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Green Accounting, Debt Default, and Market Capitalization: Multiple Linear Regression on Stock Prices

Thomas Averio*

Fakultas Ekonomi dan Bisnis, Universitas Widya Dharma Pontianak, Pontianak, Indonesia
Jl. Hos Cokroaminoto No.445, Darat Sekip, Kec. Pontianak Kota, Kota Pontianak, Kalimantan Barat 78243
Email: [1,*]thomzrio@gmail.com
Email Penulis Korespondensi: thomzrio@gmail.com
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Abstract−This study purports to examine whether green accounting, debt default, and market capitalization affect stock prices in emerging markets, with a particular focus on Indonesia. The research uses consumer non-cyclicals sector companies in Indonesia as the sample. The observation period covers 2020 to 2024. The study implements multiple linear regression to analyze the data. The findings indicate that green accounting, debt default, and market capitalization each exert a significant and positive influence on stock prices, with a significance level of 0.000 for all independent variables. Furthermore, the coefficient of determination indicates that green accounting, debt default, and market capitalization explain 15.4% of the variation in stock prices. These results reinforce previous empirical studies and further confirm that investors strongly consider green accounting practices, debt levels, and market capitalization when making investment decisions.

Keywords: Stock Price; Green Accounting; Debt Default; Market Capitalization

1. INTRODUCTION

The need to grow in the business environment is an essential factor that must be fulfilled for companies to survive amid intense competition. In discussing business growth, business actors cannot be separated from the need for capital, whether sourced internally or externally. One concrete solution to addressing business financing constraints is through the capital market. Accordingly, the capital market functions as a critical pillar of the global economy, as it provides corporations with access to funding while simultaneously facilitating investment opportunities for both individual and institutional investors. The capital market also serves as an indicator of a country's economic development, as it enables investment opportunities for investors and acts as a bridge connecting investors with firms, thereby delivering effective financing mechanisms. In the capital market, one of the available investment instruments is stocks, which function as an alternative means for companies to raise capital.

Stocks are important financial instruments in the capital market that allow investors to obtain ownership in a company and generate potential returns through capital gains or dividends. The value of a stock is calculated on a per-share basis and is referred to as the stock price. (Siregar, 2021) posits that stock price reflects the price established in the stock market at a specific time. Stock prices can fluctuate rapidly, increasing or decreasing within minutes or even seconds. These fluctuations occur because stock prices are determined by the interaction between supply and demand among buyers and sellers. (Zulfikar, 2016) explains that when the supply of a company's shares exceeds demand, the stock price generally declines, whereas when demand exceeds supply, the stock price tends to increase.

This study uses stock price as one of the research variables, specifically as the dependent variable. Stock price is closely related to signalling theory. (Amrih et al., 2024) explain that a signal refers to actions taken by company management to provide indications to investors regarding how management views the firm's future prospects. In this context, signals may take the form of good performance or positive information disclosed by the company, which is expected to be positively received by investors and consequently lead to an increase in stock price. Several factors are presumed to influence stock price and are therefore examined as the explanatory variables in this study, namely green accounting, debt default, and market capitalization.

Green accounting constitutes an accounting approach that integrates ecological and sustainability factors into the measurement and assessment of economic performance at both corporate and governmental levels. According to (Lako, 2018) green accounting constitutes a holistic accounting process that incorporates the recognition, measurement, recording, summarization, and disclosure of financial, social, and environmental information, thereby generating integrated and decision-relevant information for investors and other users in both economic and non-economic decision-making. Thus, green accounting constitutes an integrated process through which transactions and events are measured, recorded, summarized, reported, and disclosed to generate relevant financial, social, and environmental information, thereby serving as a mechanism of accountability to stakeholders and a foundation for decision-making. Sustainable or environmentally oriented accounting practices (green accounting) in financial reporting can influence investor perceptions of firm value and stock price. Studies conducted by (Elisabeth & Maria, 2022), supported by (Maya S et al., 2018) provide evidence that green accounting positively affects stock prices. The implementation of green accounting reflects a company's concern for environmental issues, particularly through the disclosure of environmental costs in corporate environmental reports. Such disclosure demonstrates ethical and responsible business conduct, which can build trust among stakeholders. Strong corporate performance tends to increase investor willingness to invest in the firm. The better a company's green accounting practices, the higher its stock price tends to be. Companies that effectively implement green accounting policies are more likely to gain recognition from society and the capital market, which in turn can

