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[HOME](#) [ABOUT](#) [LOGIN](#) [REGISTER](#) [SEARCH](#) [CURRENT](#) [ARCHIVES](#) [ANNOUNCEMENTS](#) [##JOIN OUR EDITORIAL AND REVIEWER TEAM##](#)

[Home](#) > [Archives](#) > **Vol 11, No 2 (2026)**

Vol 11, No 2 (2026)

August 2026

Table of Contents

Articles

Digital Transformation, HR Upskilling, and Digital Performance: The Moderating Role of Individual Readiness

Gede Suardana, Made Setini, Sukmawati Sukmawati, Ahmad Soleh, I Dewa Nyoman Arta Jiwa

PDF
495-513

Unveiling Research Trends in Sustainable Digital Entrepreneurship: Insights from Bibliometric and Systematic Analysis

Puji Prabowo, Wawan Dhewanto, Akbar Adhiutama

PDF
514-539

Does ESG Integration Improve Islamic Bank Performance? Evidence from Indonesian Islamic Banking

Nana Nawasiah, Sri Ambarwati, Tri Astuti, Agustinus. W Miranda, Ryan Wijaya

PDF
540-562

Financial Literacy, Live Commerce, Scarcity, and Double-Date Discounts: E-Commerce Impulsive Buying in S-O-R

Riska Yustisiana, Bintang Andhyka, Wasi Widayadi, Fachri Affandi, Athia Zerlina

PDF
563-588

Journal Accreditation



IJABIM Accreditation Certificate

Click the certificate to view
full size [↗](#)

Journal Policies

Focus and Scope

Publication Ethics

Peer Review Policy

Digital Transformation Strategy to Improve Sustainability of Sasirangan MSMEs in Banjarmasin City: SWOT-QSPM Approach

Anhar Yani, Made Setena, Karona Cahya Susesa

PDF
589-612

Green Human Resource Management and Organizational Competencies: Sustainability Through Employee Performance in Bali's Hospitality Industry

Ni Nyoman Sudiyani, Putu Gede Denny Herlambang, Made Setini

PDF
613-634

Market Orientation, Social Media Optimization, and Marketing Performance: The Mediating Role of Digital Marketing

Antok Yuri Widyastoro, Sukesi Sukesi

PDF
635-655

Beyond Resilience: Employee Antifragility as a Mechanism Linking Workplace Fun and Organizational Familiarity to Innovative Work Behavior in Higher Education

William William, Hendry Hendry, Siti Alhamra Salqaura, Nasib Nasib, Elyzabeth Wijaya

PDF
656-677

Unlocking Financial Performance Through Islamic Corporate Governance and Islamic Social Reporting

Mira Munira, Muhammad Hakimi Mohd Shafiai

PDF
678-698

Tourist-Centric Service Quality and Sustainable Tourism Development: Evidence from Indonesian Small Island Destinations

Yusuf Yusuf, Sri Ismulyati, Hubertina Karolina Ngarbingan, Ginta Ginting

PDF
699-718

Developing Sustainable Tourism Village Strategies Through MICMAC and SMIC-Prob Analysis: Evidence from Sangeh Tourism Village, Bali

Ni Luh Yusmarisa, Titien Damayanti, I Wayan Tuwi, Ni Ketut Maren

PDF
719-738

Strategies for Strengthening MSMEs Through Community Development and Empowerment: A Case Study of Central Halmahera Regency

Aziz Hasyim, Nurlaila Nurlaila, Suratno Amiro, Nurdin I Muhammad

PDF
739-756

Entrepreneurship Business Management and Culinary Tourism for the Competitiveness of Traditional Food SMEs in Majalengka

Nur Komariah, Ayu Nurwitasari, Rd. Sondjana Ali Suganda, Agung Ilham Triana

PDF
757-772

Corporate Social Responsibility and Governance as Determinants of Firm Value: Evidence from Indonesian Manufacturing Firms

Shanti Lysandra, Tri Widyastuti, Zulkifli Zulkifli

PDF
773-793

Cultural Values and Tax Compliance Among Tax Consultants in Indonesia

PDF

 **Double Blind Review Guide**

 **Archiving**

 **Self-Archiving**

 **Plagiarism Policy**

 **Open Access Policy**

 **License and Copyright Notice**

 **Privacy Statement**

 **Publication Frequency**

 **Journal Information**

 **Abstracting and Indexing**

 **Statistics**

 **Crossmark Policy**

 **Editorial Team**

 **Reviewers**

Ni Luh Gde Novitasari, Putu Nova Hapsari Ardianti, I Putu Edy Arizona, Putu Wenny Saitri

An Integrated Multi-Aspect Feasibility Model for Healthcare Clinic Development: Evidence from Dental Clinic Investment in Indonesia

Dianti Moelya, Tasya Aspiranti, Rachmat Suyanto

Integrative Model of Farmer Empowerment and Optimization of Beef Cattle Management on Suboptimal Land in Minahasa Regency

Jolyanis Lainawa, Judy M. Tumewu, Zadrak M. Warouw

Customer Loyalty Drivers in the Fast-Food Industry: Evidence from Malaysia and India

Haslindar Ibrahim, Ranjith PV, Agnes Ting Eng Ting, Ahmad Hasyimi Abdul Nasir, Aida Husna Mohd Rozaki, Aiesyah Farhana Bakhary, Shehal E, Mayank Gupta, Hisham Abdussalim, Daisy Mui Hung Kee

Digital Content Management and Purchase Decisions: The Mediating Role of Customer Engagement in Perfume MSMEs

Gusti Ayu Aghivirwati, Ni Putu Nanik Hendayanti, I Gede Mahendra Arlansa, Ni Komang Ayu Pirji Pratiwi, Putu Nadine Rania Pratiwi, Jose Agostinho da Costa Belo Pereira

Autoethnographic Evaluation of Insurance Web Accessibility in Indonesia Using WCAG 2.2 and SETARA

Bagus Suhendar

Dynamic Employee Resilience Model: The Effect of Human-Centered Leadership and Learning-Oriented Culture on Employee Resilience through Employee Well-Being and Psychological Empowerment

Ruslan A Kamis, Emeela Wae-esor, Suwito Suwito, Irfandi Buamonabot

Firm Value Analysis in SRI-KEHATI Index: Carbon Emission Disclosure, Green Investment, and Green Innovation Impact

Christina Heti Tri Rahmawati, Albertus Yudi Yuniarto, Claudia Kristina Dwinovianti Mitang

Leverage and Firm Size Moderate ESG Financial Distress Nexus in Developing Asia Pacific Energy Firm

Budi Rustandi Kartawinata, Dian Kurnianingrum, Diki Wahyu Nugraha

Dynamics of Employee Adaptation, Anxiety, and Role Change Under AI Integration in Indonesia

