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The Influence of Green Investment and Corporate Social Responsibility Towards Corporate Value Through Corporate Performance as a Mediating Variable

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Abstract.

This study aims to analyze the influence of Green Investment and Corporate Social Responsibility on Company Value and How Company Performance mediates the relationship between Green Investment and Corporate Social Responsibility . The practical contribution of this study is as a reference for business actors and stakeholders in the business world to increase company value through company performance by implementing Green Investment and Corporate Social Responsibility more effectively. This research is quantitative with secondary data. The population in this study is all companies that achieved the Corporate Performance Rating Program in Environmental Management (PROPER) during 2022-2023, totaling 3,694 companies. While the sample used in this study uses a purposive sampling technique . The criteria are (1) Companies listed on the IDX and consistently achieved PROPER ratings during 2022-2023, (2) Companies that consistently report their annual reports during 2022-2023. With these criteria, a sample of 50 companies was obtained that met the criteria with the number of data collected being 100 data. The data analysis method used is Path Analysis . The results of the study show that Green Investment has a significant positive effect on company performance, while Corporate Social Responsibility does not show a significant effect on company performance , company performance is proven to have a significant positive effect on company value , while Green Investment and Corporate Social Responsibility does not have a significant effect on company value . Mediation analysis reveals that company performance acts as a full mediator for Green Investment . Conversely , Corporate Social Responsibility not utilizing company performance as a channel to influence the company's value.

Keywords: Green Investment , Corporate Social Responsibility , Company Value and Company Performance.

1 Introduction

Corporate value is a key indicator of a company's success in creating prosperity for its shareholders. A high corporate value reflects good business prospects, investor appeal, and a high level of market confidence. In an increasingly competitive business environment, companies are required to focus not only on short-term profitability but also on corporate social responsibility (CSR) and overall performance. Furthermore, business sustainability increasingly relies on *green investment* , which plays a crucial role in ensuring sustainable and environmentally sound long-term growth.

Company performance is a crucial factor in determining a company's value. Good performance reflects operational efficiency, profitability, and market competitiveness. Company performance indicators can be measured through various financial ratios, such as *Return on Assets* (ROA). ROA is used to measure the amount of profit generated from a company's assets. By understanding the level of profitability, investors and stakeholders can evaluate a company's long-term prospects. In recent years, attention to sustainability and



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corporate social responsibility has increased significantly. This has encouraged companies to adopt practices such as *Green Investment* and *Corporate Social Responsibility*. These practices are expected to improve financial performance. However, implementing these strategies is not always easy and often faces various challenges.

Triple Bottom Line (TBL) concept emphasizes the balance between *profit* (economic gain), *people* (social responsibility), and *the planet* (environmental sustainability) in business practices (Elkington, 1997). In this context, *Green Investment*, *Good Corporate Governance (GCG)*, and *Corporate Social Responsibility (CSR)* play a crucial role in improving company performance, which ultimately impacts company value. *Green investment* reflects a company's commitment to sustainability through investments in environmentally friendly technologies, renewable energy, and efficient production practices (Friede, Busch, & Bassen, 2015). Companies that implement *green investment* tend to be more competitive and attractive to investors and consumers, thereby increasing company value in the long term (Clark, Feiner, & Viehs, 2015).

Several studies have shown that *green investment* and CSR have a positive effect on corporate performance and sustainability (Indriastuti & Chariri, 2021a; Y. Zhang & Berhe, 2022), but other studies have shown insignificant or even negative effects, particularly in the context of green financing (X. Xu et al., 2022). This inconsistency raises questions about the conditions or mediating variables that may influence these results. *Green investment* has been identified as a potential mediator in the relationship between CSR and corporate performance, but the literature is still limited in exploring this role comprehensively and contextually (Ruan et al., 2022). Although CSR is recognized as an important factor for corporate sustainability, there are differences in the measurement and interpretation of its effectiveness on firm value.

This gap indicates the need for further research. analyze the influence of *Green Investment* and *Corporate Social Responsibility* on Company Value and how Company Performance mediates the relationship between *Green Investment* and *Corporate Social Responsibility*.

2 Method

This research is a quantitative research. The type of data used in this study is secondary data, namely data that is not directly received by the data collector, either through other people or through documents (Chandrarini, 2017).

2.1 Operational Definition of Variables

Green Investment assessment uses the PROPER rating or *Public Disclosure Program for Environmental Compliance (Company Performance Rating Assessment Program in Environmental Management)* in accordance with Minister of Environment and Forestry Regulation No. 01 of 2021 concerning the *Company Performance Rating Assessment Program in Environmental Management*, including (1) Gold rating, (2) Green rating, (3) Green rating, (4) Red rating, (5) Black rating.