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positively affect their stock prices. Despite the compelling theoretical backing for the value-relevance of environmental reporting, empirical consensus remains elusive. Contrary to the notion that sustainable practices immediately translate into market premiums, recent studies by (Ramadhan et al., 2024), alongside (Zhahira et al., 2023), demonstrate that green accounting does not exert a significant impact on stock prices. These conflicting outcomes suggest that the market's response to environmental disclosures may not be uniform, possibly filtered by varying investor horizons or skepticism regarding the substantive versus symbolic nature of such reporting. This profound empirical asymmetry highlights the necessity to re-examine the phenomenon within specific industry boundaries where environmental impact and investor scrutiny intersect.

A company that fails to meet its principal repayment obligations or interest on debt to third parties is considered to be in a condition of debt default. (Astari & Latrini, 2017) define debt default as the failure of a debtor (company) to pay either the principal or interest on its debt at maturity. Generally, companies that are unable to meet their debt obligations will apply for debt restructuring agreements with creditors. Firms identified as being in debt default tend to be avoided by investors, as debt default represents negative information, particularly for investors, indicating poor financial conditions and unfavorable long-term prospects. Debt default is closely associated with trade-off theory. (Amrih et al., 2024) explain that trade-off theory suggests that full reliance on debt financing is rarely observed, as higher debt levels lead to higher interest burdens.

Companies with high leverage indicate that their financing structure is dominated by debt, requiring careful management to meet repayment and interest obligations that may disrupt cash flows (Averio, 2021). Firms with higher debt levels are exposed to greater risk and may trigger investor concerns (Averio, 2025). As debt increases, the likelihood of bankruptcy also rises. Trade-off theory explains the relationship between bankruptcy risk and debt usage arising from corporate capital structure decisions. Companies experiencing debt default send negative signals to investors, which can reduce stock demand and ultimately decrease stock prices. This signaling mechanism is supported by (Annissyah & Yuniati, 2021) who reveal that debt default exerts a significant negative impact on stock prices. However, empirical evidence regarding this financial distress indicator remains inconclusive. In contrast to the prevailing signaling tenets, recent findings by (Ersanda & Ridwan, 2026) demonstrate that debt default does not exert a significant effect on stock prices. This divergence suggests that market participants may look past immediate default status perhaps viewing restructuring efforts as a viable path to recovery thereby creating a compelling empirical contradiction that warrants further investigation, particularly within specific industry contexts.

Market capitalization is defined as the aggregate market value of a publicly traded firm. According to (Downes, 2008) , market capitalization denotes the existing market price-based value of a security. It reflects the total market value of all outstanding shares available for trading and serves as an important indicator in analyzing firm size and value, as well as determining a firm’s weight in stock market indices. (Manurung & Rizky, 2009) explain that large market capitalization is generally an attractive factor for investors when selecting stocks. The larger the market capitalization, the longer investors tend to hold the stock, as large firms are perceived to be financially more stable, less risky, and to have favorable long-term prospects with the expectation of higher returns Market capitalization is important for publicly listed companies as it reflects their corporate size. It is derived by multiplying the market price per share by the total outstanding shares. Previous studies by (Mufreni & Amanah, 2015) supported by (Raharjo & Haryanto, 2015), provide evidence that market capitalization contributes positively and significantly to stock prices. Higher market capitalization may serve as an indicator of investor optimism regarding the company’s future performance and development prospects. Under such conditions, demand for the company’s shares may rise, thereby driving stock prices upward. Nevertheless, the assumption that market size universally dictates stock valuation is challenged by conflicting empirical accounts. In contrast to these established perspectives, a recent study by (Nessa & Amaroh, 2023) reveals that market capitalization does not exert a significant influence on stock prices. This lack of significance implies that in certain market contexts, investors may prioritize immediate financial metrics or industry-specific dynamics over mere corporate scale. The existence of these polarized findings underscores a conceptual fragmentation in how market size operates as a pricing signal, highlighting the need for a more granular examination within specific sector boundaries.