Richa Afriana Munthe, Imran Al Ucok Nasution

The Role of Brand Image In Mediating The Influence of Experiential Marketing And E-WOM on

794-812

PDF
813-834

PDF
835-856

PDF
857-875

PDF
876-894

PDF
895-917

PDF
918-935

PDF
936-954

PDF
955-974

PDF
975-997

PDF
998-1016

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 Publication Timeline

 Author Guidelines

 Article Publication Charge (APC)

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TEMPLATE JOURNAL



VIDEO

TUTORIAL

CONTACT ONLINE



Revisit Intention In Coffee Agrotourism

Pande Ketut Ribek, Ni Putu Nita Anggraini, Veronica Ayu Dwi Atmaja

998-1016

From Intention to Implementation: Digital Marketing Challenges for Indonesian Seaweed SMEs

Andi Putri Tenriyola, Anis Anshari Masud, Tri Desi Lestari

PDF
1017-1035

Innovation Capability, Green Innovation, and Property Business Performance: Mediating Role of Competitive Advantage

Dwi Retno Setyaningsih, Sabihaini Sabihaini, Heru Kristanto

PDF
1036-1055

Psychographic Segmentation of Generation Z Coffee Shop Customers: An Activities, Interests, and Opinions (AIO) Approach

Ferina Hendra, Yati Rohayati, Budi Sulistyo

PDF
1056-1078

Risk at the Top: Board Demographics, Political Affiliation, and Bank Risk-Taking in Indonesia

Aulia Keiko Hubbansyah, Yuli Ardianto, Muhammad Nuruddin Subhan, Darmanto Darmanto

PDF
1079-1100

An Exploration of Indonesian Generation Z's Values Toward Cruelty-Free Cosmetics

Nathasya Joselin, Dahlia Darmayanti

PDF
1101-1115

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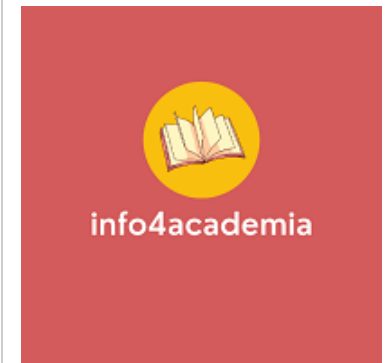
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[HOME](#) [ABOUT](#) [LOGIN](#) [REGISTER](#) [SEARCH](#) [CURRENT](#) [ARCHIVES](#) [ANNOUNCEMENTS](#) [##JOIN OUR EDITORIAL AND REVIEWER TEAM##](#)

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Home > About the Journal > **Editorial Policies**

Editorial Policies

- Focus and Scope
- Section Policies
- Peer Review Process
- Publication Frequency
- Open Access Policy
- Archiving

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Self-Archiving

Plagiarism Policy

Open Access Policy

License and Copyright Notice

Privacy Statement

Publication Frequency

Journal Information

Abstracting and Indexing

Statistics

Crossmark Policy

Firm Value Analysis in SRI-KEHATI Index: Carbon Emission Disclosure, Green Investment, and Green Innovation Impact

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ABSTRACT

Climate change has increased pressure on listed firms to integrate environmental responsibility into value-creation strategies through carbon emission disclosure, green investment, and green innovation. This quantitative study used panel data from 120 firm-year observations of 24 companies listed on the Indonesia Stock Exchange and included in the SRI-KEHATI Index during 2020–2024. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 3.0. The results show that carbon emission disclosure has no significant effect on firm value ($b = 0.265$; $p = 0.187$), while green investment ($b = 0.476$; $p = 0.034$) and green innovation ($b = 0.298$; $p = 0.009$) significantly affect firm value. Financial performance does not moderate carbon emission disclosure ($b = 0.037$; $p = 0.756$), but it strengthens green investment ($b = 0.359$; $p = 0.006$) and green innovation ($b = 0.324$; $p = 0.013$) on firm value. The findings imply that sustainable investment and innovation, supported by strong financial performance, are essential for enhancing firm value.

Keywords: Carbon Emission Disclosure; Financial Performance; Firm Value; Green Investment; Green Innovation; SRI-KEHATI Index; Sustainable Investment

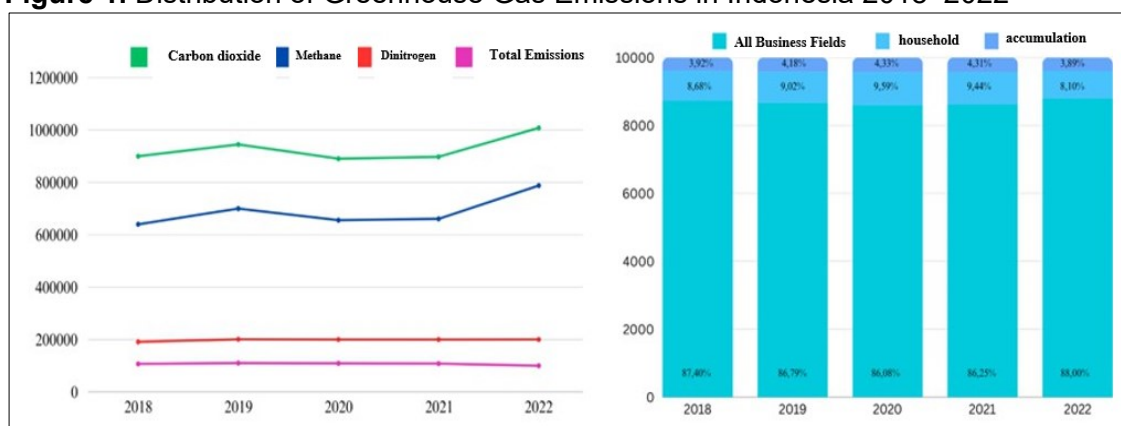
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INTRODUCTION

Climate change has become a major global threat that affects environmental sustainability, economic stability, and corporate continuity, including in Indonesia. The increase in greenhouse gas emissions from anthropogenic activities, particularly industrial and transportation activities, has intensified global warming and environmental degradation. In the coming decades, climate-related risks are expected to become increasingly significant because global warming is closely associated with the continuous rise in greenhouse gas emissions. This condition makes climate change not only an environmental issue but also an important concern for corporate governance, investment decision-making, and firm value creation (Kristanto & Koven, 2019).

The Global Carbon Project (2022) data show that Indonesia is among the largest carbon-emitting countries, with carbon emissions reaching 729 million tonnes of CO₂ and contributing approximately 1.8% of global carbon emissions. In addition, data from the Central Statistics Agency show that Indonesia's greenhouse gas emissions increased during the 2018–2022 period. In 2022, total greenhouse gas emissions reached 1,008,178 GgCO₂e, with industrial activities contributing 86.90%, while carbon dioxide accounted for the largest share at 77%, as shown in Figure 1. These figures indicate that corporate activities have a strategic role in supporting emission reduction and environmental sustainability.

