

THE EFFECT OF GREEN ACCOUNTING, THIN CAPITALIZATION, AND SUSTAINABILITY REPORTING ON FINANCIAL STATEMENT TRANSPARENCY WITH PROFITABILITY AS A MODERATING VARIABLE

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Abstract

The purpose of this study is to examine the effects of green accounting, thin capitalization, and sustainability reporting on financial reporting transparency, and to determine the moderating role of profitability in these relationships. This research uses a quantitative approach with an explanatory design based on panel data from industrial sector companies listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024. Data were analyzed using EViews 12 with panel regression to test six hypotheses. The results show that green accounting has a positive and significant effect on financial reporting transparency, while thin capitalization has no significant effect. In contrast, sustainability reporting has a negative and significant effect on transparency. Profitability is found to weaken the relationship between green accounting and financial transparency but strengthen the relationship between sustainability reporting and financial transparency. These findings highlight the importance of integrating environmental accounting and responsible disclosure practices to enhance the credibility, accountability, and transparency of corporate financial reports in Indonesia's industrial sector.

Keywords: Green Accounting, Thin Capitalization, Sustainability Reporting, Profitability, Financial Reporting Transparency.

1. Introduction

Ningtias Safitri (2021), defines transparency as the openness with which firms give information to the public or associated parties. Companies that are transparent give accurate and responsible information about their operations. Corporate transparency is classified into two types: internal transparency, such as transparency in financial reporting, and external transparency, which results from financial analysis, media attention, and stock trading activity. Transparency can help to lessen the danger of shareholders' wealth being expropriated by opportunistic managers. This happens because management may utilize earnings management or financial aggression to benefit the firm itself. The occurrence of organizations avoiding losses suggests the presence of earnings management, particularly among enterprises with profit-to-total-assets ratios of less than 2%. This circumstance has the potential to diminish financial reporting transparency since the reported information does not accurately represent actual economic performance. Such occurrences include financial reporting procedures that consistently show modest positive gains in order to prevent losses.

Green accounting allows businesses to track expenses associated with waste management, carbon emissions, energy efficiency, and environmental restoration while also offering transparency to stakeholders. Transparency in environmental management is increasingly seen as one of the most important measures in determining a company's

commitment to sustainability. According to Husda et al. (2023), such environmental initiatives motivate businesses to enhance their performance. Wardiyah et al. (2025), conclude that green accounting, which includes the recognition, measurement, and disclosure of environmental costs and impacts, improves financial transparency and accountability in financial institutions by presenting environmental information more openly in financial statements. In contrast, Herny & Herawaty (2024) discover that green accounting has no effect on financial reporting quality, implying that environmental disclosure is not yet powerful enough to impact views of financial reporting quality and openness.

Companies are more likely to use interest expenditures since they are deductible (R. Dewi et al., 2023). According to Rohmah & Romadhon (2023) and Utami & Irawan (2022), capital structures that rely largely on debt (thin capitalization) might send negative signals about financial risk and tax aggression if they are not backed by adequate disclosure. Companies that employ thin capitalization to avoid taxes tend to report more opaquely (less transparently). However Hendrastuti et al. (2024) dan Rosid & Faisal (2022), discovered that thin capitalization has no significant effect on tax avoidance, whereas increased transparency is more strongly driven by disclosure mechanisms such as ESG reporting or deliberate tax disclosures intended to signal compliance to the market.

Sustainability reporting can have an impact on financial reporting transparency because increased disclosure of environmental, social, and governance (ESG) information helps explain the context of financial figures, risks, and management policies, making financial statements clearer, more reliable, and easier to interpret (Sharawi & Shahawi, 2024). According to Sebrina et al. (2023), high-quality and depth sustainability reporting, such as adhering to GRI principles of clarity, accuracy, comparability, and reliability, reduces information asymmetry and makes companies more transparent in both financial and non-financial dimensions. However, if sustainability reporting remains symbolic and lacks proper quantification, its influence on financial reporting quality and transparency is negligible, since consumers continue to depend mostly on traditional financial data (Sanjaya & Atma, 2024).