Building upon the prior discussion and the empirical gaps identified therein, this study is undertaken to investigate the effects of green accounting, debt default, and market capitalization on stock prices. This research serves to address these gaps by providing a more comprehensive framework. The study focuses on firms within the consumer non-cyclicals sector in Indonesia, employing secondary data obtained from the Indonesia Stock Exchange. The novelty of this research is twofold: it updates the observation period to 2020–2024 and evaluates these variables amid the recent escalation of green regulations in Indonesia. Testing green accounting within this specific timeframe offers a timely reflection of how the capital market responds to sustainable practices under modern regulatory scrutiny.

2. RESEARCH METHOD

2.1 Literature Review

2.1.1 Signalling Theory

Signaling theory, originally conceptualized by (Spence, 1973) in his seminal work on job market signaling, addresses the phenomenon of information asymmetry between two parties. In the context of corporate finance and accounting, this

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theory explains how corporate insiders who possess deeper and more accurate information regarding the firm's true quality utilize specific financial decisions, strategic disclosures, or performance indicators to transmit credible signals to uninformed external investors. (Amrih et al., 2024) suggests that a signal or cue is manifested through managerial actions that communicate information to investors regarding the firm's future outlook. Firms with promising prospects tend to avoid equity issuance and prefer alternative financing mechanisms, including leveraging debt beyond their target capital structure. In contrast, companies with unfavorable prospects are more likely to issue shares. Therefore, the announcement of a seasoned equity offering is generally considered a signal that management perceives the firm's prospects as unfavorable. Signaling theory suggests that information asymmetry exists between internal and external parties, whereby internal stakeholders possess more complete knowledge of the firm's current condition and future prospects than external stakeholders, such as investors, creditors, government entities, and shareholders.

2.1.2 Stock Price

Stocks are important financial instruments in the capital market that allow investors to obtain ownership in a company and generate potential returns through capital gains or dividends. The value of a stock is calculated on a per-share basis and is referred to as the stock price. (Siregar, 2021) argues that stock price is the market-determined value at a given point in time within the stock exchange. Stock prices can fluctuate rapidly, increasing or decreasing within minutes or even seconds. These fluctuations occur because stock prices are determined by the interaction between supply and demand among buyers and sellers. (Zulfikar, 2016) explains that when the supply of a company's shares exceeds demand, the stock price generally declines, whereas when demand exceeds supply, the stock price tends to increase.

2.1.3 Green Accounting

Green accounting constitutes an accounting approach that integrates ecological and sustainability factors into the measurement and assessment of economic performance at both corporate and governmental levels. According to (Lako, 2018) green accounting constitutes a holistic accounting process that incorporates the recognition, measurement, recording, summarization, and disclosure of financial, social, and environmental information, thereby generating integrated and decision-relevant information for investors and other users in both economic and non-economic decision-making. Thus, green accounting constitutes an integrated process through which transactions and events are measured, recorded, summarized, reported, and disclosed to generate relevant financial, social, and environmental information, thereby serving as a mechanism of accountability to stakeholders and a foundation for decision-making. Sustainable or environmentally oriented accounting practices (green accounting) in financial reporting can influence investor perceptions of firm value and stock price. Studies conducted by (Elisabeth & Maria, 2022), supported by (Maya S et al., 2018) provide evidence that green accounting positively affects stock prices. The implementation of green accounting reflects a company's concern for environmental issues, particularly through the disclosure of environmental costs in corporate environmental reports. Such disclosure demonstrates ethical and responsible business conduct, which can build trust among stakeholders. Strong corporate performance tends to increase investor willingness to invest in the firm. The better a company's green accounting practices, the higher its stock price tends to be. Companies that effectively implement green accounting policies are more likely to gain recognition from society and the capital market, which in turn can positively affect their stock prices. In line with the preceding discussion, the first hypothesis proposes that green accounting is positively and significantly associated with stock prices.

