Al-Kharaj: Journal of Islamic Economic and Business
Volume 7 (4), 2025
P-ISSN: 2686-262X; E-ISSN: 2685-9300

From Planet to Profit : The Triple Impact of Green Invesment, Environmental Performance, and Financial Performance

Sahira Pebrianti[1], Vita Citra Mulyandini [2]

[1,2] Jenderal achmad yani university

Email: sahirapebrianti_22p071@ak.unjani.ac.id, vita.citra@lecture.unjani.ac.id

Keywords:
Green Invesment, Environmental Performance, Profitability, Firm Value

Abstract

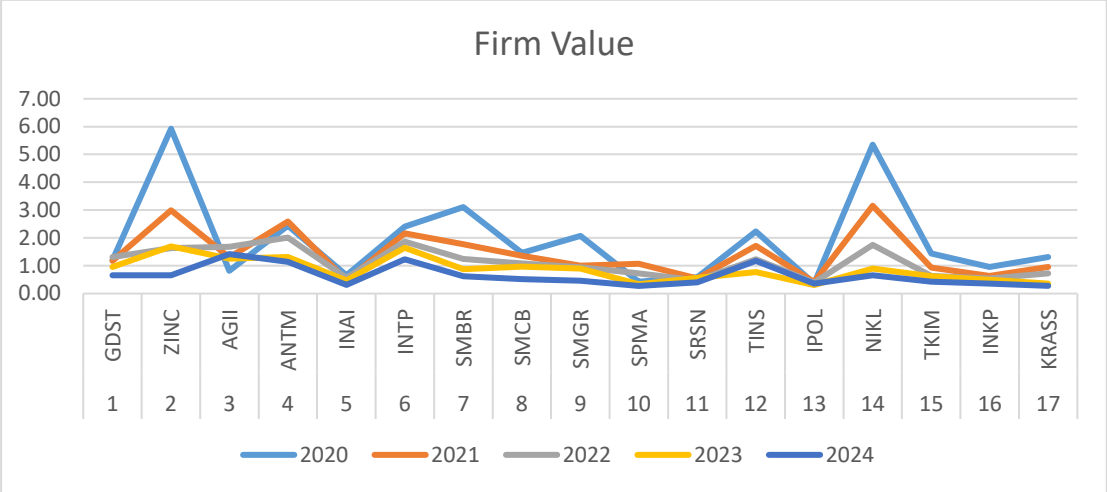
The purpose of this research is to examine the influence of green investment, environmental performance, and profitability on firm value. This study applies a quantitative approach using secondary data obtained from annual reports, PROPER reports, and sustainability reports. A purposive sampling technique was used to determine the sample, resulting in 17 companies with a total of 85 observations. The analytical methods employed include classical assumption testing, multiple linear regression analysis, the coefficient of determination, t-tests, and F-tests, all processed using SPSS version 31. The findings reveal that green investment has a positive and significant effect on firm value, environmental performance has no effect on firm value, and profitability has a positive and significant effect on firm value. Furthermore, simultaneous testing shows that green investment, environmental performance, and profitability collectively exert a significant influence on firm value. These results imply that additional factors may also contribute to firm value, emphasizing the need for companies to consider broader aspects of corporate sustainability. Future research is encouraged to incorporate variables such as carbon emission disclosure, institutional ownership, and corporate social responsibility.

INTRODUCTION

Essentially, companies are established to generate profits and enhance stakeholder welfare by increasing the overall firm value (Santoso & Nurhidayati, 2022). The value of a firm reflects how investors view the quality of the business, which is shown through changes in its stock price (Putri & Rahmah, 2025). Firm value refers to investors' overall assessment of a company, which strengthens the bargaining position of its shares and potentially increases the stock price in line with the firm's overall value (Mubarokah, Tripalupi, & Muslih, 2025). Thus, it is crucial for companies to preserve and enhance their value to attract investors and obtain more funds for their operations and expansion. In today's global environment, businesses are not solely focused on generating financial gains but are also prioritizing efforts to uphold environmental and social responsibility. Current environmental challenges that demand attention require companies to take into account three key elements, often referred to as the triple bottom line: profit, planet, and people (Aswangga & Widoretno, 2025). Firms that show a commitment to environmental issues can improve their corporate image and reputation, which can ultimately enhance their long-term business value.(Tanasya & Handayani, 2020).

The basic materials sector exhibits a high level of environmental sensitivity, as its production activities rely on the use of natural resources, chemical inputs, and industrial processes that may generate waste and cause ecosystem degradation (Fasya & Inawati, 2024). Therefore, companies are required to disclose information in their annual reports regarding resource

management efforts and environmental programs implemented to support environmental sustainability (Kustinah, Mariani, & Winarso 2025). According to (Sapulette & Limba, 2021), various cases of environmental pollution caused by companies indicate that many firms still lack a full understanding of the importance of environmental conservation as a consequence of their operational activities. Several cases of environmental damage caused by human activities have been identified, including a pollution incident in the basic materials sector resulting from the operational activities of PT Solusi Bangun Indonesia Tbk, as reported by residents of Glondonggede Village. The pollution was alleged by local residents to have occurred during the unloading process. The complaint, filed on January 5, 2025, stated that thick dust and a strong coal odor were present in the surrounding area. This condition poses significant risks to the environment and the health of local residents (Fadillah, 2025). In addition to the environmental pollution cases, empirical data also indicate that firm value in the basic materials sector has experienced a gradual decline over the 2020–2024 period, as presented in the following data:



Source: Data processed by researchers (2025)

Figure 1.1 Firm Value

Firm value in this analysis is assessed through the Price-to-Book Value (PBV) ratio, indicating how the market perceives the firm in relation to its book value. As shown in the preceding figure, the company value of businesses within the basic materials sector displays a clear downward trend from 2020 to 2024. This decline could be affected by several internal and external elements, such as rising environmental concerns, changes in commodity prices, and the financial health of the company.