According to Anggraini & Wulandari (2022), improving profitability shows optimistic future prospects, which can lead to increased demand for shares and rising stock prices, indicating firm value. Ristiyana (2021) and Johan & Nita (2022) demonstrate that profitability may improve financial reporting transparency by allowing more prosperous firms to preserve their reputation and investor trust by producing high-quality, integrity-driven reports with little earnings manipulation. However, Linantis et al. (2021) discover that profitability does not always have a significant impact on financial reporting quality or transparency, as in some cases reporting quality is more strongly influenced by governance mechanisms such as audit committee effectiveness and oversight quality than by profit levels alone.

As a result, there is still uncertainty and a lack of study into how green accounting, thin capitalization, sustainability reporting, and profitability all influence financial reporting transparency in the context of loss avoidance. However, many past studies have simply looked at the influence of green accounting or sustainability on firm performance or value, rather than relating them to thin capitalization practices and financial reporting transparency in Indonesia's industrial sector. Furthermore, empirical information on the moderating impact of profitability in these connections is weak, particularly between

2021 and 2024, when businesses faced post-pandemic recovery issues as well as tougher tax and environmental restrictions.

As a result, the purpose of this study is to investigate the effects of green accounting, thin capitalization, and sustainability reporting on financial reporting transparency in industrial sector companies listed on the Indonesia Stock Exchange (IDX) between 2021 and 2024, with profitability serving as a moderating variable. This study is anticipated to contribute theoretically to the development of literature in financial accounting and sustainability, as well as practically to managers, investors, and regulators in the creation of more transparent reporting practices.

2. Theoretical Background

2.1 Signaling Theory

According to Spence et al. (1973) theory, management of a company is responsible for providing information to investors and external parties via financial statements and other financial indicators in order to improve information quality and business performance. In the context of this study, thin capitalization practice is characterized by investment decisions, organizational structure, and bunga, which can be beneficial to the market in terms of financial risk and the ability of businesses to engage in tax aggressive. Transparency regarding modal structure and its implications on pajak and company operations has a significant impact on the perceptions of key personnel. As a result, knowledge and understanding of business operations and thin capitalization serve as a tool for businesses to improve their reputation and avoid negative feedback from investors and external parties (Ramadhan, 2023).

2.2 Stakeholder Theory

According to Freeman (1986) stakeholder theory, a company's primary responsibility is to create value for all parties with an interest in the organization, such as employees, customers, government institutions, communities, and the environment, rather than just maximizing profits. To meet this commitment, businesses must publish clear information about their economic and non-economic performance. In the context of this study, green accounting and sustainability reporting play an important role in allowing businesses to identify, manage, and publicly disclose their social, economic, and environmental effect. Companies that recognize, measure, and disclose environmental costs and effects not only meet legal obligations, but also build trust and establish constructive relationships with stakeholders. Furthermore, sustainability reporting helps to reduce regulatory risks and public pressure while promoting long-term company resilience and sustainability (Ammer et al., 2020; Saputro et al., 2022).

2.3 Transparency of Financial Reports

In general, transparency may be defined as the process of generating and presenting financial statements in an open, honest, and intelligible manner that does not conceal crucial information required by various stakeholders such as investors, creditors, regulators, and the general public. This notion is directly related to the concept of effective corporate governance, since transparency serves as the foundation for establishing trust and responsibility in financial management. Financial reporting transparency is often measured in terms of reporting quality, which includes relevance, dependability, information completeness, and earnings quality. Financial statements that do not show earnings manipulation, avoid aggressive measures aimed at concealing

losses, and do not mask financial or tax concerns demonstrate a high level of transparency (Mus et al., 2022).

2.4 Green Accounting

Green accounting is a method of accounting that incorporates costs and environmental factors into financial statements as a way for businesses to adhere to the principle of sustainability. The use of this concept has the potential to reduce production and operational costs while also strengthening the company's commitment to environmental stewardship (P. P. Dewi & Narayana, 2020). Environmental performance and ecological expenditures are crucial markers of a company's commitment to sustainability (Gustinya, 2022). Green accounting reduces information asymmetry by disclosing environmental information in a clear and complete manner, generating a favorable image among stakeholders, and improving the quality and trustworthiness of financial statements.

2.5 Thin Capitalization

Thin capitalization techniques result from tax discrepancies between debt interest payments and dividend distributions. Interest expenditures are tax deductible, significantly lowering a company's taxable income and burden (Aniatun et al., 2022). This circumstance pushes businesses to raise the proportion of debt to equity in order to maximize tax efficiency. However, signaling theory suggests that a company's significant reliance on debt funding, paired with insufficient transparency, might lead to negative impressions of its financial status. It may also suggest a proclivity to pursue too aggressive tax techniques, which can eventually affect the quality and openness of financial accounts.