CSR disclosures are based on the 91-item *Global Reporting Initiative (GRI)* 4th generation. GRI categorizes CSR information into three categories: social, economic, and environmental. The CSR formula used is as follows:



$$CSRI_j = \frac{\sum X_{ij}}{N_{ij}}$$

In this study, company performance is assessed using profitability ratios using *Return On Assets* (ROA) as its *proxy* because it is the main indicator of profitability that provides a comprehensive picture of the company's financial performance.

Company value can be calculated using the Tobins'Q formula which describes the market value of a company.

$$\text{Tobins'Q} = \frac{MV + BVL}{BVA}$$

The following is the research model:

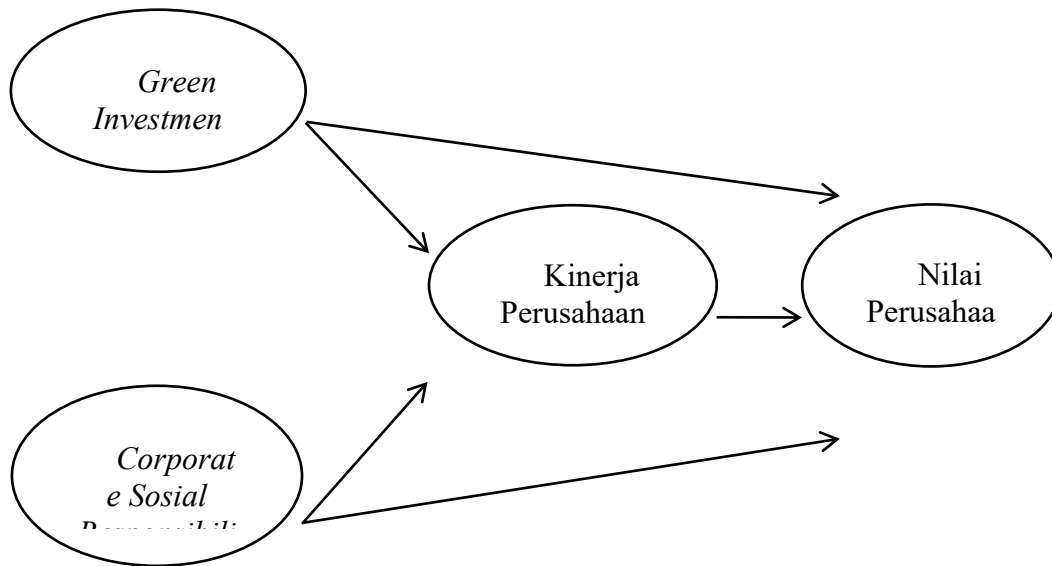


Figure 1. Research Model

2.2 Population and Sample

The population in this study was all companies that received the Corporate Performance Rating Program in Environmental Management (PROPER) during 2022-2023, totaling 3,694 companies.

Meanwhile, the sample used in this study used a *purposive sampling technique* , namely a sampling technique using criteria (Chandrari, 2017) . The criteria are (1) Companies listed on the IDX and consistently achieving a PROPER rating during 2022-2023, (2) Companies that consistently report their annual reports during 2022-2023. With these criteria, a sample of 50 companies was obtained that met the criteria with a total of 100 data points successfully collected.



2.3 Data Analysis Techniques

In this study, *Path Analysis* was used as a data analysis technique to examine the causal relationship between the variables studied, namely *Green Investment*, *Corporate Social Responsibility* (CSR), company performance, and company value. *Path analysis* is a statistical method used to examine and estimate direct and indirect relationships between variables in a structural model.

3 Results and Discussion

3.1 Hypothesis Testing of Sub Model 1

Hypothesis testing in Sub Model 1 aims to determine the influence of the independent variables, namely *Green Investment* (X1) and *Corporate Social Responsibility* (X2), on the dependent variable, Company Performance (Y1). The t-test is conducted by comparing their significance levels. If the significance level (*p-value*) is smaller than the degree of confidence of 5% or 0.05 then H_a is accepted, and vice versa.

Table 1. Results of the t-test for Sub-Model 1

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1,003	1,083		0.927	0.356
LN_X1	2,513	0.686	0.394	3,665	0.000
LN_X2	-	0.207	-0.105	-	0.272
	0.229			1.105	

a. Dependent Variable: LN_Y1

H1: *Green Investment* Has a Positive Impact on Company Performance

Green Investment (LN_X1) has a coefficient value of 2.513 with a significance value of 0.000, which is smaller than 0.05. This indicates that *Green Investment* has a significant positive effect on Company performance (**H1 is accepted**).

H2: *Corporate Social Responsibility* (CSR) has a positive effect on company performance.

CSR (LN_X2) has a coefficient value of -0.229 with a significance value of 0.272, which is greater than 0.05. This indicates that CSR does not have a significant effect on company performance (**H2 is rejected**).

