affects Firm Value

METHOD

Research Data

The type of data used in this research is secondary data, obtained from the Annual Reports and Sustainability Reports published by energy sector companies listed on the IDX (Indonesia Stock Exchange) over the period from 2019 to 2023. Given the amount of data and the time period involved, this study employs both cross-sectional and time-series data, which results in the use of panel data.

Population and Sample

The research population includes all energy sector companies that conducted an IPO during the period from 2019 to 2023. The sample was determined using purposive sampling. The sample criteria are: (1) energy sector companies consistently listed on the IDX from 2019 to 2023; (2) companies that published annual reports and sustainability reports throughout the study period. Based on these sampling criteria, the total research sample consists of 75 observations, which include 15 companies over 5 years.

Measurement Variable

Green accounting measurement uses a coverage percentage tool based on 25 keywords formulated from the GRI 300 standards (Gola et al., 2022; Fernando et al., 2024). The formula for calculating the coverage percentage is as follows (Gola et al., 2022; Fernando et al., 2024):

$$Coverage\ Percentage = \frac{Total\ Frekuensi}{Total\ Seluruh\ Frekuensi}$$

Leverage is measured using the Debt to Equity Ratio (DER), which compares a company's total debt to its total equity. This ratio helps gauge the extent to which a company covers its obligations, including both short-term and long-term debt (Widyastuti et al., 2022). According to Uddin et al. (2022), the formula for calculating leverage using the DER ratio is as follows:

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Debt}{Total\ Equity}$$

Cash holding is calculated by adding cash and cash equivalents and then dividing by the company's total assets.

$$Cash\ Holding = \frac{Cash\ and\ cash\ equivalents}{Total\ Assets}$$

Firm value is measured using the Tobins Q formula

$$Q = \frac{Market\ Value\ of\ Equity + Debt}{Total\ Assets}$$

Data Analysis Technique

The first step involves conducting descriptive statistics by calculating the mean, standard deviation, maximum, and minimum. These measurements are used to assess data distribution and describe the state of green accounting, leverage, cash holding, and firm value during the research period.

The second step is to examine the impact of green accounting, leverage, and cash holding on firm value using Panel Data Regression Analysis. Before performing any regression analysis, a classical assumption test is conducted to ensure that the data is suitable for regression testing. The classical assumptions tested include the Multicollinearity Test and the Heteroskedasticity Test.

After passing the classical assumption tests, an appropriate panel data model is determined for statistical testing. The testing involves the Chow Test to decide whether to use the Common Effect Model (CEM) or the Fixed Effect Model (FEM), and the Hausman Test to choose between the Random Effect Model (REM) and FEM. If the results of the Chow and Hausman Tests differ, the Lagrange Multiplier Test is performed to determine whether to use the CEM or REM model.

Once the appropriate model is selected, an F-Test is conducted to examine the simultaneous effects, by reviewing the adjusted R^2 value to measure the strength of the impact, and a t-Test is performed to assess the partial effects of green accounting, leverage, and cash holding on firm value.

RESULTS AND DISCUSSION
Statistic Descriptive

Descriptive statistics are used to describe green accounting, leverage, cash holding, and firm value of energy sector companies during the period from 2019 to 2023.

Table 2 presents the descriptive statistics, including the mean, maximum, minimum, and standard deviation. The mean score for Firm Value indicates that energy sector companies are considered to have poor performance, as they have a value below 1 (undervalued). The maximum value is 1.7877, which suggests that

Tabel 2. Statistic Descriptive

	Firm Value	Green Accounting	Leverage	Cash Holding
Mean	0,9878	0,0133	1,470	0,1698
Maximum	1,7877	0,0445	24,8489	0,6003
Minimum	0,4630	0,0002	0,0504	0,0101
Std. Dev.	0,2837	0,0098	3,0175	0,1383
Total Observations	75	75	75	75

Source: data processed, 2024

the market price is high (overvalued). The minimum firm value of 0.4630 indicates that the energy sector company with the lowest value is relatively cheap (undervalued), meaning its market value is lower than the company's assets.

Green accounting, measured using the Coverage Percentage, has a mean score of 0.0133, indicating that energy sector companies have not widely disclosed green accounting using the keywords formulated according to the GRI 300 standards. The maximum value for green accounting is 0.0445, which means that energy sector companies demonstrate concern for the environmental impact caused by their operational activities. The minimum value for green accounting is 0.0002, indicating that the energy sector company with the lowest value has not extensively applied green accounting in its sustainability reports.