In light of the declining trend in firm value, companies are increasingly encouraged to adopt strategies that strengthen both financial performance and environmental accountability. One strategic initiative to address and mitigate environmental issues arising from operational activities is the adoption of green investment programs (Aeni & Murwaningsari, 2023). Green investment serves as a corporate effort to establish and reinforce environmental legitimacy, which can improve operational outcomes and ultimately enhance firm value (Zhang & Berhe, 2022). According to (Maharani, Agustia, & Qomariyah, 2024), green investment involves allocating capital to businesses committed to conserving natural resources, advancing renewable energy development,

supporting initiatives that improve air and water quality, and financing other environmentally sustainable projects. Furthermore, green investment acts as a preventive measure that enables companies to minimize adverse environmental impacts by channeling financial resources toward sustainability-oriented programs (Hasanah & Paramita, 2025). In this study, the green investment variable is expressed as a ratio derived by dividing total environmental costs by total assets, which provides a quantitative reflection of a company's commitment to environmentally sustainable investment practices. Prior studies have examined the association between green investment and firm value, yet the findings remain inconsistent. The findings of the study by (Murwaningsari & Rachmawati, 2023) indicate that green investment positively influences firm value, suggesting that environmentally oriented investments may strengthen corporate performance and market perception. However, (Debbianita, Prayogo, & Hoetama, 2024) find no significant effect, indicating that green investment's impact on firm value could differ based on contextual conditions or the methods used for measurement.

To strengthen sustainable practices, companies not only engage in green investment but also strive to enhance their environmental performance. Strong environmental performance has the potential to increase firm value, as investors are generally more attracted to companies that demonstrate a clear commitment to environmental responsibility (Carrisa & Mutasowifin, 2025). Environmental performance refers to a series of voluntary initiatives undertaken by firms to protect the natural environment while reducing the adverse effects of their business operations (Ramdani & Nugraha, 2024). Within the capital market, environmental considerations are becoming increasingly influential in investment decisions, aligned with the growing emphasis on sustainable investing (Safitri, Nuha, & Afroh, 2025). Improving environmental performance can also create a competitive advantage, as it may lead to operational efficiencies, higher productivity, reduced regulatory burdens, and expanded market opportunities (Krismawati & Windiarti, 2025). In Indonesia, corporate environmental management is evaluated through the Corporate Environmental Performance Rating Program (PROPER), which is implemented under the Ministry of Environment and Forestry Regulation No. 1 of 2021. Accordingly, this study employs the PROPER rating as the indicator for assessing environmental performance. Prior studies examining the influence of environmental performance on firm value have yielded inconsistent findings. (Budiharjo, 2020) indicates that environmental performance positively and significantly influences firm value, suggesting that better environmental practices may enhance market perception. Conversely, the findings of (Khanifah, Udin, Hadi, & Alfiana, 2020) show a negative and significant effect, indicating that improvements in environmental performance do not always correspond to higher firm value and may even be perceived as costly by investors.

In addition to engaging in green investment and maintaining strong environmental practices, companies are also expected to demonstrate solid financial performance, which is reflected in their level of profitability. Profitability reflects the extent to which a firm can generate income through its operational activities over a specific period (Kharisma & Priyadi, 2023). Elevated profitability functions as a signal to investors that the company is efficiently allocating and managing its resources, reflecting effective operational and financial performance, thereby enhancing its attractiveness as a potential investment choice (Sandy & Arieftiara, 2024). Profitability in this study is measured using Return on Assets (ROA), which is a financial measure used to assess a company's efficiency in generating profit from its total assets (Amalia, Windiarti,

& Kustinah, 2025). The study by (Bon & Hartoko, 2022) shows that profitability positively influences firm value. In contrast, the study conducted by (Harahap, Juliana, & Lindayani, 2018) indicates that profitability has no significant impact on firm value.

Although earlier research has investigated the effects of green investment, environmental performance, and profitability on firm value, their results remain inconsistent and often dependent on contextual conditions. Furthermore, empirical phenomena in the basic materials sector reinforce the research gap. Several firms have increased their green investment, yet their firm value has declined. Some companies have achieved strong environmental performance, as reflected in high PROPER ratings, but such improvements have not been followed by increases in firm value. Likewise, firms with high levels of profitability do not consistently experience growth in their market valuation. This divergence between theoretical expectations and empirical reality suggests that the influence of green investment, environmental performance, and profitability on firm value is not always linear or direct. Instead, these relationships may be moderated by external factors such as commodity price volatility, regulatory changes, and shifts in investor perception.