3.2 Hypothesis Testing of Sub Model 2

The hypothesis testing of Sub Model 2 is intended to determine the influence of the independent variables, namely *Green Investment* (X1), *Corporate Social Responsibility* (X2) and Company Performance (Y1) on the dependent variable Company Value (Y2).



Table 2. Results of the t-test for Sub-Model 2

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.986	0.845		1,167	0.246
LN_X1	0.049	0.57	0.011	0.086	0.931
LN_X3	0.19	0.162	0.125	1,176	0.243
LN_Y1	0.232	0.081	0.334	2,881	0.004

a. Dependent Variable: LN_Y2

H3: Green Investment Has a Positive Impact on Company Value

Green Investment (LN_X1) has a coefficient value of 0.049 with a significance value of 0.931, which is greater than 0.05. This indicates that *Green Investment* does not have a significant effect on company value (**H3 is rejected**).

H4: Corporate Social Responsibility (CSR) Has a Positive Influence on Company Value

CSR (LN_X3) has a coefficient value of 0.190 with a significance value of 0.243, which is greater than 0.05. This indicates that CSR does not have a significant effect on company value (**H4 is rejected**).

H5: Company Performance Has a Positive Influence on Company Value

Company Performance (LN_Y1) has a coefficient value of 0.232 with a significance value of 0.004, which is smaller than 0.05. This indicates that Company Performance has a significant positive effect on Company value or in other words (**H5 accepted**).

3.3 Mediation Testing

To calculate the mediation value, use the Sobel formula with the following formula :

$$z = \frac{axb}{\sqrt{b^2SE_a^2 + a^2SE_b^2}}$$

H6: Green Investment Has a Positive Influence on Company Value Through Company Performance

To calculate the mediation value using *the Sobel Test*, the researcher first took data for *Green Investment* (LN_X1) which influences Company Performance (LN_Y1) with a coefficient of 2.513 and a standard error SE_a^2 of 0.86. Then, for Company Performance (LN_Y1) which influences Company Value (LN_Y2), it has a coefficient of 0.232 and a standard error SE_b^2 of 0.081. The results of *the Sobel Test* calculation are as follows: is $z \approx 1.98$. Since the z value ≈ 1.98 is greater than the critical z value at the 0.05 significance level (usually $z=1.96$), then **H14 is accepted**. This means that *Green Investment* has an effect positive impact on company value through company performance.



H7 : Corporate Social Responsibility (CSR) influences company value through company performance.

To calculate the mediation value between *Corporate Social Responsibility* (LN_X3) and Company Value (LN_Y2) through Company Performance (LN_Y1), with a coefficient value of $a = -0.229$ for the relationship between Independent Commissioners and Company Performance with a standard error SE_a^2 of 0.207. Then, for the relationship between Company Performance and Company Value, the coefficient $b = 0.232$ with a standard error SE_b^2 of 0.081. The results of *the Sobel Test* calculations are as follows: $z \approx -1.03$. Because the value of $z \approx -1.03$ is smaller than the critical value of z at the 0.05 significance level (1.96), **H7 is rejected**. This means that CSR does not have a significant effect on company value through company performance.

4 Discussion

4.1 The Influence of Green Investment on Company Performance

Beyond operational and financial aspects, *green investment* also plays a role in shaping public perception of a company. Companies that implement environmentally friendly practices tend to be viewed as more socially and ethically responsible, supporting *stakeholder theory*, which emphasizes the importance of corporate relationships with stakeholders. This enhances a company's reputation, potentially strengthening consumer loyalty and attracting investors concerned with sustainability issues. Previous research by Chen & Ma (2021) and Yatie & Tandika (2019) also found a similar positive relationship between *green investment*, operational efficiency, and corporate image, despite the different industry contexts. Thus, *green investment* provides dual benefits: improving internal performance while strengthening external stakeholder relationships.

Agency, *stakeholder*, and *sustainability* theories, while adding empirical evidence that implementing *green investment* is relevant for companies of all sizes as a strategy to adapt to the demands of a global green economy and stakeholder expectations. Thus, *green investment* is not only a strategic choice but also a necessity for companies seeking to maintain competitiveness and sustainability in the modern era.

4.2 The Influence of Corporate Social Responsibility on Company Performance

The rejection of the H2 hypothesis in this study shows that although *Corporate Social Responsibility* (CSR) has an important role in building corporate relationships with stakeholders, its impact on corporate performance is not always directly significant.