The mean score of leverage suggests that energy sector companies are optimizing external funding sources, specifically the use of debt, to finance their activities. The maximum

leverage value of 24.8489 indicates that energy sector companies heavily rely on debt compared to equity in their funding strategies. The minimum leverage value of 0.0504 implies that energy sector companies have a low level of debt usage compared to equity in their funding sources.

Cash holding has a mean score of 0.1698, showing that energy sector companies have effectively optimized their cash reserves to finance their operations. The maximum cash holding value of 0.6003 indicates that the energy sector company with the highest value has a very optimal proportion of cash relative to its total assets. The minimum cash holding value of 0.0101 suggests that the company has not optimized its cash reserves relative to its total assets.

Classical Assumption Test

The multicollinearity test is conducted to determine whether there is any correlation between the independent variables in the regression model. The test results show that the correlation values between variables are below 0.90,

indicating that there is no multicollinearity in this study.

The heteroskedasticity test aims to identify whether there is unequal variance in the residuals from one observation to another in the regression model. The results of the heteroskedasticity test in this study show probability values above 0.05 for each variable, indicating that there is no heteroskedasticity present in this study.

Panel Data Selection

The results of the Chow test show a probability value of 0.0000, which is less than 0.05, indicating that the appropriate regression model is the Fixed Effect Model. However, the Hausman test results show a probability value of 0.2814, which is greater than 0.05, suggesting that the Random Effect Model is more suitable. Since the regression model results from the Chow test and the Hausman test are different, the researcher proceeded with the Lagrange Multiplier test, which shows a probability value of 0.0000, less than 0.05, indicating that the Random Effect Model should be used. Therefore, the panel data regression model selected for this study is the Random Effect Model (REM).

Hypothesis Testing

At this stage, the results of the simultaneous test, the coefficient of determination, and the partial test of the Random Effect Model (REM) will be examined in the Table 3.

The F-test results indicate a probability value of 0.019372, which is less than 0.05, suggesting that green accounting, leverage, and cash holding collectively have a significant impact on firm value. The R^2 value of 0.0926 (or 9.26%) shows that these factors account for 9.26% of the firm value, while the remaining 90.74% is influenced by other variables not covered in this study. Partial test results reveal that green accounting has a probability value of 0.7984, exceeding 0.05, which implies it does not significantly affect firm value. Similarly, leverage, with a probability value of 0.9808, also does not significantly impact firm value. In contrast, cash holding has a probability value of 0.0017, below 0.05, and a coefficient of 0.591507, indicating a significant positive effect.

Discussion

Green Accounting and Firm Value

The study examines the relationship between green accounting and firm value, revealing that the impact of green accounting on firm valuation is negligible due to

Table 3. Random Effect Model

Sample: 2019 2023
Periods included: 5
Cross-sections included: 15
Total panel (balanced) observations: 75
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.895646	0.078928	11.34770	0.0000
GA	-0.640244	2.497842	-0.256319	0.7984
LEV	0.000167	0.006924	0.024155	0.9808
CH	0.591507	0.181544	3.258206	0.0017

Effects Specification			S.D.	Rho
Cross-section random			0.233006	0.7423
Idiosyncratic random			0.137305	0.2577

Weighted Statistics				
R-squared	0.129405	Mean dependent var		0.251724
Adjusted R-squared	0.092620	S.D. dependent var		0.144974
S.E. of regression	0.138098	Sum squared resid		1.354037
F-statistic	3.517819	Durbin-Watson stat		1.560733
Prob(F-statistic)	0.019372			

Unweighted Statistics				
R-squared	0.113946	Mean dependent var		0.987802
Sum squared resid	5.280823	Durbin-Watson stat		0.400182

Source: data processed (2024)

inconsistent levels of disclosure among companies. While energy sector firms are transitioning toward compliance with GRI 300 standards, designed to enhance transparency in reporting environmental impacts, the clarity and optimality of these disclosures remain suboptimal. Consequently, green accounting has not yet become a reliable metric for assessing a company's stock value.