2.6 Sustainability Reporting

According to the Global Reporting Initiative (GRI), long-term reporting is a document that describes the economic, social, and environmental impacts of a company's activities and is based on the principle of reporting to ensure accuracy, reliability, and information quality (Damayanty et al., 2022). This report examines environmental, social, and governance (ESG) practices that aim to increase revenue and reduce information gaps between businesses and their stakeholders. The use of GRI principles like as clarity, accuracy, comparability, and consistency improves transparency and aids in the development of more objective data. However, if the report is just used for administrative purposes and not for substantive reasons, it may reduce the level of trust that key stakeholders have in the company.

2.7 Profitability

Profitability reduces a company's ability to generate revenue and becomes the primary indicator of a company's performance and investor perception (Melawati, 2022). High profitability provides businesses with greater financial capacity to implement environmental practices and improve creditworthiness based on the theory of value and the theory of signal. Aside from that, companies with a high level of profitability are more likely to adopt thin capitalization practices due to the need to maintain a strong reputation and market presence. In addition, long-term planning serves to improve transparency and investor trust, even if the benefits are more visible in companies with high profitability. In contrast to non-financial information, investors are more likely to focus on financial performance in large companies.

- Based on the literature review, this study formulates the following hypotheses:
- H1: Green accounting has a positive effect on financial reporting transparency.*
 - H2: Thin capitalization has a negative effect on financial reporting transparency.*
 - H3: Sustainability reporting has a positive effect on financial reporting transparency.*
 - H4: Profitability moderates the effect of green accounting on financial reporting transparency.*
 - H5: Profitability moderates the effect of thin capitalization on financial reporting transparency.*
 - H6: Profitability weakens the effect of sustainability reporting on financial reporting transparency.*

3. Methods

This study used quantitative analysis with panel data regression to determine the impact of green accounting, thin capitalization, and sustainability reporting on financial transparency, with profitability serving as a moderating variable. This method provides more accurate estimates by revealing the relationship between the variables being studied. Unlike previous studies that evaluated the impact of each variable separately, this study integrates the three practices into a single comprehensive analysis while also including profitability as a moderating factor (Sugiyono, 2023). As a result, this study provides a more comprehensive understanding of how the combination of accounting practice and business operations may improve company financial transparency.

This research area focuses on companies in the industrial sector listed on the Indonesian Exchange (BEI) between 2021 and 2024. This industry was chosen based on its need for significant capital expenditure, considerable exposure to environmental challenges, and frequent interactions with regulatory pressure in the areas of taxes and sustainability. This situation makes it important to study green accounting, thin capitalization, and sustainability reporting in relation to financial transparency. The sampling process employs the purposive sampling method based on a number of criteria, including the following: the company must be consistent throughout the observation period, provide detailed year-end and/or year-end reports, and provide data suitable for analyzing variables such as green accounting, thin capitalization, sustainability reporting, profitability, and financial transparency. After data selection and incomplete or outlier-containing observations, a large number of results are produced. To ensure accuracy and consistency, data is verified at several levels such as the primary level, the financial level, and the operational level before being sent to the workstation and displayed in table 1 of operational variable definitions.

Table 1. Operational Definitions of The Research Variables

No	Research Variables	Variable Definition	Indicator	Scale
1	Financial Statement Transparency	Loss avoidance happens when management consistently declares tiny positive earnings in order to avoid incurring losses. (Qian et al., 2015)	The level of loss avoidance can be measured continuously using net income scaled by total assets (scaled net income)	Ratio

No	Research Variables	Variable Definition	Indicator	Scale
2	Green Accounting	Green accounting measures and reports the economic benefit of environmentally friendly corporate operations. (Putri et al., 2025)	GRI Index = Number of Indicators Disclosed / Total Indicators of GRI Standards 300 and 400 (2021)	Ratio
3	Thin Capitalization	Thin capitalization practices are measured using the Debt to Equity Ratio (DER). DER is a ratio used to assess the level of debt relative to equity (Wiryaningtyas, 2020).	DER = Total Debt / Total Equity	Ratio
4	Sustainability Reporting	Sustainability reporting is measured using the Sustainability Report Disclosure Index (SRDI). The SRDI is calculated by assigning a score of 1 if an item is disclosed and 0 if the item is not disclosed (Pamungkas & Meini, 2023).	SRDI = Number of Disclosure Items Fulfilled / Maximum Number of Disclosure Items	Ratio
5	Profitability	Profitability is defined as a company's ability to generate net income from its operations during an accounting period (Melawati, 2022).	ROA = (Net Income After Tax / Total Assets) × 100%	Ratio