Figure 1. Distribution of Greenhouse Gas Emissions in Indonesia 2018–2022



The urgency of addressing global warming has been recognized through international commitments, particularly the Paris Agreement, which aims to hold the increase in global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C (Rose et al., 2017). As one of the countries that support this global commitment, Indonesia has strengthened its climate policy direction through Presidential Regulation No. 98 of 2021, which supports the achievement of net-zero emissions by 2060 or earlier. In addition, the Sustainable Development Goals (SDGs), particularly Goal 13 on climate action, emphasize the need to integrate climate mitigation and adaptation into development and business practices. Therefore, companies are increasingly encouraged to adopt sustainable investment, disclose environmental information, reduce carbon emissions, and develop environmentally responsible innovation.

Efforts to implement environmentally based corporate management require support from companies that aim to maintain their existence in society; this is called corporate legitimacy (Jaber & Oftedal, 2020). In addition, a company is not an entity that only operates for the benefit of the company, but also provides benefits to all stakeholders. Stakeholder theory posits that a company's sustainability relies on stakeholder support,

which must be garnered through the company's initiatives, including the reduction of carbon emissions and the pursuit of green investments (Chen & Ma, 2021). Green campaign initiatives are implemented to enhance public awareness regarding the effects of global warming. Agency theory shows that disclosing carbon emissions aligns management and owner interests, increases managerial accountability, and increases corporate value (Xie et al., 2022). Based on the problem of environmental damage as one of the impacts of global warming and the interests of the company, researchers are interested in conducting research to see sustainable corporate management practices to maintain environmental sustainability by implementing sustainable investment practices and reducing carbon gas emissions. Company sustainability can be evaluated through firm value performance, wherein carbon emission disclosure, green investment, and green innovation, moderated by financial performance, may affect firm value (Aydoğmuş et al., 2022; Rhyne, 1979; Temiz, 2021; Xie et al., 2022).

The valuation of a firm reflects an investor's assessment of the company's performance as shown by its stock prices (Baah et al., 2021). Stock prices serve as a baseline for evaluating the market's perception of a company's present and future performance (Khalid et al., 2023). A company's elevated stock price can enhance its worth, instilling investor confidence in its performance and signifying its growth. Firm value may be influenced by factors including carbon emission disclosure, green investment, innovation, and financial performance (Aydoğmuş et al., 2022; Rhyne, 1979; Temiz, 2021; Xie et al., 2022).

Through financial ratios, a company's ability to create profits, manage assets, meet financial commitments, and manage financial resources is measured. In this context, profitability is utilized to evaluate the favorable or unfavorable condition of financial performance over a specified time frame (Agustia et al., 2019). This study used profitability as a proxy for financial performance, as this ratio indicates that the company's performance is robust, hence attracting potential investors to allocate resources to the firm. The financial success of a corporation influences its market perception, which in turn affects its overall worth (Mohamed et al., 2021).

Carbon emission disclosure refers to a company's process of documenting, acknowledging, revealing, and quantifying its carbon emissions, serving as proof of the company's compliance with its environmental obligations (Aydoğmuş et al., 2022). According to legitimacy theory, firms with community legitimacy improve their performance and image, increasing firm value (Zhang & Berhe, 2022). Stakeholder theory further emphasizes the need to consider the interests of all stakeholders, arguing that the corporation is responsible to shareholders and others (Lai et al., 2022).

Consequently, the company implements measures to mitigate carbon emissions through disclosure practices, thereby fulfilling regulatory requirements and addressing the concerns of stakeholders invested in environmental matters, which can ultimately enhance trust and elevate firm value. Companies that transparently disclose carbon gas emissions from their operational activities and pay attention to the interests of stakeholders who care about environmental issues will gain positive legitimacy, so that investors believe in investing their capital and strengthen financial performance, where the company's prospects will be better, which ultimately increases firm value (Aydoğmuş et al., 2022).

Green investment is a green financing basis related to businesses that aim to have a positive impact on a sustainable environment, which ultimately increases firm value (Temiz, 2021). Companies that proficiently execute green investments and exhibit a commitment to stakeholders concerned with environmental issues will possess a

competitive advantage in the stock market, thereby enhancing financial performance and ultimately elevating firm value (Bax et al., 2023; Ye & Dela, 2023). Recent evidence also shows that environmentally oriented strategies can translate into firm value, reinforcing the market relevance of green initiatives (Ariyani et al., 2024).

Green innovation is a strategy that aims to reduce environmental impacts, which include new processes, products, or technologies that are environmentally friendly (Xie et al., 2022). Green innovation provides organizations with a significant source of competitive advantage, guiding them towards enhancing firm value in the future. Companies that implement green innovation can save energy and reduce greenhouse gas emissions so that they get positive legitimacy in the form of increased public trust, thereby strengthening financial performance, which ultimately increases firm value (Lin et al., 2019; Wen et al., 2021).

Although prior studies have examined carbon emission disclosure, green investment, green innovation, and firm value, the findings remain fragmented and inconclusive in the Indonesian sustainability-index context because these variables have mostly been analyzed separately. To address this gap, this study examines companies listed in the SRI-KEHATI Index from 2020 to 2024 by integrating carbon emission disclosure, green investment, and green innovation into one model with financial performance as a moderating variable, while also measuring green investment using PROPER as an indicator of environmental compliance and sustainability-oriented corporate practice. The study contributes to legitimacy theory, stakeholder theory, and agency theory by explaining how environmental transparency, sustainable investment, and green innovation relate to firm value, and it offers practical insights for investors and companies in strengthening firm value through more effective environmental strategies.

LITERATURE REVIEW

Stakeholder Theory

Stakeholders encompass individuals, groups, communities, and society, either in part or as a collective entity. Stakeholder theory analyses the relationships between organizations and their stakeholders. Stakeholder theory asserts that a corporation operates not just for its own benefit but must also provide advantages to its stakeholders (Chen & Ma, 2021). Furthermore, stakeholder theory comprehensively addresses and controls stakeholder interests, the ramifications of which may be directed towards the sustainability of the firm's existence, since stakeholders possess the capacity to regulate the resources essential for the organization. The corporation can disperse assistance to stakeholders by disseminating information regarding its actions that directly impact them, such as pollution (Zameer et al., 2022).

This stakeholder theory aims to assist firm management in comprehending the environment and stakeholders, enabling efficient management to enhance the company's value via its operations while minimizing stakeholder losses (Iqbal et al., 2022). Stakeholder theory explains that indirect disclosure of information is included in one form of corporate accountability to stakeholders and is one way to gain trust from stakeholders, so that good relations are established between the company and stakeholders (Aladwey & Alsudays, 2024). Environmental disclosure means that the company pays attention not only to financial aspects, but also to environmental aspects. Consequently, stakeholder theory can promote management decisions on the disclosure of carbon emissions performance.