H_1. Green accounting disclosure exerts a positive and statistically significant effect on corporate stock prices

2.1.4 Debt Default

(Astari & Latrini, 2017) define debt default as the failure of a debtor (company) to pay either the principal or interest on its debt at maturity. Generally, companies that are unable to meet their debt obligations will apply for debt restructuring agreements with creditors. Firms identified as being in debt default tend to be avoided by investors, as debt default represents negative information, particularly for investors, indicating poor financial conditions and unfavorable long-term prospects. Debt default is closely associated with trade-off theory. (Amrih et al., 2024) explain that trade-off theory suggests that full reliance on debt financing is rarely observed, as higher debt levels lead to higher interest burdens. Companies with high leverage indicate that their financing structure is dominated by debt, requiring careful management to meet repayment and interest obligations that may disrupt cash flows (Averio, 2021). Firms with higher debt levels are exposed to greater risk and may trigger investor concerns (Averio, 2025). As debt increases, the likelihood of bankruptcy also rises. Trade-off theory explains the relationship between bankruptcy risk and debt usage arising from corporate capital structure decisions. To provide an empirical operationalization, debt default within this framework is measured through the Debt-to-Equity Ratio (DER). This specific ratio, as conceptualized by (Averio et al., 2024), is designed to evaluate a company's capital structure by contrasting its external debt funding with its internal equity reserves. Companies experiencing debt default send negative signals to investors, which can reduce stock demand and ultimately decrease stock prices. (Annissyah & Yuniati, 2021) also find that debt default has a significant negative effect on stock price. Drawing on this explanation, the second hypothesis proposes that debt default is negatively and significantly associated with stock prices.

H_2. Debt default status exerts a negative and statistically significant effect on corporate stock prices

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2.1.5 Market Capitalization

Market capitalization is defined as the aggregate market value of a publicly traded firm. According to (Downes, 2008) , market capitalization denotes the existing market price-based value of a security. It reflects the total market value of all outstanding shares available for trading and serves as an important indicator in analyzing firm size and value, as well as determining a firm's weight in stock market indices. (Manurung & Rizky, 2009) explain that large market capitalization is generally an attractive factor for investors when selecting stocks. The larger the market capitalization, the longer investors tend to hold the stock, as large firms are perceived to be financially more stable, less risky, and to have favorable long-term prospects with the expectation of higher returns Market capitalization is important for publicly listed companies as it reflects their corporate size. It is derived by multiplying the market price per share by the total outstanding shares. Previous studies by (Mufreni & Amanah, 2015) supported by (Raharjo & Haryanto, 2015), provide evidence that market capitalization contributes positively and significantly to stock prices. Higher market capitalization may serve as an indicator of investor optimism regarding the company's future performance and development prospects. Under such conditions, demand for the company's shares may rise, thereby driving stock prices upward. In line with the preceding discussion, this study hypothesizes that market capitalization has a significant positive effect on stock prices.
H_3. Market capitalization exerts a positive and statistically significant effect on corporate stock prices

2.2 Conceptual Framework

This study employs a causal associative research design using quantitative data. To test the data and research hypotheses, this study applies a multiple linear regression model. The research object consists of primary consumer goods sector companies listed on the Indonesia Stock Exchange. The study population comprises 132 companies, from which a sample is selected using purposive sampling to ensure relevance and accuracy. The criteria include primary consumer goods firms listed on the Indonesia Stock Exchange that conducted an IPO prior to 2020 and consistently issued sustainability reports with PROPER ratings. This process yields a final sample of 27 firms. With an observation period from 2020 to 2024, the study analyzes 135 firm-year observations. The dependent variable is stock price, measured by the year-end closing price. The independent variables consist of green accounting (proxied by the PROPER rating), debt default (proxied by the Debt-to-Equity Ratio, calculated as total liabilities divided by total equity), and market capitalization (measured as the natural logarithm of the product of stock price and outstanding shares). The research model is depicted in Figure 1.

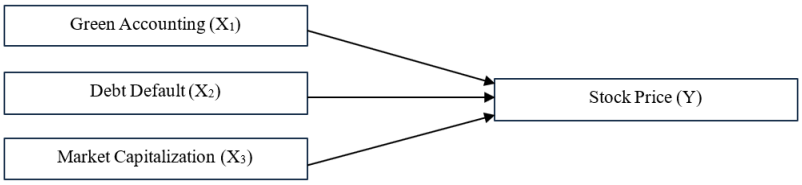

Figure 1. Conceptual Framework

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistics

Descriptive statistics are used to summarize the main characteristics of the data for each variable in the study. The results are presented in Table 1.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Green_Accounting	135	2	4	3,02	,376
Debt_Default	135	,0588	17,0370	1,291953	1,9975792
Market_Capitalization	135	25,33	33,70	29,5294	1,87516
Stock_Price	135	50	83625	4434,53	9656,592
Valid N (listwise)	135				