Green accounting is a strategic approach that integrates environmental and social considerations into economic decision-making through sustainability reporting. This framework encourages companies to disclose environmental management practices, potentially enhancing profitability by informing stakeholders about sustainable operations. However, descriptive statistics indicate that although there is a consistent year-on-year increase in green accounting disclosures among energy sector companies, the overall level of disclosure is relatively low. This limited disclosure can be attributed to the narrow scope of keywords mandated by GRI 300 standards, which include terms like ecology, environmentally friendly, protected

areas, recycled materials, and water bodies.

These findings are consistent with research conducted by Susilawati et al. (2024) and Fernando et al. (2024), which also concluded that green accounting practices have not significantly influenced firm value. The current study suggests that for green accounting to become a more influential factor in firm valuation, there needs to be a broader and more standardized implementation of disclosure practices that not only comply with but exceed the current GRI 300 standards. This expansion would provide a more comprehensive view of a company's environmental and social impacts, thereby potentially influencing investor perceptions and company value more substantially.

Leverage and Firm Value

The study explores the impact of leverage on firm value and concludes that neither high nor low levels of debt significantly contribute to enhancing corporate value. Investors are primarily concerned with how efficiently and effectively funds are utilized in financing company operations rather than the sheer amount of debt a company carries. In the energy sector, where companies typically manage high levels of debt, it appears that the handling of this debt by company management does not markedly influence the firm's overall value.

Leverage, defined as the strategic use of debt to achieve business objectives, ideally serves to maximize profits through optimized operational activities and can offer tax advantages through interest deductions. However, despite high average leverage values among energy sector companies—indicative of significant debt relative to equity—this study finds that such financial structuring does not inherently boost firm value. The descriptive statistics suggest that while these companies are effectively employing their external debt to generate profits, the leverage itself does not play a decisive role in elevating the firm's market valuation.

This observation aligns with findings from Prasetya and Musdholifah (2020) and Ifada et al. (2020), which also reported that leverage does not significantly impact firm value. These studies underscore the importance of strategic fund management over the mere accumulation of debt, highlighting a nuanced understanding of how leverage affects corporate valuation, particularly within the energy sector. This insight is crucial for stakeholders who may consider debt levels a primary factor in investment decisions,

suggesting a more comprehensive evaluation of company performance and financial strategies.

Cash Holding associate Firm Value

The research findings indicate that cash holding has a significant positive impact on firm value, as companies that effectively manage their cash reserves can enhance their profitability. This efficient cash management is viewed favorably by investors because it demonstrates the company's ability to prudently manage liquidity as a critical funding source. The immediate availability of cash allows companies to swiftly cover expenses and seize profitable opportunities, thereby increasing firm value.

Cash holding refers to the practice of maintaining accessible cash to finance and facilitate day-to-day operations. Optimizing this liquidity not only supports operational flexibility but also enables a company to capitalize on investment opportunities that may arise, leading to significant profit increases. Descriptive statistics reveal that companies in the energy sector typically maintain high and progressively increasing levels of cash reserves. This trend underscores the importance of liquidity management in enhancing corporate valuation.

These conclusions are supported by findings from Jaradat et al. (2021) and Ifada et al. (2020), who also reported that cash holding positively and significantly influences firm value. Such results emphasize the strategic role of cash management in corporate finance, suggesting that companies that prioritize and optimize their cash holdings are better positioned to improve their market valuation and attract investor interest.

CONCLUSION, IMPLICATION, AND LIMITATION

The stock prices of companies in the energy sector are generally higher than those in other sectors, suggesting robust performance and attractiveness to investors. Investors should focus on three key aspects: the company's environmental impact as evaluated through green accounting, its debt management capabilities, and the cash reserves held for operations.

Cash holding positively impacts firm value, as adequate cash reserves facilitate smooth business operations and enhance profit potential. A high stock price is a marker of a well-performing company and is favorably viewed by investors.

However, it turns out that both green accounting and leverage do not significantly impact firm value within the energy sector. While these factors

are theoretically important, in practice, investors seem to prioritize operational performance and liquidity, which may more directly affect firm value in the market.

The current method of measuring green accounting, which relies on a coverage percentage based on GRI 300 keywords, has its limitations. Future research could improve this by broadening the range of keywords to better capture the specifics of various Indonesian industries. Energy companies must be cautious in disclosing green accounting information, given the significant environmental concerns associated with their sector. The amount of debt alone does not influence firm value; instead, investors are more concerned with how effectively and efficiently the funds are used. Since external funding through debt does not significantly impact investor perceptions of firm value, future studies might consider examining the use of internal funds for leverage measurement, as this could potentially influence firm value.

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