Data analysis is carried out using a statistical package such as Eviews. Before doing panel regression, this study will first conduct descriptive statistics to identify key variable characteristics, followed by correlation analysis to identify the relationship between variables and to detect multicollinearity. The results of this data analysis are used to

determine the validity of the data and to ensure that there are no extreme values that might affect the regression estimate. Next, use Chow, Hausman, and Lagrange Multiplier to determine the best estimation method. The panel regression model, which has met the criteria for data analysis, is now being used to test hypotheses H1 through H6. Green accounting, thin capitalization, sustainability reporting, and profitability, among other things, may be more accurately analyzed using this model in order to demonstrate more transparency in the company's financial reporting. Because of this, the regression model used in this study is described as follows:

$$TRF_{it} = \alpha + \beta_1 GA_{it} + \beta_2 TC_{it} + \beta_3 SR_{it} + \beta_4 GA_{it} PROF_{it} + \beta_5 TC_{it} PROF_{it} + \beta_6 SR_{it} PROF_{it} + \varepsilon_{it}$$

4. Results and Discussion

4.1 Results

The descriptive statistics of this study are presented in Table 2.

Table 2. Descriptive Statistics

	GA	TC	SR	GA PROFIT	TC PROFIT	SR PROFIT
Mean	0.368566	0.890482	0.498519	0.031806	0.059849	0.040008
Median	0.312500	0.634527	0.496403	0.021593	0.044255	0.030801
Maximum	1.000000	3.877907	0.978417	0.130372	0.281303	0.152502
Minimum	0.031250	0.061755	0.215827	0.000462	0.001748	0.000812
Std. Dev.	0.202455	0.822826	0.151613	0.031288	0.055486	0.032711
Skewness	0.853472	1.993137	0.301439	1.462713	1.645249	1.512056
Kurtosis	3.373575	6.722693	2.893547	4.218851	5.935358	5.075479
Jarque-Bera	8.650787	84.28831	1.061914	28.45719	55.09050	38.11644
Probability	0.013228	0.000000	0.588042	0.000001	0.000000	0.000000
Sum	25.06250	60.55275	33.89928	2.162840	4.069741	2.720560
Sum Sq. Dev.	2.746209	45.36186	1.540092	0.065590	0.206275	0.071691
Observations	68	68	68	68	68	68

Source: Data Processed (2026), EViews 12

Based on the results of the descriptive statistics analysis, all variables in this study were determined using 68 observational data. Green Accounting (GA) variable yields a ratio of 0.3686 and a standard deviation of 0.2025, indicating a variation in the level of corporate governance practice. The variable Thin Capitalization (TC) provides the highest ratio of 0.8905 to the standard deviation of 0.8228, indicating a significant difference in company composition. Furthermore, Sustainability Reporting (SR) has a rata-rata of 0.4985 with a moderate, indicating a high level of confidence in future progress.

For the variable interaction between profitability and GA, TC, and SR, the corresponding values are 0,0318, 0,0598, and 0,0400. These figures indicate that the impact of profitability as a moderating factor is still significant. Based on the results of the normality test, the variables GA, TC, GA_PROFIT, TC_PROFIT, and SR_PROFIT is determined to not have normal distributions, however the variable SR has normal distribution. Overall, the findings show that there are differences in company characteristics in terms of employee retention, modal structure, and commitment to growth, which are critical for further analysis in this study.

The results of the t-test for hypothesis testing are presented in Table 3.