Based on Table 1, green accounting has a minimum value of 2, indicating that the lowest PROPER rating observed in this study is red, and a maximum value of 4, indicating that the highest PROPER rating is green. Debt default shows a minimum value of 0,0588, which represents a liabilities-to-equity ratio of 5,88 percent, and a maximum value of 17,0370, corresponding to a liabilities-to-equity ratio of 1.703,7 percent, with an average ratio of 1,291 or 129,1 percent. The natural logarithm of market capitalization ranges from a minimum value of 25,33 to a maximum value of 33,70. Meanwhile, stock price has a minimum value of I50 and a maximum value of IDR 83.625.

3.2 Classical Assumptions

Classical assumption tests are performed in OLS regression to ensure compliance with the BLUE criteria, yielding unbiased, consistent, and efficient estimators. These tests include normality, heteroskedasticity, multicollinearity, and autocorrelation. The Kolmogorov–Smirnov residual normality test results are presented in Table 2.

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Table 2. Kolmogorov-Smirnov Test

		Unstandardized Residual
N		135
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	8780,44977100
Most Extreme Differences	Absolute	,260
	Positive	,260
	Negative	-,203
Test Statistic		,260
Asymp. Sig. (2-tailed)		,052[c]

The Kolmogorov–Smirnov test results in Table 2 show a significance value of 0,052, exceeding the 0,05 level, indicating normally distributed residuals and fulfillment of the normality assumption. Therefore, regression analysis can proceed. The next step is the Glejser heteroskedasticity test, with results presented in Table 3.

Table 3. Glejser Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	38679,950	11274,787		3,431	,001
	Green_Accounting	560,228	1694,549	,027	,331	,741
	Debt_Default	181,344	333,149	,047	,544	,587
	Market_Capitalization	1501,238	358,062	,065	1,193	,063

The results of the Glejser heteroskedasticity test, as shown in Table 3, reveal that the significance values for all independent variables are greater than 0,05. This suggests the absence of heteroskedasticity in the data. Subsequently, a multicollinearity test is performed, and the results are reported in Table 4.

Table 4. Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	56390,900	13714,861		4,112	,000		
	Green_Accounting	1068,396	2061,281	,042	5,584	,000	,980	1,020
	Debt_Default	16,551	405,248	,003	5,659	,000	,898	1,113
	Market_Capitalization	2168,446	435,554	,421	4,979	,000	,882	1,133

As presented in Table 4, the tolerance and variance inflation factor (VIF) values indicate that all tolerance values are above 0,10 and all VIF values are below 10, confirming the absence of multicollinearity in the model. The subsequent step involves conducting the autocorrelation test, with the results provided in Table 5.

Table 5. Runs Test

	Unstandardized Residual
Test Value[a]	-1190,37782
Cases < Test Value	67
Cases >= Test Value	68
Total Cases	135
Number of Runs	90
Z	3,716
Asymp. Sig. (2-tailed)	,213

a. Median

As presented in Table 5, the runs test produces a significance value of 0,213, which is above the 0,05 level, confirming that the model is free from autocorrelation. Therefore, it can be concluded that all classical assumption tests have been satisfied.

3.3 Model Feasibility

The feasibility of the research model is assessed through the F-test, applying a significance level of 0,05. The results of this test are reported in Table 6.

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Table 6. F Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2164564663,000	3	721521554,200	9,149	,000[b]
	Residual	10330903960,000	131	78861862,270		
	Total	12495468620,000	134			

a. Dependent Variable: Stock_Price
b. Predictors: (Constant), Market_Capitalization, Green_Accounting, Debt_Default

Based on Table 6, the results of the model feasibility test using the F-test indicate that the resulting significance value is 0,000, which is lower than 0,05. These findings suggest that the research model is statistically significant and therefore considered appropriate for further analysis.

3.4 Coefficient of Determination (R^2)

The adjusted R-squared is employed to assess the explanatory power of the independent variables in accounting for variations in the dependent variable. The coefficient ranges from zero to one, where higher values indicate greater explanatory strength and lower values indicate weaker explanatory capacity. The results are shown in Table 7.