This study aims to bridge both theoretical and empirical gaps by examining how green investment, environmental performance, and profitability influence firm value, while also offering new insights into the interaction linking the environmental and financial dimensions. The novelty of this study lies in its integrated examination of triple bottom line components within a sector characterized by high environmental impact, thereby offering an updated perspective to the sustainability accounting literature and practical implications for corporate strategy and investment decision-making. Several theories underpin this study and are discussed in the literature review, including:

1. Legitimacy Theory

   Legitimacy theory, originally introduced by Dowling and Pfeffer (1975), explains that companies disclose social information as a means to gain legitimacy from society. In this context, legitimacy reflects the acceptance and acknowledgment of an organization by the public or the wider community (Putri & Rahmah, 2025). This theory underscores the significance of a firm's interaction with its surrounding society, stressing that companies need to ensure their practices are consistent with existing norms and regulatory expectations in order to preserve or strengthen their legitimacy.

2. Signalling Theory

   Signalling theory, introduced by Spence (1973), explains how companies provide information signals to potential investors regarding their activities. The theory suggests that management communicates indications about the firm's future prospects to help investors assess the company's performance and outlook (Prasetio & Prijanto, 2024). Signal providers must carefully design the information conveyed, whereas recipients must appropriately interpret and evaluate the signal. Investors, whether prospective owners or existing shareholders, require information that is complete, relevant, accurate, and timely in order to serve as a basis for analyzing and making informed invesment choices in the capital market (Setiawanta, Utomo, Pamungkas, Jumanto, & Ifada, 2021).

Informed by prior studies, this research develops the following hypotheses:

H1: Green Invesment has a positive effect on firm value.
H2: Environmental performance has a positive effect on firm value.
H3: Profitability has a positive effect on firm value.
H4: Green investment, environmental performance, and profitability simultaneously have a significant effect on firm value.

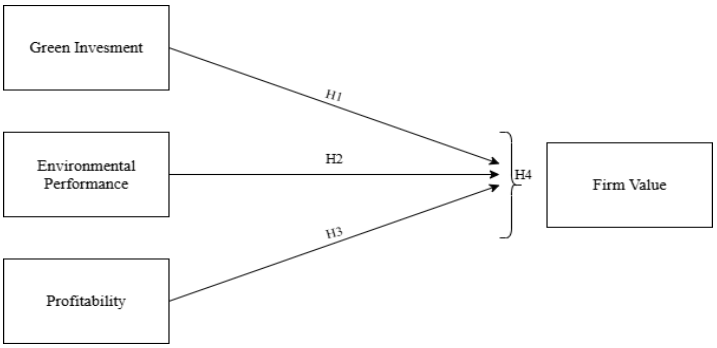


Figure 1.2 Conceptual Framework

METHODS

This research employs a quantitative method utilizing secondary data obtained from the annual and sustainability reports of companies listed on the Indonesia Stock Exchange (IDX). The study seeks to analyze and evaluate the impact of green investment, environmental performance, and profitability on firm value. The research focuses on firms in the basic materials sector listed on the IDX during the 2020–2024 period. For sample selection, a non-probability sampling method was employed, namely purposive sampling, using the criteria described as follows:

1. Basic materials sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period.
2. Basic materials companies that had completed an IPO on the IDX prior to the 2020–2024 period.
3. Basic materials sector companies that consistently published annual and sustainability reports during the 2020–2024 period.
4. Basic materials sector companies that consistently participated in the PROPER program during the 2020–2024 period.
5. Basic materials sector companies that consistently reported environmental costs during the 2020–2024 period.

The basic materials sector on the Indonesia Stock Exchange comprises a total of 112 companies. Using purposive sampling according to the established criteria, 17 firms were selected as the research sample. This study uses three independent variables, green investment, environmental performance, and profitability, while firm value is treated as the dependent variable. The data were analyzed and the hypotheses were tested using SPSS Version 31. The following table presents the indicators for each variable used in the present research:

Table 3.1 Indicators of Variable

Variable	Indicators	Scale

Green Invesment	$GI = \frac{Environmental\ Cost}{Total\ Assets}\ x\ 100\%$ (Nurjannah, Indriyani, & Sari, 2025)	Ratio
Environmental Performance	PROPER Ranking (Muqorobin & Simamora, 2025) Gold= Excellent (5), Green=Very Good (4), Blue= Good (3), Red= Poor (2), Black= Very Poor (1)	Ordinal
Profitability	$ROA = \frac{Net\ Profit}{Total\ Assets} x\ 100\%$ (Rosmegawati, Tobing, Suhikmat, Tasif, & Tambunan, 2023)	Ratio
Firm Value	$PBV = \frac{Market\ Price\ per\ share}{Book\ Value\ per\ share}$ (Febrica & Lekok, 2023)	Ratio

Source: Data processed by researchers (2025)

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics refer to statistical techniques that help organize and show data by outlining or depicting the current state of the gathered information as it stands, without making wider inferences or assumptions (Sugiyono, 2023). The following table presents the results of the descriptive statistical analysis.