Table 3. Hypothesis Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.068646	0.011671	5.881863	0.0000
GA	0.105322	0.049071	2.146314	0.0358

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TC	0.005204	0.005682	0.915816	0.3634
SR	-0.187405	0.053739	-3.487354	0.0009
GA_PROFIT	-0.900835	0.411771	-2.187710	0.0325
TC_PROFIT	-0.049579	0.090431	-0.548245	0.5855
SR_PROFIT	2.316819	0.381331	6.075605	0.0000

Source: Data Processed (2026), EVIEWS 12

According to Table 3, Green Accounting (GA) has a t-statistic of 2.146314, which is higher than the average t-statistic of ± 1.96 , and a significance level of 0.0358, which is lower than the threshold of 0.05. The results show that the variable TC has no significant effect on the dependent variable (Y). In addition, the Sustainability Reporting (SR) variable yielded a t-value of -3.487354, which was lower than the t-table value of ± 1.96 and had a significance level of 0.0009.

Based on the results, the interaction variable between Green Accounting and Profitability (GA_PROFIT) has a t-value of -2,187710, which is significantly higher than the t-table value of $\pm 1,96$, with a significance level of 0.0325. Furthermore, the interaction variable between TC and Profitability (TC_PROFIT) yielded a t-value of -0.548245, lower than the t-value of $\pm 1,96$, and a significance level of 0.5855, beyond the threshold of 0.05. This result indicates that profitability does not function as a moderating variable in the relationship between TC and dependent variables (Y). The analysis of the interaction between Sustainability Reporting and Profitability (SR_PROFIT) yielded a t-value of 6.075605, which is higher than the t-table value of ± 1.96 and has a significance level of 0.0000.

4.2 Discussion

4.2.1 The Effect of Green Accounting on Financial Reporting Transparency

The coefficient of regression for Green Accounting (GA) is 0.105322, with a t-statistic of 2.146314 and a probability of 0.0358 (< 0.05), indicating that GA has a positive and significant impact on accounting transparency. This means that each occurrence of a single GA indicator will increase financial transparency by 0.1053, assuming other variables remain constant. Accordingly, companies that implement and implement green accounting on a large scale have more transparent financial systems since information on the environment and costs is communicated in a more comprehensive and detailed manner.

This concept is based on the stakeholder theory, which states that businesses have a responsibility to several stakeholders, including the environment. Using GA, businesses may meet the information needs of key personnel while also establishing a commitment to ongoing environmental management. In addition, GA improves transparency and accountability in the management of a company's environment, making it easier to achieve environmental goals (Wang et al., 2023). The findings of this study are consistent with those of Rahmawati & Hamzah (2025), as well as According to Ifada & Saleh (2022), more accurate environmental monitoring can reduce misunderstandings and provide positive benefits to people's perceptions of value.

4.2.2 The Effect of Thin Capitalization on Financial Reporting Transparency

For the variable Thin Capitalization (TC), the coefficient of regression is 0,005204 with a t-statistic of 0.915816 and a probability of 0.3634 (> 0.05), indicating that TC has no significant impact on financial transparency. Despite the fact that the koefisien has a

positive value, indicating that the area of the relationship is gradually increasing, statistically, it is not strong enough to be considered a real relationship. As a result, the high ratio of thin capitalization in this study does not appear to have a negative impact on the level of transparency in company accounting.

According to the theory of sinyal, the structure of a company's operations as determined by thin capitalization can be viewed as sinyal in terms of risk perception and management. However, in practice, thin capitalization is more commonly used as an indicator of pajak aggressiveness than as a metric for increasing information flow. This is supported by the findings of Hendrastuti et al. (2024) and Rosid & Faisal (2022), who state that thin capitalization has an impact on pajak practice, while increased transparency has been facilitated by other methods of decision-making, such as ESG and pajak decision-making in a systematic manner, in order to ensure accountability.

4.2.3 The Effect of Sustainability Reporting on Financial Statement Transparency

Sustainability Reporting (SR) has a negative and significant impact on financial transparency (koefisien regresi sebesar $-0,187405$, The t-statistic values are $-3,487354$, probabilitas $0,0009 (< 0,01)$. This suggests that improving sustainability reporting is directly related to increasing financial transparency in the study model. In practice, this theme indicates that many businesses use greenwashing as a sort of symbolism or deception (greenwashing), such that increasing SR does not always result in increased financial information.

Sustainability reports show a company's environmental, social, and governance performance Yu et al. 2020), and indicate its commitment to sustainable business practices (Sundarasen et al., 2024). However, the study was conducted by Yonandi & Lie (2025) and Alkam et al. (2025), who discovered that many businesses provide vague claims of progress rather than actual performance. This situation has led to increased skepticism about the value of sustainability reporting as an accountability and transparency tool.