Furthermore, the involvement of stakeholders is crucial when corporations use green innovation to mitigate adverse environmental effects. Stakeholder theory can be applied

by implementing a green strategy in a company to describe the image of a company's financial performance well, in order to increase the firm value (Abdi et al., 2020). The approach involves enticing investors to provide funds to financially sound enterprises, while regulators determine the permissible limits for carbon emissions and ensure adherence to environmental standards (Assidi, 2020).

Legitimacy Theory

Legitimacy theory elucidates how corporations sustain their presence in the public sphere by fulfilling the expectations and requirements of diverse stakeholders invested in the organization (Jaber & Oftedal, 2020). A corporation seeks public legitimacy to demonstrate that its operations comply with relevant legislation. Organizations acquire favorable legitimacy from the public via voluntary sharing of their social and environmental information (Zhang & Berhe, 2022). The disclosure of information is seen as an efficient method for conveying firm actions and management viewpoints on environmental, social, and other corporate matters. One method involves revealing information on the company's management, description, and measurement of greenhouse gas emissions, with the aim of attaining operational legitimacy (Wen et al., 2021).

A company has an obligation to be able to adapt in order to be accepted by the surrounding community. Regular publication of corporate sustainability reports is one way that companies can adapt (Aydoğmuş et al., 2022). Sustainability reports share the actions and results of corporate social responsibility regarding the company's operational activities that do not conflict with existing regulations or provisions. The company hopes to get a positive perception from the community and increase its firm value (Sun et al., 2022).

Agency Theory

Agency theory posits that individuals are driven by self-interest, potentially resulting in conflict arising from divergent interests between owners and managers (Xie et al., 2022). Owners prioritize profit maximization, whilst managers concentrate on both profitability and overall business enhancement (Faisal et al., 2020). This may result in agency disputes, which can adversely affect the firm by increasing agency fees that the company must incur. Agency disputes are affected by management and institutional ownership (Bagh et al., 2025). The leadership structure is thought to impact the company's trajectory, hence influencing its success in attaining objectives, including the enhancement of firm value (Xie et al., 2022).

Hypotheses Development

Carbon Emission Disclosure and Firm Value

Carbon emission disclosure is a company's activity in recording, recognizing, disclosing, and measuring carbon emissions produced (Aydoğmuş et al., 2022). This aligns with legitimacy theory, which posits that organizations achieving good legitimacy often enhance their performance and corporate image, eventually augmenting company value (Zhang & Zhang, 2022). Carbon emission disclosure is crucial for establishing credibility, since it demonstrates the company's dedication to openness and environmental accountability. By disclosing carbon emissions, the corporation demonstrates its commitment to environmental concerns while simultaneously enhancing stakeholder confidence and loyalty (Lai et al., 2022). Recent evidence also suggests that ESG disclosure is shaped by financial performance and environmental sensitivity, indicating that transparent disclosure is more likely to matter when it is supported by credible environmental signals (Apriono et al., 2023).

Disclosure of carbon emissions, grounded in agency theory, can mitigate agency difficulties by matching the interests of managers and owners, enhancing management accountability, and eventually augmenting company value (Assidi, 2020). Consequently, more transparency in revealing carbon emissions will enhance public trust in the organization, ultimately elevating its value. This assertion aligns with the writings of (Aydoğmuş et al., 2022; Sun et al., 2022). From this tale, the hypothesis may be formulated as follows:

H1: Carbon emission disclosure has a positive effect on firm value.

Green Investment and Firm Value

Green investment constitutes a finance framework associated with enterprises that want to foster a beneficial effect on environmental sustainability (Temiz, 2021). This aligns with legitimacy theory, wherein corporations endeavor to act in accordance with societal norms and expectations to attain positive legitimacy (Zhang & Zhang, 2022). Green investment not only increases positive public perception of the company but also contributes to increasing firm value. In addition, this is in line with stakeholder theory, where green investment shows the company's commitment to stakeholders who care about environmental issues (Aladwey & Alsudays, 2024). Therefore, companies that increase green investment can provide long-term benefits through energy savings, emission reductions, and increased efficiency, which ultimately increase firm value (Abdi et al., 2020). This statement is in line with that written by Bax et al. (2023). Based on this narrative, the hypothesis can be developed as follows:

H2: Green investment has a positive effect on firm value.

Green Innovation and Firm Value

Green innovation denotes the development and use of innovative technologies, products, or processes designed to reduce environmental impact (Xie et al., 2022). This strategy prioritizes resource-efficient alternatives to reduce industrial environmental consequences. This corresponds with legitimacy theory, which asserts that organizations can endure by aligning their business practices with society standards and norms (Wen et al., 2021). Companies can implement green innovation to mitigate negative environmental effects, hence enhancing firm value (Yan & Zhang, 2021). Consequently, companies that adopt green innovation will be regarded as environmentally responsible, optimize resource utilization, and develop a strategic advantage that enhances investor confidence and ultimately elevates firm value (Li et al., 2020). This statement is in line with that written by Lin et al. (2019) and Wen et al. (2021). Based on the narrative, the hypothesis can be developed as follows:

H3: Green innovation has a positive effect on firm value.

Financial Performance Moderates Carbon Emission Disclosure and Firm Value

Carbon emission disclosure is a factor that affects a company's value through market perception, in addition to being impacted by financial performance (Sun et al., 2022). Agustia et al. (2019) characterize financial performance as the outcome of a company's operational actions that yield profits throughout each accounting period. A greater value of a firm's financial performance suggests improved prospects for the company (Mohammed & Kora, 2023). This corresponds with legitimacy theory, which asserts that firms demonstrating robust financial performance and transparent carbon emission disclosures receive favorable legitimacy from the public, thereby fostering investor confidence, improving financial performance, and ultimately increasing firm value (Zhang & Zhang, 2022).

Furthermore, it aligns with stakeholder theory, which underscores the necessity of acknowledging the interests of all parties associated with the firm, asserting that the corporation bears responsibility not just to shareholders but also to other stakeholders (Aladwey & Alsudays, 2024). The company implements measures to mitigate carbon emissions via disclosure, thereby fulfilling regulatory requirements and addressing the concerns of stakeholders invested in environmental matters, which can ultimately enhance trust and elevate firm value (Assidi, 2020). Consequently, companies that transparently report carbon emissions from their operations and consider the interests of environmentally conscious stakeholders will gain positive legitimacy, thereby instilling investor confidence in capital investment and enhancing financial performance, which will ultimately improve the company's prospects and increase firm value (Aydoğmuş et al., 2022). This assertion aligns with the writings of (Assidi, 2020; Aydoğmuş et al., 2022). From this tale, the hypothesis may be formulated as follows:

H4: Financial performance positively moderates the relationship between carbon emission disclosure and firm value.