Table 4.1 Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Green Invesment	85	.01	2.28	.2152	.31119
Environmental Performance	85	2.00	5.67	3.70	.88166
Profitability	85	-7.95	13.07	3.4348	4.08737
Firm Value	85	.28	5.92	1.1906	.97601
Valid N (listwise)	85				

Source: SPSS version 31 output (Data processed in 2025)

Based on the descriptive statistics presented in Table 4.1, this study utilizes 85 firm-year observation records of companies listed on the Indonesia Stock Exchange between 2020-2024. The table indicates that green investment has a minimum value of .01 and a maximum of 2.28. Environmental performance ranges from a minimum of 2.00 to a maximum of 5.67. Profitability exhibits a minimum value of –7.95 and a maximum of 13.07. In addition, firm value records a minimum of 0.28 and a maximum of 5.92.

Method of Successive Interval (MSI)

This study involves three variables, namely, green investment measured on a ratio scale, environmental performance measured on an ordinal scale, and profitability measured on a ratio scale. The use of multiple linear regression requires data to be in interval-or ratio-scale form (Nurjanah & Mulyandini, 2024).

Classical Assumption Test

1. **Normality Test**

The purpose of the normality test is to assess if the regression model, which includes both dependent and independent variables, shows a data distribution that is normal or not.

Table 4.2 Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		85
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.81151258
Most Extreme Differences	Absolute	.127
	Positive	.127
	Negative	-.100
Test Statistic		.127
Asymp. Sig. (2-tailed)[c]		.002

Source: SPSS version 31 output (Data processed in 2025)

Based on Table 4.2, the Kolmogorov–Smirnov assessment provides an Asymp. Sig. (2-tailed) figure of .002, which falls below the 0.05 threshold. This finding suggests that the residuals do not follow a normal distribution. Consequently, adjustments were made by removing extreme outliers. After refining the data for the green investment, environmental performance, profitability, and firm value variables, the normality test produced the following results:

Table 4.3 Kolmogorov-Smirnov Test Result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		59
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.28927807
Most Extreme Differences	Absolute	.069
	Positive	.057
	Negative	-.069
Test Statistic		.069
Asymp. Sig. (2-tailed)[c]		.200[d]

Source: SPSS version 31 output (Data processed in 2025)

The retest results indicate a significance value of 0.200 from the Kolmogorov–Smirnov normality test, which exceeds the 0.05 threshold; thus, the data are normally distributed.

2. **Multicollinearity Test**

Table 4.4 Multicollinearity Test Results

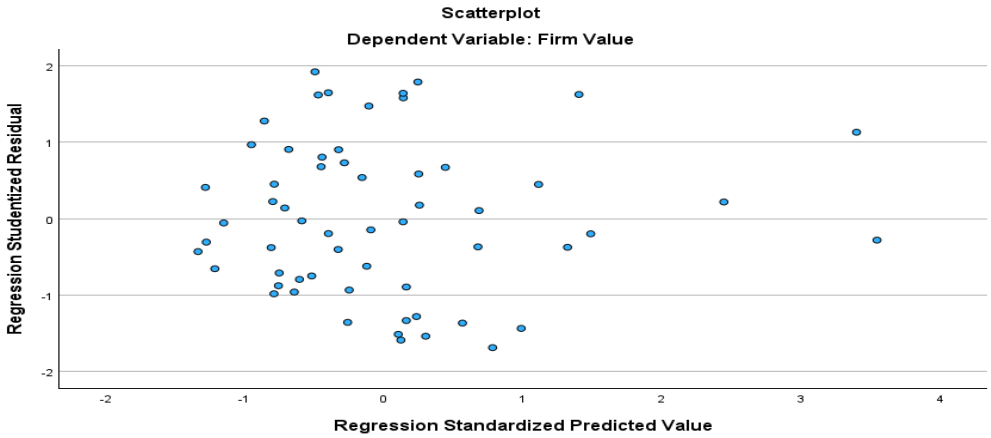
Coefficients[a]			
		Collinearity Statistics	
Model		Tolerance	VIF
1	Green Invesment	.658	1.520
	Environmental Performance	.737	1.356
	Profitability	.851	1.175

a. Dependent Variable: Firm Value

Source: SPSS version 31 output (Data processed in 2025)

Based on Table 4.4, the tolerance values obtained for green investment 0.658, environmental performance 0.737, and profitability 0.851 are all above the required threshold of > 0.10. Similarly, the VIF values for green investment 1.520, environmental performance 1.356, and profitability 1.175, are all below the acceptable limit of < 10. Therefore, the sample employed in this study exhibits no indications of multicollinearity, ensuring the validity of the analytical findings.

3. Heteroscedasticity Test



Source: SPSS version 31 output (Data processed in 2025)

Figure 4.1 Heteroscedasticity Test Results

According to Figure 4.1, the test for heteroscedasticity shows that the scatterplot lacks a distinct pattern, and the data points appear to be randomly dispersed. Thus, it may be concluded that the model does not exhibit any indications of heteroscedasticity.

4. Autocorrelation Test

The autocorrelation test is performed to examine whether a correlation exists among the residuals, which would indicate the presence of autocorrelation in the model. A Durbin-Watson test is commonly used to detect autocorrelation. The autocorrelation test output is presented in the table below.

