The Impact of Green Accounting on Investment Decisions: A Field Study of Renewable Energy Companies in Jordan

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Abstract: - This study examines the impact of green accounting practices on investment decisions in renewable energy companies in Jordan. It investigates how environmental disclosure, environmental cost measurement, and sustainability performance contribute to improving information quality for investment decision-making. A quantitative research approach was adopted using a structured questionnaire administered to managers, financial analysts, and decision-makers in Jordanian renewable energy companies. Of 210 distributed questionnaires, 187 valid responses were analyzed using Structural Equation Modeling (SEM) and mediation analysis. The findings reveal that green accounting practices have a statistically significant positive effect on investment decisions. Environmental disclosure and sustainability performance also significantly mediate this relationship. The study highlights the strategic importance of green accounting in enhancing transparency, reducing information asymmetry, strengthening investor confidence, and supporting sustainable investment. The findings provide useful implications for managers, investors, and policymakers seeking to promote sustainable investment and renewable energy development in Jordan.

Key-Words: - Green Accounting, Investment Decision-Making, Renewable Energy Companies, Environmental Disclosure, Environmental Cost Measurement, Sustainability Performance, Sustainable Investment, Jordan.

JEL Classification Codes: M41 – Accounting; Q56 – Environmental Accounting; Q42 – Alternative Energy Sources; G31 – Capital Budgeting; Investment Policy.

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1 Introduction

Companies and investors increasingly concentrate on sustainability and resource conservation due to global and local environmental challenges. Public, investor, and government pressure is mounting on organizations to be more ecologically responsible and transparent. In addition, the environmental costs, benefits, and long-term effects must be included in financial reporting through green accounting. Further, considering these factors helps firms comprehend their economic reality and integrate financial and environmental objectives. Green accounting provides more comprehensive information about companies' environmental performance resource efficiency and long-term sustainability risks compared to traditional financial accounting which focuses primarily on short-term financial indicators This information contributes to enhancing transparency and improving the quality of financial reports resulting from these practices thereby supporting more rational and balanced investment decisions Modern and past accounting literature indicates that investors no longer rely solely on expected financial returns when evaluating investment opportunities They are now paying close attention to environmental responsibility factors risk management and a company's ability to achieve more effective long-term sustainable value to improve the quality of decision-making [1], [2]. Numerous studies have also confirmed that incorporating environmental information into accounting systems helps investors assess non-financial risks that may affect a company's continuity and future profitability, such as regulatory risks, compliance costs, and legislative changes [3]. The energy sector in its modernized form is considered more appropriate for addressing the green accounting role; as a point for the relationship between safeguarding the environment and achievement of economic development, where in modern years this sector in Jordan revealed substantial and incredible improvement; due to the intended efforts performed nationally for decreasing reliance on fossil petrol, expanding energy sources, and sustaining development. The renewed energy enterprises working in Jordan stayed within the lower limit, despite the realistic evidence of the growing impact of green accounting practices on investment decisions [4]. Many earlier studies showed that the green accounting effect differs according to the organizational and control framework, which selects field studies based on their economic features and values [5]. Therefore, this research aims to analyze the impact of green accounting on investment decisions through a field study of renewable energy companies in Jordan, focusing on its role in improving the quality of financial and environmental information, enhancing transparency, and supporting sustainable value creation.

2 Literature Review

Green accounting has gained acceptance of environmental management accounting (EMA) in writings, as a result of the fundamental defects of ordinary accounting systems. Typical accounting structures stimulate old financial transactions and the measurement of short-range economic efficiency. Carbon emissions, waste, and resource exhaustion are treated as externalities in the balance sheet, which can influence the assessment of corporate performance and decision-making strategies, mainly in naturally delicate zones where environmental health is crucial in operations.

Green accounting enhances strategic management by incorporating eco-friendly overheads, scales of resource consumption, and environmental data into the central accounting structure. The study proposes that integration of environmental and economic factors can support companies' image and the allocation of expenses by merging financial proficiency with environmental care, which dynamically allows firms to address environmental challenges. The EMA elevates cost reduction, resource efficacy, and tactical forecasting with universal sustainability drifts; in order to increase the competitiveness and long-term success rate of businesses [6].