Financial Performance Moderates Green Investment and Firm Value

Green investment pertains to financial processes linked to firms aiming to favorably impact a sustainable environment, hence improving financial performance and ultimately increasing corporate value (Temiz, 2021). According to legitimacy theory, improved financial performance shows a company's ability to be profitable while engaging in green practices (Zhang & Berhe, 2022). Moreover, this aligns with stakeholder theory, which posits that superior financial performance signifies the company's capacity to satisfy the requirements of stakeholders, including investors, workers, and the community (Iqbal et al., 2022).

This aligns with agency theory, suggesting that organizations engaging in green investments can enhance financial performance, thus demonstrating a favorable alignment of interests between managers and owners, eventually augmenting company value (Faisal et al., 2020). Consequently, companies excelling in green investment and exhibiting a commitment to stakeholders concerned with environmental issues will possess a competitive advantage in the stock market, thereby enhancing financial performance and ultimately elevating firm value. This assertion aligns with the writings of Bax et al. (2023), Iqbal et al. (2022), and Ye & Dela (2023). Based on this narrative, the hypothesis can be developed as follows:

H5: Financial performance positively moderates the relationship between green investment and firm value.

Financial Performance Moderates Green Innovation and Firm Value

Green innovation is a strategy designed to mitigate environmental consequences via the development of new eco-friendly processes, goods, or technology (Xie et al., 2022). The primary objective of the company is to generate value not only for shareholders but also for all stakeholders. Achieving this objective necessitates managers who can enhance financial performance to ensure the company's sustainability, ultimately augmenting firm value (Abdi et al., 2020).

This aligns with legitimacy theory, wherein green innovation enhances environmentally friendly products by augmenting resource allocation for asset creation and offering an evaluation of the company's annual report disclosures, serving as a medium for public communication. This process facilitates the company's legitimacy concerning environmental issues, ultimately elevating firm value (Li et al., 2020). Therefore, companies that implement green innovation can save energy and reduce greenhouse

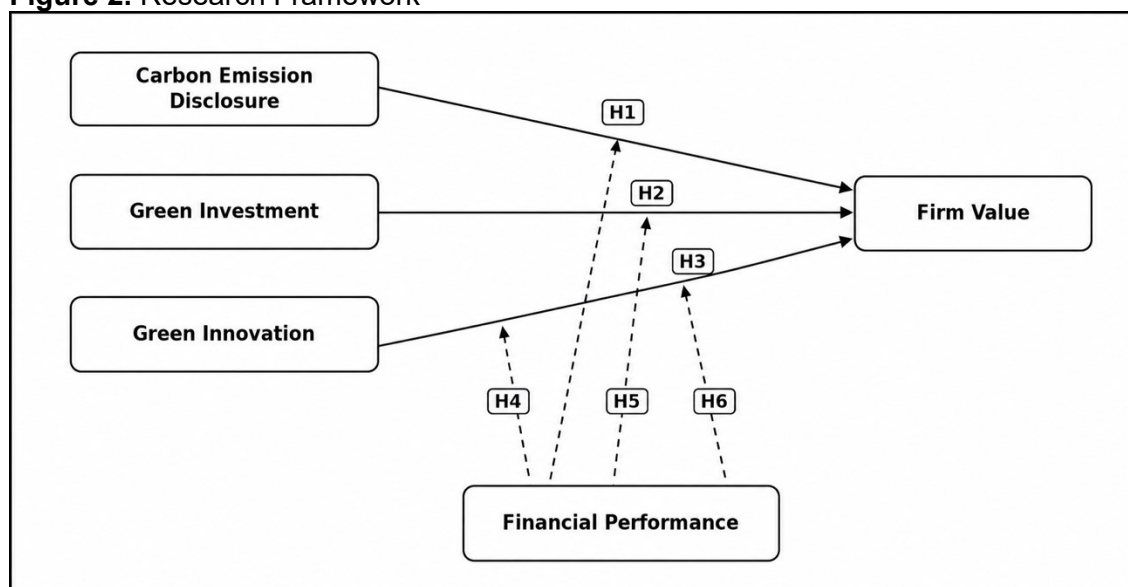
gas emissions so that they get positive legitimacy in the form of increased public trust, thereby strengthening financial performance, which ultimately increases firm value (Wen et al., 2021). This statement is in line with that written by Lin et al. (2019) and Wen et al. (2021). Based on this narrative, the hypothesis can be developed as follows:

H6: Financial performance positively moderates the relationship between green innovation and firm value.

Conceptual Framework

Based on the theoretical review and hypotheses development, this study proposes a research framework that explains the relationship between carbon emission disclosure, green investment, green innovation, financial performance, and firm value. Carbon emission disclosure, green investment, and green innovation are positioned as independent variables that directly affect firm value. Financial performance is positioned as a moderating variable that may strengthen or weaken the relationship between each independent variable and firm value. Figure 2 presents the proposed research framework and displays the hypothesis labels H1–H6 to clarify the direct and moderating relationships examined in this study.

Figure 2. Research Framework



Note: CED = Carbon Emission Disclosure; GI = Green Investment; GIN = Green Innovation; FP = Financial Performance; FV = Firm Value. H1–H3 represent direct effects, while H4–H6 represent the moderating effects of financial performance.

RESEARCH METHOD

Research Design

This study employed a quantitative research design to examine the effects of carbon emission disclosure, green investment, and green innovation on firm value, with financial performance as a moderating variable. The quantitative approach was selected because the study tested causal relationships among variables using numerical data obtained from annual reports, sustainability reports, financial reports, PROPER ratings, and stock market data. The unit of analysis was firm-year observations of companies listed in the SRI-KEHATI Index during the 2020–2024 period.

Population and Sample

The population of this study consisted of 25 companies listed on the Indonesia Stock Exchange and included in the Sustainable and Responsible Investment-Indonesian Biodiversity Foundation (SRI-KEHATI) Index during the 2020–2024 period. The sample was selected using purposive sampling based on the following criteria: (1) companies listed on the Indonesia Stock Exchange and included in the SRI-KEHATI Index during the observation period; (2) companies that published complete annual reports and sustainability reports; (3) companies that had available financial data required to measure firm value and financial performance; and (4) companies that had available PROPER ratings during the observation period.

Based on these criteria, 24 companies met the sample requirements. One company was excluded because it did not fully meet the required data criteria during the observation period, particularly the availability of complete sustainability-related information and/or PROPER rating data. Therefore, the final sample consisted of 120 firm-year observations, calculated from 24 companies observed over five years from 2020 to 2024. The research sample is presented in Table 1.