Table 4.5 Durbin Watson Test Results

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.716[a]	.513	.486	.27880	2.021

Source: SPSS version 31 output (Data processed in 2025)

In Table 4.5, the DW value generated in this study is 2.021. This figure is assessed by referring to the DW table at a 0.05 significance level, with 59 observations (n = 59) and three

independent variables (k = 3). According to the table, the lower bound (dL) is 1.474 and the upper bound (dU) is 1.687, while 4 − dU equals 2.313. The criterion indicating the absence of autocorrelation is satisfied when dU < d < 4 − dU. The obtained value meets this requirement, namely 1.687 < 2.021 < 2.313. Thus, it can be inferred that the model is free from autocorrelation.

Hypothesis Testing Results

Multiple Linear Regression Analysis

Table 4.6 Result of Multiple Regression Analysis

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.362	.149		2.426	.019
	Green Invesment	1.303	.262	.577	4.971	<,001
	Environmental Performance	.007	.058	.013	.120	.905
	Profitability	.021	.010	.231	2.181	.036
a. Dependent Variable: Firm Value						

Source: SPSS version 31 output (Data processed in 2025)

According to Table 4.6, the equation for multiple linear regression can be stated as:

$$Y = 0.362 + 1.303X_1 + .007X_2 + .021X_3$$

The influence of each variable based on the regression formula is explained clarified below:

1. The constant value of 0.362 reflects the initial level of firm value for basic materials companies listed on the Indonesia Stock Exchange during 2020–2024, before the effects of green investment, environmental performance, and profitability are taken into account.
2. The green investment coefficient (X1) of 1.303 shows a positive association with firm value (Y). In other words, if green investment rises by one percent, firm value is expected to increase by 1.303, provided that the other variables in the regression remain unchanged.
3. The environmental performance coefficient (X2), valued at .007, reflects a positive linkage with firm value (Y). This suggests that a one-percent improvement in environmental performance is associated with a .007 increase in firm value, provided that the other variables in the regression remain unchanged.
4. The profitability coefficient (X3) is .021, reflecting a positive effect on firm value (Y). This suggests that a one-percent rise in profitability is expected to enhance firm value by .021, provided that the other variables in the regression remain unchanged.

Determination Coefficient Test (R^2)

Table 4.7 Result of Determination Coefficient Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.716[a]	.513	.486	.27880	2.021

Source: SPSS version 31 output (Data processed in 2025)

The results shown in table 4.7 reveal an R-squared value of 51%, indicating that green investment, environmental performance, and profitability together account for 51% explaining the changes in firm value, with the other 49% influenced by variables outside the scope of this study.

Partial Hypothesis Test (t-Test)

Table 4.8 Partial Hypothesis Result (t-Test)

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.362	.149		2.426	.019
	Green Invesment	1.303	.262	.577	4.971	<,001
	Environmental Performance	.007	.058	.013	.120	.905
	Profitability	.021	.010	.231	2.181	.036
a. Dependent Variable: Firm Value						

Source: SPSS version 31 output (Data processed in 2025)

Referring to Table 4.8, at a 5% significance level and using the formula df = n – k – 1, where n denotes the 59 observations and k represents the three independent variables, the degrees of freedom are calculated as 59 – 3 – 1 = 55. Based on these degrees of freedom, the corresponding t-table value is 2.004.

a. Independent Variable X1
   The computed t-statistic for the green investment variable is 4.971, exceeding a t-table value of 2.004 and a significance level of <.001, falling below the 0.05 threshold. These findings suggest that H0 is rejected, whereas Ha is supported, meaning that green investment has a positive and significant effect on firm value.
b. Independent Variable X2
   The computed t-statistic for the environmental performance variable is 0.120, falling below the t-table value of 2.004, with a significance level of 0.905, which is above the 0.05 threshold. Consequently, H0 is supported, whereas Ha is rejected, showing that environmental performance has a no significant effect on firm value.
c. Independent Variable X3
   The computed t-statistic for the profitability variable is 2.181, which exceeds the t-table value of 2.004, and the significance level of 0.036 is below 0.05. Thus, H0 is rejected, whereas Ha is supported, indicating that profitability has a positive and significant effect on firm value.

Simultaneous Hypothesis Testing (F Test)

In conducting the F-test, the comparison is made between the calculated F value and the F table value based on the F distribution with degrees of freedom (df) = n - k - 1 and a 5% significance level, where n = 59 research samples and k = 3 independent variables, resulting in 59 - 3 - 1 = 55. Therefore, the F table value obtained is 2.77. The findings of the F-test assessment are outlined as follows:

Table 4.9 Simultaneous Hypothesis Testing Result (F Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.416	3	1.472	18.936	<,001[b]
	Residual	4.197	54	.078		
	Total	8.613	57			

a. Dependent Variable: Firm Value

Source: SPSS version 31 output (Data processed in 2025)

Referring to Table 4.9, the F-statistic of 18.936 exceeds the F-table value of 2.77, accompanied by a significance level of <.001 wich falls below the 0.05 threshold. H0 is rejected, whereas Ha is supported. Thus, green investment, environmental performance, and profitability collectively exert a significant influence upon firm value.

DISCUSSION

The Influence of Green Invesment on Firm Value

The findings indicate that green investment has a positive and significant effect on firm value. Further analysis suggests that green investment constitutes a determinant capable of attracting investor interest when formulating investment decisions. Green investment reflects a company's commitment to implementing sustainable operational practices and upholding environmental accountability, which subsequently strengthens public trust and enhances corporate reputation. This outcome is consistent with legitimacy theory, which posits that green investment enables firms to gain social recognition and reinforce their competitive position within the industry. Consequently, the allocation of resources towards environmentally oriented initiatives can directly elevate a company's reputation and increase its appeal in the capital market.