Recent investigations show that green accounting improves organizational transparency and responsibility. Monitoring and reporting ecological costs improve management and stakeholder communication. The International Federation of Accountants says environmental management accounting highlights environmental risks and possibilities by tying environmental performance indicators to financial results. Strong environmental accounting procedures promote transparency and sustainability [7].

The accounting data is important for decision-making about investments. Further, the contemporary investment literature emphasizes non-financial information, especially ESG disclosures. Investors increasingly understand that environmental performance and sustainability affect long-term risk, regulatory compliance, operational resilience, and corporate [8]. Thus, environmental accounting data is essential for investment evaluation, especially in environmental domains.

Environmental disclosure supported by green accounting systems is a reliable indicator of a company's environmental commitment and management efficiency. According to signaling theory, companies with superior environmental performance are more likely to voluntarily disclose high-quality environmental information to differentiate themselves from less responsible competitors [5]. Empirical evidence suggests that transparent environmental disclosure reduces information asymmetry, enhances investor confidence, and improves investment efficiency by enabling them to assess sustainability risks and long-term performance prospects more accurately [9], [10].

Recent studies have also indicated that firms that publish good-quality environmental disclosures benefit from better access to finance and lower financing costs because investors feel less hostile toward the company's environmental and regulatory risks. Better environmental disclosure has been shown to have a positive relationship with investment efficiency, indicating that environmental information is important to the decision of capital allocation [11]. Likewise, research on environmental, social, and governance (ESG) reporting shows that the credibility of sustainability reporting is increased if it is backed by good internal accounting systems, such as green accounting and environmental management accounting practices [12].

Recent sustainability and accounting studies support this research's theoretical foundations, stressing green accounting's importance in enhancing information quality and lowering capital market asymmetries. Contemporary accounting theory suggests that investment choices increasingly rely on non-financial data, notably environmental and sustainability data, for credibility, comparability, and relevance. By institutionalizing the measurement and reporting of environmental costs, emissions, and resource efficiency, green accounting systems improve investor decision-making [6], [13].

Numerous practical studies adopted the institutional theory to clarify any increase in sustainable accounting, where environmental administrations face a growing burden to begin green accounting practices that comply with the supervisory and community standards. The official personnel that inspire businesses to construct environmental accounting and disclosure systems will promote legitimacy and support other investors [14], [15]. Meanwhile, compliance with regulations and environmental responsibility fosters confidence in organizations, where the renewable energy demands institutions to align with sustainability standards.

The research of shareholder theory proposes that the practice of green accounting leads to a growth in transparency and accountability, which boosts the contribution of investors and regulators because societies want dependable environmental reporting from businesses. These companies can meet prospects by supplying environmental information and establishing shareholder confidence about green accounting, where sustainable accounting increases investment attraction in environmental corporations [3], [16].

The contemporary theory of resources in planned administration demonstrates how green accounting increases environmental and business sustainability. Green accounting provides precise information about the costs and benefits of environmental activities, in order to make better decisions related to spending money on technology, distributing resources, and creating new ways for investment. Stockholders who have future plans are more likely to value a business's sustainable successes as indicators of its long-term strength and profitability [13]. Moreover, the green accounting, assets allocation, and investment performance depend on the company's methods for sustainability.

Recent research also offers a rationale for environmental disclosure and investor confidence in the context of signaling theory, which is concerned with companies' signaling of their operational and environmental responsibility through environmental disclosure. This transparency will help investors to assess the company's future performance as a result of minimizing information asymmetry, uncertainty in the environment, and potential risks [9], [10]. Regulatory stability and the environmental advantages of renewable energy projects have a significant impact on their success, and sustainability information can shape the expectations of stakeholders and help drive more consistent long-term returns. Thus, investors could gain more confidence and make better investment decisions when investing in companies in the renewable energy sector, even in the face of market and regulatory uncertainty [15], [17].

The latest hypothetical and experiential progress enriched the illustrative supremacy of the projected frame by representing that green accounting practices affect investment judgments by providing the institutional information and strategic affiliations.