Table 1. Research Sample

No.	Stock Code	Company Name
1	ASII	Astra International Tbk
2	AUTO	Astra Otoparts Tbk
3	ANTM	Aneka Tambang Tbk
4	BBCA	Bank Central Asia Tbk
5	BBTN	Bank Tabungan Negara (Persero) Tbk
6	BBRI	Bank Rakyat Indonesia (Persero) Tbk
7	BBNI	Bank Negara Indonesia (Persero) Tbk
8	BMRI	Bank Mandiri (Persero) Tbk
9	DSNG	Dharma Satya Nusantara Tbk
10	EMTK	PT Elang Mahkota Teknologi Tbk
11	ICBP	Indofood CBP Sukses Makmur Tbk
12	INCO	Vale Indonesia Tbk
13	INDF	Indofood Sukses Makmur Tbk
14	INTP	Indocement Tunggul Prakarsa Tbk
15	JPFA	Japfa Comfeed Indonesia Tbk
16	JSMR	Jasa Marga (Persero) Tbk
17	KLBF	Kalbe Farma Tbk
18	SIDO	Industri Jamu dan Farmasi Sido Muncul Tbk
19	SMGR	Semen Indonesia (Persero) Tbk
20	SSMS	Sawit Sumbermas Sarana Tbk
21	TLKM	Telkom Indonesia (Persero) Tbk
22	UNTR	United Tractors Tbk
23	UNVR	Unilever Indonesia Tbk
24	WIKA	Wijaya Karya (Persero) Tbk

Variable Measurement

This study consisted of three independent variables, namely carbon emission disclosure, green investment, and green innovation. Firm value was used as the dependent variable, while financial performance was used as the moderating variable. The operational definitions and measurements of each variable are presented in Table 2.

Table 2. Operational Definition of Research Variables

Variable	Definition	Measurement / Indicator
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Firm Value (FV)	Firm value reflects investors' assessment of the company's performance and prospects, as represented by market-based indicators.	Market capitalization = share price per share × number of shares outstanding
Carbon Emission Disclosure (CED)	Carbon emission disclosure refers to the company's activity in recording, recognizing, measuring, and disclosing information related to carbon emissions.	CED = total disclosure score / maximum disclosure score
Green Investment (GI)	Green investment refers to corporate investment and environmental responsibility practices aimed at supporting sustainability.	PROPER rating score based on the company's environmental performance rating
Green Innovation (GIN)	Green innovation refers to the implementation of environmentally friendly products, processes, technologies, or management practices to reduce environmental impact.	Green innovation score based on green innovation-related disclosure items
Financial Performance (FP)	Financial performance reflects the company's ability to generate profit from its total assets.	Return on Assets (ROA) = net profit / total assets

Data Collection

This study used secondary data obtained from annual reports, sustainability reports, financial statements, PROPER rating data, and stock market information. Annual reports and sustainability reports were used to collect data on carbon emission disclosure, green innovation, and financial performance. PROPER was used as a proxy for green investment because it reflects firms' environmental compliance and sustainability-oriented practices, although it does not directly measure the monetary amount of green expenditure. Stock market data and financial statement information were used to calculate firm value.

Data Analysis

The data were analyzed using Structural Equation Modeling based on Partial Least Squares (PLS-SEM) with SmartPLS 3.0. PLS-SEM was used because this study examined direct and moderating effects among the research variables. The analysis included measurement model testing, structural model testing, hypothesis testing, and moderation testing. The structural model was evaluated using the R-squared (R^2) value, which indicates the extent of variance in the dependent variable explained by the independent variables (Hair et al., 2021). The research instrument's accuracy, consistency, and precision were assessed using reliability testing, with Cronbach's Alpha (α) and Composite Reliability thresholds above 0.70 (Hair et al., 2021). The hypotheses were accepted when the p-value was below 0.05. The moderating effect of financial performance was evaluated by examining the interaction effects between financial performance and each independent variable on firm value.

RESULTS

Data Test Results

Measurement Model Testing (Outer Model)

The measurement model was evaluated to ensure that the indicators used in this study appropriately represented the research variables. Since all variables in this study were measured using single-indicator or proxy-based measures, including carbon emission disclosure, green investment, green innovation, financial performance, and firm value, the loading factor, Cronbach's alpha, composite reliability, and AVE values were

automatically reported as 1.000 in SmartPLS 3.0. Therefore, these values should not be interpreted as multi-indicator construct reliability, but rather as a characteristic of single-indicator measurement in PLS-SEM.

Table 3. Measurement Model Test Results

Research Variable	Loading Factor	Cronbach's Alpha	Composite Reliability	AVE
Carbon Emission Disclosure (CED)	1.000	1.000	1.000	1.000
Green Investment (GI)	1.000	1.000	1.000	1.000
Green Innovation (GIN)	1.000	1.000	1.000	1.000
Financial Performance (FP)	1.000	1.000	1.000	1.000
Firm Value (FV)	1.000	1.000	1.000	1.000

Note. CED = Carbon Emission Disclosure; GI = Green Investment; GIN = Green Innovation; FP = Financial Performance; FV = Firm Value; AVE = Average Variance Extracted. The values of 1.000 are obtained because the variables are specified as single-indicator/proxy variables in the PLS-SEM model.

Table 3 shows that all variables have loading factor and AVE values of 1.000, indicating that all variables in this study are deemed credible. These results indicate that the single indicators used in the model fully represent their respective variables. Since the variables are proxy-based measures, the reliability and validity values are reported as fixed values in SmartPLS and are not interpreted in the same way as multi-item latent constructs.

Table 4. AVE Root Value and Latent Variable Correlation

Research Variables	CED	GI	GIN	FV	FP	Information
Carbon Emission Disclosure (CED)	1.000					Valid
Green Investment (GI)	0.185	1.000				Valid
Green Innovation (GIN)	0.057	0.038	1.000			Valid
Firm Value (FV)	0.146	0.015	0.142	1.000		Valid
Financial Performance (FP)	0.083	0.184	0.065	0.672	1.000	Valid

Table 4 shows that the square root of AVE for each variable is higher than its correlations with other variables. This indicates that the variables meet the discriminant validity criterion. Therefore, each variable in this study can be considered empirically distinct from the other variables in the model.

Structural Model Testing (Inner Model)

Table 5. Structural Model Testing Results

No	Research Variables	R Square
1	Firm Value	0.6825

Table 5 shows that carbon emission disclosure, green investment, and green innovation factors increase company value R² values by 68.25%. The remaining 31.75% is affected by variables external to this study model.

Hypothesis Test Results

This research model examines the effects of the independent variables on the dependent variable based on the β coefficient and path estimation results, as indicated by the p-value. A hypothesis is accepted when the p-value is below 0.05.