Supporting evidence reported by (Bkpm.go.id, 2025) during the Indonesia International Sustainability Forum (ISF) highlights a strategic dialogue on inclusive and sustainable green financing involving stakeholders from the government, the financial sector, and the business community. The forum underscored that green financing is no longer viewed as an idealistic alternative but has evolved into a strategic necessity for addressing the financing gap in sustainable development. Moreover, the government reported green investment commitments surpassing 200 trillion rupiah, providing concrete evidence of its support for the transition toward a sustainable economy. This substantial commitment reflects stakeholders' confidence in the long-term strategic prospects of sustainability-oriented initiatives.

The Influence of Environmental Performance on Firm Value

The findings indicate that environmental performance does not have a significant effect on firm value. The PROPER rating does not contribute to an increase in firm value. The PROPER rating issued by the Ministry of Environment and Forestry (KLHK) reflects the extent to which firms comply with environmental management regulations. However, most companies in the basic materials sector receive a blue rating, which signifies that they have only met the minimum regulatory standards without demonstrating additional initiatives or innovations in sustainable environmental practices. This condition indicates that environmental performance in the basic materials sector remains largely normative and has not yet created added value for firms. Moreover, the costs incurred in fulfilling environmental responsibilities are considerable, which may lead investors to view such expenditures as potentially reducing returns. Consequently, this situation raises concerns related to profitability and the dividends to be distributed.

Supporting evidence reported by (Kontan.co.id, 2024) indicates that investor awareness of Environmental, Social, and Governance (ESG) investment products in Indonesia remains relatively low. Domestic investors tend to place greater emphasis on short-term financial returns. This low level of interest suggests that corporate efforts to fulfill environmental responsibilities have not yet significantly influenced investor perceptions.

The Influence of Profitability on Firm Value

The findings indicate that profitability has a positive and significant effect on firm value. Profitability constitutes an essential determinant in attracting investor interest during the investment decision-making process. When a company demonstrates strong profit-generating capability, investors tend to place greater confidence in its operational performance and future prospects. Higher profitability provides a favorable signal to the market, indicating that the firm is able to utilize its resources effectively and sustain long-term growth potential. This situation subsequently increases investor interest in the company's stock, thereby contributing to a rise in firm value.

In addition, high profitability reflects the company's financial resilience in responding to market volatility and economic challenges, thereby enabling it to broaden its operational scope, undertake strategic investments, and distribute competitive returns to shareholders. These findings align with signaling theory, which suggests that high profitability sends favorable signals to the market about a firm's effectiveness in managing resources and its capacity to sustain ongoing growth. Therefore, profitability serves not only as an indicator of internal operational performance but also as a strategic element that influences positive investor perceptions and enhances the company's long-term value.

CONCLUSION AND SUGGESTIONS

Based on the data analysis and discussion of companies in the basic materials sector on the Indonesia Stock Exchange during 2020–2024, the study finds that green investment and profitability positively and significantly contribute to firm value. Firms that allocate financial resources to environmentally responsible investment initiatives are able to build stronger investor confidence, which contributes to higher market valuation. Likewise, firms that demonstrate strong profitability are perceived as more capable of generating returns, thus increasing their attractiveness to investors. However, environmental performance, as measured by the PROPER rating, does not show a significant effect on firm value. This indicates that environmental performance in the basic materials sector remains largely compliance-oriented rather than strategically aligned to enhance market value. Overall, these findings imply that environmental initiatives will not substantially improve firm value unless they move beyond regulatory fulfillment and are integrated into a long-term sustainability strategy that delivers real economic and reputational benefits.

Based on the results, it is suggested that future studies extend the analysis to incorporate other industry sectors in order to assess whether the links between green investment, environmental performance, profitability, and firm value hold true in various contexts. Additionally, future studies may consider extending the research period to gain broader insights and employ alternative indicators to measure environmental performance, as the use of PROPER

in this study did not show a significant effect. Further research is also encouraged to incorporate additional variables such as carbon emission disclosure, institutional ownership, or corporate social responsibility initiatives to provide a more comprehensive explanation of the determinants of firm value and to better understand the interactions in sustainability-focused strategic management.

REFERENCE

Aeni, N. A. N. N., & Murwaningsari, E. (2023). Pengaruh Pengungkapan Emisi Karbon Dan Investasi Hijau Terhadap Nilai Perusahaan. *Jurnal Ekonomi Trisakti*, *3*(2), 3135–3148. https://doi.org/10.25105/jet.v3i2.17890

Amalia, A., Windiarti, S., & Kustinah, S. (2025). The Influence Of Intellectual Capital On Financial Performance : Evidence From Finance Companies In The Holding And Invesment Sub-Sectors Listed On The Indonesia Stock Exchange 2019-2023 Period. *The Sixth International Research Conference on Management and Business*, 1066–1077.