2.1 Research Hypotheses

- **Hypothesis 1 (H1):** is that there is a positive correlation between using green accounting practices in investing in renewable energy companies in Jordan.
- **Hypothesis 2 (H2):** states that by implementing green accounting practices, the overall quality and reliability of both financial and environmental information will be improved in the context of making an investment decision in renewable energy companies in Jordan.
- **Hypothesis 3 (H3):** suggests that through the use of green accounting, there will be a positive effect on the level of investor confidence as well as an increase in transparency surrounding renewable energy companies.
- **Hypothesis 4 (H4):** proposes that the use of environmental disclosures will serve as a mediator for the relationship between utilizing green accounting and making investment decisions in renewable energy companies in Jordan.
- **Hypothesis 5 (H5):** is that a perceived level of sustainability will serve as a mediator between utilizing green accounting and making investment decisions for renewable energy companies in Jordan.

Figure 1 illustrates the conceptual framework and hypothesized relationships among green accounting and investment decision variables.

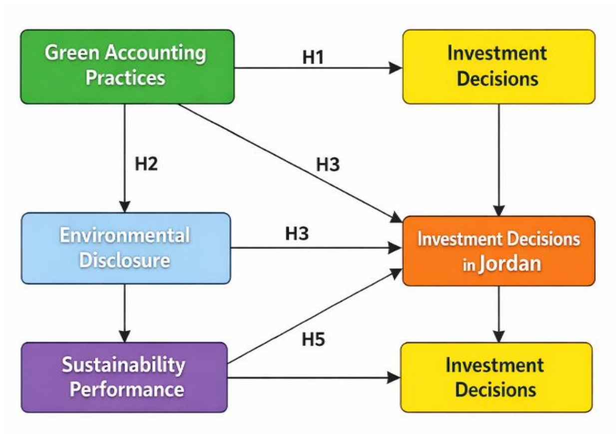

Fig. 1: Conceptual framework.
Source: Prepared by the authors

3 Methodology

The research methodology that has been used in this paper includes the application of an amalgamation of descriptive and analytical quantitative research methods. The application of the research methods cannot be evaded with regard to evaluating the relationship that exists in firms undertaking business in the realm of green accounting and investments. The design of the study will be based on the use of a mix of causal research approaches and explanatory research styles, given the direct causal relationship of the variables under each of the hypotheses, with the moderating effect of environmental disclosure and perceived sustainability performance.

3.1 Research Population & Sample

The study population involves analysts and sustainable financial account managers employed by Jordanian renewable energy companies. Researchers employed the objective sampling technique to confirm that respondents had an acceptable understanding of accounting practices and investment decision-making, where researchers distributed 210 questionnaires to study members, and 187 were valid for statistical analysis.

3.2 Data Collection & Measurement

The researchers collected the main data by relying on a planned questionnaire of a Likert five-point scale (1-5) or (strongly disagree-strongly agree), where items were adapted through the measurement metrics of earlier studies related to business practices of green accounting, with slight circumstantial modifications to outfit the renewable energy sector in Jordan; while secondary data were obtained from company sustainability reports and domestic data.

3.3 Study Variables

The study includes the following variables:

- Independent Variable: Green Accounting Practices
- Dependent Variable: Investment Decisions
- Mediating Variables: Environmental Disclosure and Sustainability Performance

These variables were activated based on formulas used in environmental accounting and investment research.

3.4 Data Analysis Techniques

Data analysis was performed utilizing SPSS software for Descriptive Statistics, Reliability Analysis, and

Preliminary Diagnostic Testing of AMOS and/or SmartPLS software was applied to perform Structural Equation Modeling (SEM) to test the hypothesized relationships and Mediating Effects. The significance of Indirect Effects was assessed using Bootstrapping Procedures that are commonly recommended for Mediation Analysis in SEM-based studies.

3.5 Reliability Analysis

The reliability analysis results for all study variables are presented in Table 1, demonstrating satisfactory internal consistency.