4.2.4 The Effect of Green Accounting on Financial Statement Transparency with Profitability as a Moderating Variable

Profitability moderates the negative and significant impact of green accounting on financial transparency (koefisien $-0,900835$; t-statistic $-2,187710$; probabilitas $0,0325 (< 0,05)$). This means that increasing profitability must take into consideration the positive impact of green accounting on financial transparency. Green accounting does not significantly improve transparency in companies with high profit margins because the market has shifted its focus away from the company's financial performance, resulting in a lack of relevant information.

According to the stakeholder and sinyal theories, companies with high profitabilities typically have sufficient resources to meet the need for information. However, the combination of high profitability with green accounting may not always improve financial transparency. This study is consistent with the findings of Pratama & Mulyani (2024) and Meiriani et al. (2022), who found that green accounting might have a negative impact on profitability. The findings of this study show that improving green accounting does not always result in significant improvements in laba, hence profitability is not the primary goal in improving green accounting's impact on financial transparency.

4.2.5 The Effect of Thin Capitalization on Financial Statement Transparency with Profitability as a Moderating Variable

Profitability does not moderate the effect of thin capitalization on financial transparency (koefisien regresi sebesar $-0,049579$, nilai t-statistic sebesar $-0,548245$, probabilitas $0,5855 (> 0,05)$). Despite the fact that the coefficient is negative and indicates a problem, the result is not statistically significant. There is no evidence that a systematic combination of debt and profitability improves the transparency of a company's financial statements in this study.

The findings indicate that thin capitalization-based modal structures employ more efficient pajak and pendanaan strategies than those based on information gathering from key stakeholders. Because of this, whether in a high-profit or low-profit company, aggressive spending does not automatically result in more transparency in financial reporting. This is consistent with Maharani & Widanaputra (2025), who state that thin capitalization and tax evasion practices are more influenced by managerial preferences for operational efficiency rather than a focus on transparency.

4.2.6 The Effect of Sustainability Reporting on Financial Statement Transparency with Profitability as a Moderating Variable

Finally, the interaction variable SR_PROFIT had a coefficient of 2.316819 , a t-statistic of 6.075605 , and a probability of $0.0000 (<0.05)$, indicating that profitability moderates the impact of sustainability reporting on financial transparency in a positive and significant way. The findings indicate that for companies with high profit margins, improving sustainability reporting is closely related to increasing financial transparency. As a result, for more profitable businesses, sustainability reporting serves as a valuable asset capable of providing more comprehensive information.

Businesses with high profitability are typically supported by funds dedicated to increasing access to critical information, resulting in the creation of high-quality sustainability reports and the development of profitable business practices. The combination of high profitability and sustainability reporting provides investors with a clear picture of a company's ability to generate revenue while also addressing economic, social, and environmental issues, thereby reducing information gaps and facilitating more informed decision-making. This is consistent with the findings of Kampo (2024) and Ruslim (2023), who found that more transparency had a positive impact on market prices and trust.

5. Conclusion

This study discovered that green accounting has a positive impact on financial transparency, implying that as the rate of adoption increases, so does the need for information from businesses in terms of environmental and financial data. Environmental fees help to reduce information asymmetry and increase public trust in the company's long-term operations.

Thin capitalization, on the other hand, has no significant impact on financial transparency because it is influenced more by accounting policies and financial efficiency. Furthermore, sustainability reporting has a negative impact on transparency, indicating that increasing the pace of progress does not always improve the quality of information and has the potential to be symbolic (greenwashing).

For businesses, the findings highlight the importance of optimizing green accounting practices and improving the quality of sustainability reporting based on GRI standards so

that environmental and social information provided does not harm the environment and can increase trust in the value of assets. Strengthening governance processes and combining sustainability goals with profitability are also critical for businesses to retain openness while improving financial success.

For researchers, this concept may be useful in developing more specific strategies for improving financial transparency, particularly in addressing environmental concerns and promoting thin capitalization practices that have the potential to reduce the quality of financial information. The next step is to increase other variables such as audit committee effectiveness, audit period, or regulation time, as well as use a larger period and sector to gain a more comprehensive understanding of the determination of financial transparency in Indonesia.

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