Table 6. Results of Hypothesis Testing Through Path Coefficient

Hypothesis & Path	β	STD	p-value	Status
H1 CED $\rightarrow$ FV	0.265	0.126	0.187	Rejected
H2 GI $\rightarrow$ FV	0.476	0.247	0.034	Accepted

H3	GIN → FV	0.298	0.153	0.009	Accepted
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As shown in Table 6, carbon emission disclosure does not significantly affect firm value ($\beta = 0.265$, $p = 0.187$), whereas green investment ($\beta = 0.476$, $p = 0.034$) and green innovation ($\beta = 0.298$, $p = 0.009$) have significant positive effects. Therefore, H1 is rejected, while H2 and H3 are supported.

Testing Moderating Effects

Moderation testing examines how financial performance indicators moderate the relationship between carbon emission disclosure, green investment, green innovation, and firm value. The moderating influence research results are in Table 7.

Table 7. Results of Moderation Effect Testing

	Hypothesis & Interaction	β	STD	p-value	Status
H4	CED × FP → FV	0.037	0.143	0.756	Rejected
H5	GI × FP → FV	0.359	0.221	0.006	Accepted
H6	GIN × FP → FV	0.324	0.136	0.013	Accepted

Table 7 shows that hypothesis 4 is rejected, since financial performance does not significantly impact the connection between carbon emission disclosure and firm value ($\beta = 0.037$, $p\text{-value} = 0.756$, $p\text{-value}$ exceeds 0.05). The results support hypothesis 5, showing that financial performance enhances the impact of green investment on firm value ($\beta = 0.359$, $p\text{-value} < 0.05$). The findings also support hypothesis 6, showing that financial performance significantly enhances the impact of green innovation on firm value ($\beta = 0.324$, $p\text{-value} < 0.05$).

DISCUSSION

The Effect of Carbon Emission Disclosure on Firm Value

The analysis rejects Hypothesis 1 because carbon emission disclosure does not significantly affect firm value in companies listed on the SRI-KEHATI Stock Index during the 2020–2024 period. As shown in Table 6, the relationship between carbon emission disclosure and firm value has a β value of 0.265 and a p -value of 0.187, which is greater than 0.05. This result indicates that the level of carbon emission disclosure does not significantly explain changes in firm value. This finding is consistent with Lai et al. (2022) and Zhang & Berhe (2022), who found that carbon emission disclosure does not significantly influence firm value. At the same time, recent evidence shows that ESG disclosure can be positively associated with firm value, suggesting that disclosure becomes value-relevant when it is credible and integrated into broader sustainability governance (Avinda et al., 2025). Although carbon emission disclosure may improve environmental transparency, investors may not fully consider such disclosure as a primary factor in investment decision-making. In the Indonesian context, carbon emission disclosure remains largely voluntary, so the quality, consistency, and comparability of disclosure may vary across companies.

From the perspective of legitimacy theory, carbon emission disclosure is expected to help companies obtain or maintain stakeholder legitimacy. However, when stakeholders perceive the disclosure as symbolic or less relevant to financial and investment considerations, the disclosure may not be strong enough to increase firm value. From the agency theory perspective, carbon emission disclosure may reduce information asymmetry between management and stakeholders. However, this effect may be limited if investors view the disclosure as a formality rather than as evidence of substantive environmental performance. Therefore, this study indicates that carbon emission disclosure alone is insufficient to increase firm value. Companies need to strengthen the

quality of carbon emission disclosure by providing more measurable, consistent, and comparable information, as well as linking disclosure practices with concrete emission reduction strategies. By doing so, carbon emission disclosure may become more credible and more relevant for stakeholders and investors in assessing firm value.

The disclosure of carbon emissions is conducted to acquire or sustain stakeholder legitimacy (Jaber & Oftedal, 2020). Nonetheless, if stakeholders perceive this disclosure as irrelevant to their interests, the anticipated legitimacy is not attained, resulting in no effect on the company's value. Investors, as stakeholders, appear to neglect carbon emission disclosure when assessing the company's worth. The results of this study may indicate an agency problem, where managers disclose carbon emissions only as a formality to comply with existing regulations or rules, without a sincere commitment to improving the company's environmental performance. This may lead investors to have doubts and diminish their faith in the firm, perceiving it as high-risk. This analysis found that carbon emission disclosure, although improving environmental transparency, has not increased corporate value. Companies must adopt a more cohesive approach to mitigate their environmental impact and effectively communicate these initiatives to stakeholders to enhance corporate value.

The Effect of Green Investment on Firm Value

The analysis confirms hypothesis 2 by showing that green investment impacts firm value in SRI-KEHATI Stock Index enterprises from 2020 to 2024, with a β value of 0.476 and a P-value of 0.034 (Table 6). The PROPER grade predicts that green investments would boost the business worth of SRI-KEHATI Stock Index companies from 2020 to 2024. This analysis confirms Bax et al. (2023) and Ye & Dela (2023) findings that green investment affects corporate value. This aligns with legitimacy theory, suggesting that enterprises engaging in green investments would enhance their legitimacy within the community, therefore attracting investors that value environmental and social responsibility, eventually augmenting company value (Zhang & Berhe, 2022). Furthermore, this aligns with stakeholder theory, since green investment demonstrates the company's dedication to stakeholders concerned with environmental matters (Aladwey & Alsudays, 2024). Consequently, green investment positively influences the environment and has the potential to enhance corporate value.

The Effect of Green Innovation on Firm Value

The analysis supported hypothesis 3 by showing that green innovation impacts firm value in SRI-KEHATI Stock Index firms from 2020 to 2024, with a β value of 0.298 and a P-value of 0.009 (Table 6). Green innovation improves operating cost efficiency, increasing the company's worth to investors in the SRI-KEHATI Stock Index from 2020 to 2024. Similar to Lin et al. (2019) and Wen et al. (2021), this study shows that green innovation affects firm value. This aligns with the legitimacy theory, wherein firms endeavor to attain public acknowledgement for their existence and activities, one method being the sharing of information with the public (Wen et al., 2021). Consequently, organizations that adopt green innovation can readily attain public legitimacy, since the public presumes that these companies are environmentally responsible, positively influencing firm value and ensuring corporate sustainability. This favorable public impression affects the company's overall viability and can also shape investors' perspectives. Favorable legitimacy in investors' perceptions can increase a company's stock price in the capital market, hence augmenting corporate value (Li et al., 2020).

Moderating Role of Financial Performance in the Relationship between Carbon Emission Disclosure and Firm Value

Financial performance does not significantly impact the correlation between carbon emission disclosure and company value for firms listed on the SRI-KEHATI Stock Index

from 2020 to 2024, as shown by a β value of 0.037 and a P-value of 0.756, which exceeds 0.05 (Table 7). Therefore, H4 is rejected. For businesses on the SRI-KEHATI Stock Index from 2020 to 2024, ROA value does neither increase nor decrease the effect of carbon emission disclosure on firm value. The findings of this study align with the research done by Agustia et al. (2019) and Lai et al. (2022), which showed that financial success does not alter the relationship between carbon emission disclosure and firm value.