Table 1. Cronbach's Alpha for Reliability

Variable	No of Items	Cronbach's Alpha
Green Accounting Practices	6	0.87
Environmental Disclosure	4	0.82
Sustainability Performance	5	0.85
Investment Decisions	6	0.89

Source: Prepared by the authors

All constructs had an internal consistency that was adequate to strong, as indicated by each of the Cronbach's alpha coefficients exceeding the minimum acceptable reliability threshold of .70, indicating that the measurement tool used in this study can be considered a reliable tool. Additionally, the reliability levels established support that the individual items in the questionnaire provided valid and consistent measures of each of the constructs; therefore, the reliability of the instrument supports the credibility of the post-hoc statistical analyses conducted on the data collected using the instrument [18].

4 Descriptive Statistics

Table 2 presents the descriptive statistics, including the mean and standard deviation for each study variable.

Table 2. Descriptive Statistics

Variable	Mean	Standard Deviation
Green Accounting Practices	4.08	0.57
Environmental Disclosure	4.02	0.54
Sustainability Performance	3.96	0.61
Investment Decisions	4.11	0.56

Source: Prepared by the authors

Overall, descriptive statistics reflect favorable perceptions of green accounting and its influence on sustainability and investing. The average scores reflect that respondents generally agree, with a score of over 3.9. Additionally, the standard deviations are low, suggesting that responses were generally consistent among respondents in Jordan's renewable energy sector [18].

5 Structural Equation Modeling Results

The structural equation modeling results and hypothesized path relationships are presented in Table 3.

Table 3. Path Analysis Results (SEM)

Hypothesis	Path Relationship	β (Standardized)	p-value
H1	Green Accounting and Investment Decisions	0.58	0.000
H2	Green Accounting and Environmental Disclosure	0.62	0.000
H3	Environmental Disclosure and Investment Decisions	0.44	0.001
H4	Green Accounting and Environmental Disclosure and Investment Decisions	0.36 (Indirect)	0.005
H5	Green Accounting and Sustainability Performance and Investment Decisions	0.41 (Indirect)	0.004

Source: Prepared by the authors

The results of the SEM analysis indicate that the practice of green accounting is a major contributor to decisions by investors. Results of findings from this study reveal both direct and indirect positive relationships concerning the practice of green accounting. Moreover, this study revealed that both environmental disclosure and sustainability performance have a significant positive mediating effect with regard to the ability of the investor to effectively employ green accounting practices with the aim of improving informed investment decisions [18].

6 Mediation Analysis

Table 4 presents the bootstrapping results examining the indirect effects of the proposed mediating variables.

Table 4. Mediation Analysis Using Bootstrapping

Mediator	Indirect Effect	95% Confidence Interval	Significance
Environmental Disclosure	0.22	[0.11-034]	Significant
Sustainability Performance	0.26	[0.15-038]	Significant

Source: Prepared by the authors

These findings suggest that green accounting plays a role in supporting investments by improving environmental transparency and perceptions of environmentally sustainable performance, thereby supporting a basis for investment [18].

7 Discussion

The findings obtained in the present research are important because they carry empirical results that show how green accounting practices can directly affect the decision-making process regarding investments in renewable energy organizations within Jordan. The strong direct correlation that has been obtained between green accounting practices and the decision-making process regarding investments, as shown in this research, proves an emerging consensus in the present literature regarding accounting, sustainability, and thus emphasizes that investors can't make decisions regarding investments based on only financial performance information [17].

The positive influence of green accounting on environmental disclosure showcases the support provided by green accounting systems for providing information. More recent evidence suggests that organizations that use environmentally and sustainability structured accounting methods to track, quantify, and report environmental costs and impacts have more accurate and comprehensive environmental disclosure documents than their counterparts that do not use structured methods [19], [20].

The relationships demonstrated in this study support previous empirical evidence that there is an increasing level of integration of environmental and sustainability disclosures into investor assessment processes and directly relate to the growing number of environmental disclosures made by companies in relation to their environmental performance and the level of environmental compliance [21]. Disclosures made by companies regarding their environmental performance provide investors with an understanding of how well a company has managed its resources, how prepared it is to meet government regulations, and what risks (financially and otherwise) a company may face due to its environmental practices. In addition, within the context of renewable energy companies based in Jordan, this measure would also be of considerable interest to investors when considering how renewable energy projects in Jordan will support the country's national sustainability efforts and energy security initiatives [12].