Aswangga, F. B., & Widoretno, A. A. (2025). Penerapan Green Accounting , Profitabilitas , dan Good Corporate Governance Terhadap Nilai Perusahaan (Studi Kasus Perusahaan Sektor Food and Beverage yang Terdaftar di Bursa Efek Indonesia Tahun 2021-. *RATIO: Reviu Akuntansi Kontemporer Indonesia*, *6*(1), 61–76. https://doi.org/10.30595/ratio.v6i1.23922

Bkpm.go.id. (2025). *Komitmen Investasi Hijau Tembus Lebih Dari Rp200 Triliun Selama Gelaran ISF 2025*. Kementrian Investasi Dan Hilirisasi. https://bkpm.go.id/id/info/siaran-pers/komitmen-investasi-hijau-tembus-lebih-dari-rp200-triliun-selama-gelaran-isf-2025?utm_source=chatgpt.com

Bon, S. F., & Hartoko, S. (2022). The Effect of Dividend Policy , Investment Decision , Leverage , Profitability , and Firm Size on Firm Value. *European Journal of Business and Management Research*, *7*(3), 7–13. https://doi.org/10.24018/ejbmr.2022.7.3.1405

Budiharjo, R. (2020). Effect of Environmental Performance , Good Corporate Governance and Leverage on Firm Value. *American Journal of Humanities and Social Sciences Research (AJHSSR)*, *4*(8), 455–464. www.ajhssr.com

Carrisa, D., & Mutasowifin, A. (2025). Effect of financial and environmental performance on firm value moderated by carbon emission disclosure. *BIO Web of Conferences*, *186*, 1–29. https://doi.org/10.1051/bioconf/202518602006

Debbianita, Prayogo, E., & Hoetama, M. (2024). The Effect Of Green Invesment On Firm Value. *Jurnal Ekonomi Akuntansi Dan Manajemen*, *23*(65), 221–231.

Fadillah, D. A. (2025). *Warga Keluhkan Bau Tak Sedap, Begini Penjelasan PT SBI Tuban*. Berijatim.Com. https://beritajatim.com/warga-keluhkan-bau-tak-sedap-begini-penjelasan-pt-sbi-tuban

Fasya, A. A., & Inawati, W. A. (2024). The Influence Of Environmental Disclosure, Carbon

Emission Disclosure, And Green Accounting On Firm Value (A Study On Basic Materials Sector Companies Listed On The Indonesia Stock Exchange For The Period Of 2020-2023). *E-Proceeding of Management*, *11*(6), 5605–5615.

Febrica, J., & Lekok, W. (2023). Return on Assets, Debt To Equity Ratio, Tax Avoidance Terhadap Nilai Perusahaan. *E-Jurnal Akuntansi TSM*, *3*(3), 1–12. https://doi.org/10.34208/ejatsm.v3i3.2174

Harahap, C. D., Juliana, I., & Lindayani, F. F. (2018). The Impact of Environmental Performance and Profitability on Firm Value. *Indonesian Management and Accounting Research*, *17*(01), 54–70. http://www.trijurnal.lemlit.trisakti.ac.id/index.php/imar

Hasanah, N. L., & Paramita, V. S. (2025). The Influence of Environmental Social Governance, Green Investment, and Profitability on Firm Value: Study on the SRI-KEHATI Index (2019-2023). *Sinergi International Journal of Economics*, *3*(1), 1–18. https://doi.org/10.61194/economics.v3i1.408

Khanifah, K., Udin, U., Hadi, N., & Alfiana, F. (2020). Environmental Performance and Firm Value : Testing the Role of Firm Reputation in Emerging Countries. *International Journal of Energy Economics and Policy*, *10*(1), 96–103. https://doi.org/https://doi.org/10.32479/ijeep.8490

Kharisma, P., & Priyadi, M. P. (2023). Pengaruh Profitabilitas Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Dengan Corporate Social Responsibility Sebagai Variabel Moderasi. *Jurnal Ilmiah Akuntansi Dan Keuangan (JIAKu)*, *2*(3), 258–274. https://doi.org/10.24034/jiaku.v2i3.6048

Kontan.co.id. (2024). *Kesadaran Investor Terhadap Reksadana ESG Dinilai Masih Rendah*. Kontan.Co.Id. https://investasi.kontan.co.id/news/kesadaran-investor-terhadap-reksadana-esg-dinilai-masih-rendah

Krismawati, R. G., & Sofia, W. (2025). The Impact Of Corporate Social Responsibility And Environmental Performance On Financial Performance:Empirical Study Of Palm Oil Plantation Companies Listed On The Indonesian Stock Exchange. *The Sixth International Research Conference on Management and Business*, 370–382.

Kustinah, S., Mariani, N., & Winarso, E. (2025). The Influence Of Eco-Efficiency, Carbon Emission Disclosure, And Green Innovation On Company Value Sub-Sector Basic Material Company. *The Sixth International Research Conference on Management and Business*, 1438–1460.