Table 7. R Square Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,416[a]	,173	,154	8880,420

a. Predictors: (Constant), Market_Capitalization, Green_Accounting, Debt_Default
b. Dependent Variable: Stock_Price

Table 7 reports an adjusted R-squared value of 0,154, indicating that 15,4 percent of the variation in the dependent variable is explained by the independent variables, with the remainder explained by other factors.

3.5 Multiple Linear Regression Analysis

Multiple linear regression analysis is utilized to evaluate the influence of independent variables on the dependent variable. Through this analysis, the relationship between the variables is examined, allowing the magnitude of the effect of each independent variable on variations in the dependent variable to be identified. The results are reported in Table 8.

Table 8. Multiple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	56390,900	13714,861		4,112	,000		
	Green_Accounting	1068,396	2061,281	,042	5,584	,000	,980	1,020
	Debt_Default	16,551	405,248	,003	5,659	,000	,898	1,113
	Market_Capitalization	2168,446	435,554	,421	4,979	,000	,882	1,133

a. Dependent Variable: Stock_Price

3.6 Discussion

The first test result examines the effect of green accounting on stock price and shows a significance value of 0.000 with a regression coefficient of 1,068.396. These results indicate that green accounting has a significant and positive effect on stock price; therefore, the first hypothesis is accepted. This finding is consistent with the studies conducted by (Elisabeth & Maria, 2022) and (Maya S et al., 2018). The implementation of green accounting reflects a company's concern for environmental issues through the disclosure of environmental costs in its environmental or sustainability reports. Such disclosures emphasize the company's commitment to ethical and responsible business practices, as environmentally responsible actions can build trust among stakeholders. Strong corporate performance increases potential investors' interest in investing in the company. Accordingly, the better a company's performance or implementation of green accounting practices, the higher its stock price tends to be.

The second test result examines the effect of debt default on stock price and yields a significance value of 0.000 with a regression coefficient of 16.551. Based on these results, debt default is found to have a significant and positive effect on stock price; therefore, the second hypothesis is rejected. This finding is not consistent with the results of (Annissyah & Yuniati, 2021), who report a negative effect of debt default on stock price. These results suggest that investors do not always perceive companies that rely on debt financing as having negative prospects. It is undeniable that firms with higher levels of debt generally face greater risk. However, for a company to grow and become larger, it must have sufficient funding sources, one of the most substantial of which is debt. Consequently, a company may still be viewed as having positive future prospects as long as its debt is managed effectively and utilized optimally to support business growth.

The final finding of this study relates to the effect of market capitalization on stock price, which shows a

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significance value of 0.000 with a regression coefficient of 2,168.446. These results indicate that market capitalization has a significant and positive effect on stock price; therefore, the third hypothesis is accepted. This finding is consistent with the studies by (Mufreni & Amanah, 2015) and is further supported by (Raharjo & Haryanto, 2015). An increase in market capitalization may indicate investor confidence in the company's growth prospects and future performance. Under such conditions, demand for the company's shares is likely to increase, thereby driving stock prices upward. Thus, higher market capitalization is associated with higher stock prices.

4. CONCLUSION

This study examines the effects of green accounting, debt default, and market capitalization on stock price. Based on the empirical results, green accounting, debt default, and market capitalization are each found to have a significant and positive effect on stock price. These findings further strengthen previous empirical evidence suggesting that investors continue to place considerable importance on green accounting practices, debt levels, and market capitalization when making investment decisions. Investors perceive these factors as indicators of strong corporate performance, sound financial conditions, and favorable future prospects, which in turn increase their willingness to invest in a company's shares. This study has several limitations that should be considered when interpreting the findings. First, this study only examines the effects of green accounting, debt default, and market capitalization on stock price, while other factors that may influence stock price, such as profitability, corporate governance, dividend policy, macroeconomic conditions, and investor sentiment, are not included in the research model. Therefore, the model may not fully capture all determinants of stock price movements. Second, the measurement of green accounting in this study may have limitations because it relies on information disclosed in corporate reports, which may differ in terms of completeness and transparency among companies. Differences in disclosure practices may affect the accuracy of measuring the implementation of green accounting. Third, this study focuses on a specific sample and observation period, which may limit the generalizability of the findings to other industries, countries, or different economic conditions. Future research may consider expanding the sample size, extending the research period, and including additional variables to provide a more comprehensive understanding of factors influencing stock price.

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