A mediation analysis demonstrates how green accounting affects how much investment companies spend by identifying pathways underlying the relationship between green accounting and the expenditure decision process. The analysis discovers that green accounting impacts investment expenditure directly through in-house decision-support tasks and indirectly through improving the sustainable quality investors obtain outwardly. Recent studies show that increased-quality environmental disclosure or ESG disclosure has a positive effect on capital market information environments, leading to greater efficiency in evaluating investments. Consequently, when environmental disclosures derive from systematic green accounting practices, they are regarded as more credible and relevant for decision-making than when environmental disclosures are made for symbolic reasons only.

Moreover, the mediation role played by perceived sustainability performance emphasizes the strategic aspects of green accounting. Green accounting allows companies to track their environmental performance and also manage the risks they face in relation to sustainability; therefore, green accounting improves the overall sustainability performance of organizations. Sustainability performance reveals the way a company has dealt with environmental risk, as well as how well it can adapt to regulatory changes and align operational activities with the goals of sustainability. Results from this study show that investors in renewable energy consider sustainability performance as an important determinant when making investment decisions, particularly in emerging economies where there is a lack of regulatory and market certainty [6].

The results also contribute to the extension of the recent literature in developing economies, whereby we have shown that green accounting has relevance beyond just developed or highly regulated economies. Evidence from Jordan indicates that there is a positive correlation between green accounting disclosure and the market value of firms, thus suggesting that sustainability-focused accounting and reporting practices can improve investment appeal for investors even in emerging markets [8].

Thus, this research contributes to the expanding literature regarding the significance of green accounting as a mechanism to enhance transparency, boost confidence among investors, and assist sustainable investment decisions in Jordan's renewable energy sector [8], [22].

Moreover, the findings demonstrate that investment decisions influenced by sustainability must result from an interaction among the levels of discharge quality, levels of accounting practices, and expected sustainable performance. All of these factors behave as interrelated variables in a system that defines the manner in which investors will derive meaning from corporate performance and potential [23], [24]. As literature increasingly points towards the above position, it is very important that such factors should be analyzed through a holistic approach towards accounting and reporting that integrates financial measurements, environmental attributes, and sustainability. Finally, the overall discussion indicates the need to utilize green accounting as a strategic resource as opposed to simply a means of compliance for the renewable energy industry [24], [25].

The study's results may also be seen through an institutional lens that helps provide explanations for why green accounting practice significantly affects investment decisions made by investors within the renewable energy sector. There have been advances in institutional and regulatory developments that include furthering sustainability-related disclosures, and those advances have an impact on how corporations perform their reporting and how investors respond to those reports, within the context of renewable energy companies operating in Jordan [26], [27].

Green accounting reflects a company's attempt to comply with changing sustainability-related expectations and disclosure obligations. Compliance improves the company's perceived legitimacy and prepares it for sustainability-related regulations and scrutiny from the market, and thus, investors are placing more value on compliance and preparing for long-term investments [17].

Stakeholder-oriented arguments also provide a good framework for understanding the environmental disclosure that was found to mediate investment decisions in this study. Investors, regulators, and local communities expect companies increasingly to demonstrate their commitment to environmental responsibility through their reporting and make consistent and reliable reports of that commitment. The strong effect of environmental disclosure on investment decisions indicates that green accounting allows a company to respond better to its stakeholders' expectations by providing more transparent, reliable, and decision-useful environmental information.

Evidence gathered recently shows that if companies are more open about their environmental and social impacts, it will give investors' confidence to make better investments. This is because it provides a clearer picture of what companies do (less chance for misplaced trust) and helps companies disclose how they report on the environment and social aspects in a way that allows investors to make smarter investments Both perspectives presented so far demonstrate how green accounting has increased the ability of organizations to effectively manage costs of compliance with regulatory environment and to manage the risks associated with introducing sustainability-related actions [24], [27].