Maharani, A., Agustia, D., & Qomariyah, A. (2024). The Impacts of Green Investment and Firm Value: Exploring from the Mediation Role of Sustainability Performance. *Research Square*, 1–24. https://doi.org/https://doi.org/10.21203/rs.3.rs-5243226/v1

Mubarok, D. S., Hikmah, M., & Oktaviani, Y. (2025). Influence of Green Investment and Firm Size on Firm Value of Sector Energy Firm Listed on Idx 2018-2022. *The Iqtishaduna International Conference 2024*, 40–45. https://doi.org/10.54783/wp25c635

Muqorobin, M. M., & Simamora, A. J. (2025). The Effect of Environmental Performance on Firm Value: Role of Profitability. *Journal of Trends Economics and Accounting Research*, *5*(4), 507–515. https://doi.org/10.47065/jtear.v5i4.1925

Murwaningsari, E., & Rachmawati, S. (2023). The Effect of Green Banking and Green Investment on Firm Value with Eco-Efficiency as Moderation. *International Journal of Social and Management Studies (Ijosmas)*, *4*(2), 141–150. http://www.ijosmas.org

Nurjanah, T. S., & Mulyandini, V. C. (2024). Carbon Emission Disclosure in Indonesia's Energy Sector: The Role of Environmental Performance and Media Exposure. *Jurnal Akuntansi*, *16*(1), 77–90. https://doi.org/10.28932/jam.v16i1.8241

Nurjannah, S., Indriyani, R., & Sari, F. (2025). Pengaruh Green Investment, Pengungkapan Emisi Karbon, Green Innovation Terhadap Nilai Perusahaan. *PERMANA: Jurnal Perpajakan, Manajemen, Dan Akuntansi*. https://doi.org/10.24905/permana.v17i3.1089

Prasetio, D., & Prijanto, B. (2024). Pengaruh Kinerja Lingkungan Terhadap Nilai Perusahaan Dengan Profitabilitas Sebagai Variabel Moderasi Pada Perusahaan Sub Sektor Industri Dasar Dan Kimia Yang Terdaftar Di Bursa Efek Indonesia Periode 2019-2022. *FINANCIAL: Jurnal Akuntansi*, *10*(September), 294–303. https://financial.ac.id/index.php/financial%0A

Putri, S. A., & Rahmah, N. A. (2025). The Effect Of Carbon Emisiion Disclosure, Green Innovation And Intelectual Capital On Firm Value. *The Sixth International Research Conference on Management and Business*, 1401–1413.

Ramdani, K. E., & Nugraha, A. A. (2024). The Effect Of Carbon Emission Disclosure and Environmental Performance on Firm Value (Study on Energy Sector Companies Listed on the IDX Period 2020-2022). *Indonesian Accounting Literacy Journal*, *4*(3), 215–225. https://doi.org/10.35313/ialj.v4i3.5872

Rosmegawati, Tobing, S. M. L., Suhikmat, Tasrif, M. J., & Tambunan, H. M. S. (2023). The Effect Of Profitability Ratios And Capital Structure On Firm Value In Industrial Sector Manufacturing Companies Listed On The Indonesia Stock Exchange. *Jurnal Akuntansi Dan Pajak*, *24*(01), 1–7. http://jurnal.stie-aas.ac.id/index.php/jap

Safitri, L., Nuha, G. A., & Afroh, I. K. F. (2025). Pengaruh Kinerja Lingkungan Terhadap Nilai Perusahaan Pada Perusahaan Pertambangan Batu Bara Yang Terdaftar di Bursa Efek Indonesia Tahun 2022-2024. *Jurnal Ekonomi, Manajemen Dan Bisnis (JUEMA)*, *6*(3), 1–8.

https://doi.org/https://doi.org/10.53697/emak.v613.2758

Sandy, N. C., & Arieftiara, D. (2024). Analisis Profitabilitas dan Leverage Terhadap Nilai Perusahaan: Dampak Moderasi Corporate Social Responsibility. *Reviu Akuntansi Dan Bisnis Indonesia*, *8*(3), 383–401. https://doi.org/10.18196/rabin.v8i3.22773

Santoso, A., & Nurhidayati. (2022). Ownership of Management as a Moderating of Impact Profitability to Firm Value. *Jurnal Konsep Bisnis Dan Manajemen*, *9*(1), 67–77. https://doi.org/10.31289/jkbm.v9i1.8314

Sapulette, S. G., & Limba, F. B. (2021). Pengaruh Penerapan Green Accounting dan Kinerja Lingkungan terhadap Nilai Perusahaan Manufaktur yang terdaftar di BEI tahun 2018-2020. *Kupna Akuntansi: Kumpulan Artikel Akuntansi*, *2*(1), 31–43. https://doi.org/10.30598/kupna.v2.i1.p31-43

Setiawanta, Y., Utomo, D., Pamungkas, I. D., Jumanto, & Ifada, L. M. (2021). The Impact of Profitability on Firm Value: Does Environmental Performance Play a Mediation Role? *Journal of Hunan University (Natural Sciences)*, *48*(7), 220–228. www.idx.co.id

Sugiyono. (2023). *Metode Penelitian Kuantitatif Kualitatif dan R&D* (Sutopo (ed.); 2nd ed.). Alfabeta.

Tanasya, A., & Handayani, S. (2020). Green Investment Dan Corporate Governance Terhadap Nilai Perusahaan: Profitabilitas Sebagai Pemediasi. *Jurnal Bisnis Dan Akuntansi*, *22*(2), 225–238. https://doi.org/10.34208/jba.v22i2.727

Zhang, Y., & Berhe, H. M. (2022). The Impact of Green Investment and Green Marketing on Business Performance: The Mediation Role of Corporate Social Responsibility in Ethiopia's Chinese Textile Companies. *Sustainability (Switzerland)*, *14*(7). https://doi.org/10.3390/su14073883