Stakeholders evaluate the company's environmental commitment not only based on profit generation but also on the consistency and quality of carbon emission disclosures and the organization's genuine attempts to mitigate environmental consequences (Aladwey & Alsudays, 2024). Through agency theory, this study found that financial performance does not affect carbon emission disclosure's ability to reduce information asymmetry between management and stakeholders about the company's environmental performance (Xie et al., 2022). Firms exhibiting superior financial performance can enhance transparency; nevertheless, this does not ensure that carbon emission disclosure effectively elevates firm value.

Moderating Role of Financial Performance in the Relationship between Green Investment and Firm Value

The study found a significant correlation between financial performance, green investment, and firm value in SRI-KEHATI Stock Index enterprises from 2020 to 2024, with a β value of 0.359 and a P-value of 0.006, both below 0.05 (Table 7). Therefore, H5 is supported. The company's financial performance significantly enhances the green investment's value-creation effect for SRI-KEHATI Stock Index businesses from 2020 to 2024. This study's findings correspond with the research conducted by Bax et al. (2023), Iqbal et al. (2022), and Ye & Dela (2023), suggesting that financial success greatly moderates green investment and corporate value. The ROA statistic, which measures financial success, will boost the PROPER rating's impact on enterprise value. This corresponds with legitimacy theory, which posits that superior financial performance amplifies the effect of green investment on corporate value, hence increasing the company's ability to gain favorable legitimacy from society and stakeholders through green investment (Zhang & Berhe, 2022). The legitimacy derived from the amalgamation of robust financial performance and sustainable investment eventually enhances corporate value (Temiz, 2021).

This study also shows that green investment increases corporate value through improved financial performance, according to stakeholder theory (Iqbal et al., 2022). This also shows that the company is able to meet stakeholder interests. Companies must sustain robust financial performance to enhance the efficacy of green investments in augmenting firm value. Management should contemplate ongoing environmentally sustainable investments while preserving or improving financial performance, as this has been demonstrated to influence firm value positively. In addition, companies must also strive for or maintain the PROPER rating by paying attention to transparency in disclosing information related to green investment to build trust and strengthen the company's legitimacy.

Moderating Role of Financial Performance in the Relationship between Green Innovation and Firm Value

The study found that financial performance significantly impacts the link between green innovation and firm value in SRI-KEHATI Stock Index enterprises from 2020 to 2024, with a β value of 0.324 and a P-value of 0.013 (Table 7). Therefore, H6 is supported. The company's financial success significantly influences the enhancement of green innovation implementation, hence augmenting firm value for firms featured on the SRI-

KEHATI Stock Index from 2020 to 2024. The findings of this study align with the research done by Lin et al. (2019) and Wen et al. (2021), demonstrating that financial success effectively moderates the impact of green innovation on firm value.

This aligns with legitimacy theory, wherein corporations endeavor to obtain favorable legitimacy from the community for their presence and economic activities by disclosing information to the public (Li et al., 2020). Firms that adopt green innovation will be seen as ecologically responsible and may optimize their resource utilization, thereby enhancing investor trust and eventually elevating firm value (Wen et al., 2021). Thus, organizations that implement green innovation may conserve energy and reduce greenhouse gas emissions, thereby attaining positive legitimacy through increased public trust, which then enhances financial performance and ultimately raises corporate value.

CONCLUSION

This study examined the effects of carbon emission disclosure, green investment, and green innovation on firm value, with financial performance as a moderating variable, in companies listed on the SRI-KEHATI Stock Index during the 2020–2024 period. The findings show that carbon emission disclosure does not significantly affect firm value. This indicates that carbon emission disclosure alone may not be sufficient to influence investors' valuation decisions, particularly when the disclosure is still voluntary and may vary in quality, consistency, and comparability across companies.

The results also show that green investment and green innovation significantly affect firm value. These findings suggest that companies with stronger environmental investment practices and environmentally oriented innovation are more likely to create value in the capital market. Green investment reflects corporate commitment to environmental responsibility, while green innovation supports efficiency, emission reduction, competitiveness, and long-term sustainability.

Furthermore, financial performance does not moderate the relationship between carbon emission disclosure and firm value. However, financial performance strengthens the effects of green investment and green innovation on firm value. This indicates that environmental strategies are more likely to increase firm value when supported by strong financial performance. Companies with better profitability may have a greater capacity to implement sustainable investment and green innovation, making their environmental initiatives more credible and economically meaningful for investors.

Theoretically, this study contributes to the development of legitimacy theory, stakeholder theory, and agency theory by providing empirical evidence on the relationship between environmental practices, financial performance, and firm value in the Indonesian sustainability-index context. Practically, this study provides insights for investors in making sustainable investment decisions and for companies in strengthening environmental strategies that support firm value creation and environmental sustainability.

LIMITATION

This study has several limitations. First, the research sample is limited to companies listed on the SRI-KEHATI Stock Index during the 2020–2024 period, so the findings may not fully represent all publicly listed companies in Indonesia, particularly companies outside sustainability-based stock indices.

Second, this study uses a five-year observation period; therefore, future research may use a longer observation period to capture better long-term trends in carbon emission disclosure, green investment, green innovation, financial performance, and firm value.

Third, green investment is measured using PROPER ratings, which are relevant in the Indonesian context but may not fully reflect all dimensions of green investment, such as green capital expenditure, renewable energy investment, waste management investment, or environmental technology investment.

Fourth, this study only uses financial performance as a moderating variable. Future studies are encouraged to expand the sample, use longer panel data, apply more comprehensive green investment indicators, and consider other moderating or mediating variables such as corporate governance, firm size, ESG performance, environmental performance, ownership structure, or sustainability reporting quality.

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DECLARATION OF CONFLICTING INTERESTS

The authors declare that there is no conflict of interest regarding the publication of this article.

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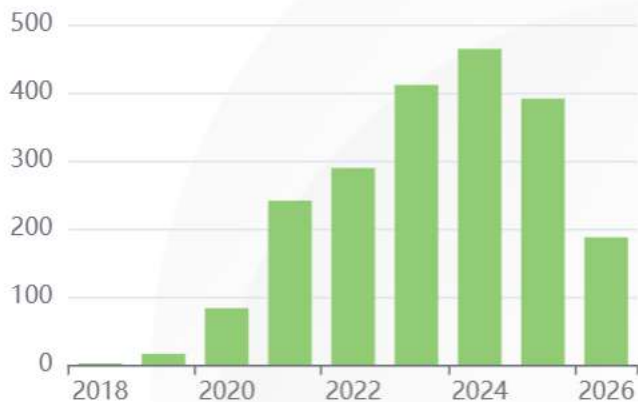
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