It is also likely that additional efforts to use green accounting will result in further improvements in sustainability outcomes as well as creating added shareholder value for the long haul; however, because of the way sustainability is channeled through sustainability performance (as indicated by the use of survey methodology) typically perceived as indicative of the competence of the organization's internal systems, as well as the organization's ability to manage environmental risks effectively and build long-term resilience; consequently, many investors view exemplary sustainability performance as validation of the effectiveness of these companies and will include sustainability performance into their investment evaluation process more often [1], [22],

Explanations related to legitimacy also help to explain how environmental disclosures may impact investment decisions [4]. Environmentally sensitive businesses must manage both reputational and regulatory risks, so firms must appropriately demonstrate that they are aligned with societal expectations around sustainable development and environmental protection. The outcomes of this study revealed that, concerning the incorporation of firms' environmental information in the application of systematic green accounting methodology, the level of legitimacy of such environmental information clearly reduced concerns over the relationship of environmental risk and/or reputation risk to the firm in terms of how such risks would be addressed. Accordingly, increased corporate legitimacy can contribute positively to investor confidence and more informed investment decisions [17].

Furthermore, the findings of this study can be interpreted from the behavioral finance perspective as well. The behavioral finance approach accepts the fact that investment decisions are made based on rational financial analyses of alternatives, as well as the investor's perceived level of trust and perceived level of uncertainty associated with the investment.

Accounting information related to sustainability could give investors a basis for developing perceptions of the environmental performance of a corporation as an important factor in its overall corporate value and long-term viability. Indeed, recent empirical research suggests that investors increasingly consider various elements of sustainability in their investment decision-making processes, particularly within industries such as renewable energy, where the increased profitability of a business in the future may be significantly dependent upon its environmental performance and/or the stability of its legislation [25], [26].

The theoretical explanations presented in this work, in a sense, collectively confirm the empirical findings of this research, which suggest that there are a number of different but closely related ways in which green accounting can influence the investment decision-making process. These include: institutional pressures that may encourage firms to adopt green accounting practices, stakeholder expectations as regards the disclosure of information by companies, company sustainability capabilities and their implications on performance, and legitimacy considerations and their impact on the credibility of green accounting information as perceived by investors. All of these elements add to how green accounting information is finally translated into investment behavior, which thereby enhances the strategic significance of green accounting in facilitating sustainable investment decisions within Jordan's renewable energy sector.

8 Conclusion

This study adds to the academic literature base in terms of green accounting and sustainability, given its exploration of the nature of the influence of accounting practices in renewable energy firms on investors in a transitional economy.

The research is aimed at the Kingdom of Jordan, with the main aim of filling a significant gap that exists in the literature. The research proves the relevance of the application of green accounting in both developed and developing countries with respect to the industries of energy sources [2].

Therefore, from a practical point of view, the findings have some useful implications for management (corporate), investors, and policy-makers. Renewable energy companies should be encouraged to adopt green accounting into their strategic and accounting systems to improve the level of transparency associated with their disclosures and enhance their sustainability performance; investors can benefit from the inclusion of green accounting related information into their evaluation frameworks for investment purposes; and policy-makers can assist in the promotion of sustainable investment by amending regulatory frameworks and guidelines to promote transparency related to environmental accounting and sustainability reporting [1]. While this research contributes to the literature, it is also limited because it relies on survey data from individuals and because it focuses only on one sector in a particular country. Future researchers may look to improve upon this study by using longitudinal data, conducting cross-national analyses, and/or including new mediating and moderating questions, such as regulatory intensity, to examine how the relationship between green accounting and investment decisions is influenced over time. Thus, the research emphasizes the significant strategic implications of green accounting with regard to supporting sustainable investments in the renewable energy segment. It is to be noted here that green accounting is of significant value concerning the link between accounting systems and the level of transparency,
sustainability, and investor decision-making; consequently, green accounting will play an ever-increasing role in the developing energy sector of Jordan to ensure sustainable growth from the perspective of renewable energy.

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Contribution of Individual Authors to the Creation of a Scientific Article (Ghostwriting Policy)

- Emad Hajjat has helped in the conceptualization of the study, research framework, literature review, and supervision of the research process.
- Leqaa Al-Othman assisted in data collection, survey development, field coordination with renewable energy companies, and initial survey data preparation.
- Khaled Al-Tamimi designed the study and developed the methodology; was involved in the writing and editing of the manuscript; interpreted the results; and handled correspondence with the journal as the corresponding author.*****All authors read and approved the final manuscript and discussed the results.

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The authors have no conflicts of interest to declare that are relevant to the content of this article.