Theoretically, CSR can be analyzed through the perspective of *stakeholder theory*, which emphasizes the importance of a company's relationships with various stakeholders, including consumers, investors, communities, and governments. A good CSR program can strengthen a company's reputation, increase consumer loyalty, and build investor confidence. Borak &



Dogukanli (2023) highlight that although investors can obtain abnormal returns by purchasing shares of companies with high CSR performance, this effect is not always directly reflected in the company's financial performance, especially in the short term. This suggests that the benefits of CSR are more likely to be medium- to long-term and not always readily measurable through conventional financial indicators.

4.3 The Influence of Green Investment on Company Value

The rejection of hypothesis H3 shows that although *green investment* can improve operational efficiency and company reputation, its impact on company value in the market is not always immediately visible. This finding aligns with Azhari & Hasibuan (2023), who found that PROPER indicators do not always lead to increased company valuations. In the moderate economic growth of 2022–2023, investors are still more focused on short-term financial results, so the impact of *green investment* on market valuations is not yet significant, despite improved internal company performance.

Theoretically, this phenomenon can be explained through *stakeholder theory* and *sustainability perspectives*. *Green investment* strengthens a company's relationships with stakeholders, including the community, government, and environmentally conscious investors, thereby enhancing its reputation and social legitimacy. However, from the perspective of short-term investors, the long-term, non-financial benefits of *green investment* have not fully translated into increased company valuation. This confirms the concept in *agency theory* that management can make investments that support sustainability, but market perception does not always reflect this impact on company value (Feng & Yuan, 2024).

4.4 The Influence of Corporate Social Responsibility on Company Value

The rejection of hypothesis H4 is based on the fact that although *Corporate Social Responsibility* (CSR) has the potential to improve a company's image, the direct relationship between CSR and increased company value is not significant. Theoretically, CSR can be analyzed through the perspective of *stakeholder theory*, which emphasizes the importance of corporate relationships with various stakeholders, including consumers, investors, communities, and governments (Zhang & Berhe, 2022). A good CSR program can strengthen a company's reputation, increase consumer loyalty, and build investor confidence. However, this research data shows that increased corporate value is not always directly reflected through CSR activities, in line with the findings of Liniarti et al. (2025), which shows that CSR does not have a significant influence on company value. Elbardan et al. (2023) adding that CSR reporting is actually negatively related to the volatility of company value, indicating that the role of CSR is more to stabilize market perceptions than to directly increase valuations.

External factors also influence the effectiveness of CSR in increasing company value. Macroeconomic conditions, market fluctuations, and regulatory changes often influence investment decisions and investor perceptions more than CSR activities themselves. For example, during periods of economic uncertainty, investors tend to evaluate companies based on financial performance and operational stability, so image enhancement through CSR may not necessarily translate into short-term company value.



4.5 The Influence of Company Performance on Company Value

The research results show that high-performing companies tend to have higher market value. This means that companies that are able to manage resources efficiently, implement sustainable practices, and optimize operations gain more trust from investors, as reflected in an increase in Tobin's Q. This finding aligns with Chen & Ma (2021). And Indrawati et al., (2023), who stated that efficiency and good performance are positive indicators for company value.

In the context of the Indonesian economy in 2022–2023, with growth of 5.31% and 5.03%, respectively, corporate performance is a crucial factor for investors in assessing a company's stability and growth potential. Relatively stable economic conditions support high-performing companies to increase their market value, while low-performing companies continue to face market pressures.

4.6 The Influence of Green Investment on Company Value Through Company Performance

Green investment has the potential to increase company value through improved performance. This suggests that *green investment* primarily improves internal performance, which can then indirectly increase company value through efficiency and reputation enhancement mechanisms. Tang (2023) and Chen & Ma (2021) demonstrate that green investment not only improves energy efficiency but also improves a company's reputation in the market, which can be reflected in company value through investor confidence.

From an *agency theory perspective*, *green investment* helps align management interests with shareholders. According to *stakeholder theory*, *green investment* strengthens a company's relationship with stakeholders, including investors, consumers, and the community. Through *sustainability theory*, *green investment* supports sustainable development by considering economic, environmental, and social aspects. Companies that focus on green practices become more resilient to fluctuations in energy costs and environmental regulations, increasing internal efficiency (ROA) and long-term corporate value (Tobin's Q).

4.7 The Influence of Corporate Social Responsibility on Company Value Through Company Performance

This study rejects the 7th hypothesis (H7), which states that Corporate Social Responsibility (CSR) can increase firm value through improved firm performance. Although CSR plays a role in improving a firm's image and building a more positive reputation among the public and stakeholders, this study did not find significant evidence that CSR directly increases firm value through improved operational performance. Ali et al. (2020) suggest that although CSR can strengthen a firm's reputation, its impact on improved firm performance, and subsequently on increased firm value, is not strong enough to form a significant basis for a relationship.

Theoretically, CSR is linked to *Stakeholder Theory*, which emphasizes that companies that pay attention to stakeholder interests will build long-term trust, but its effect on market value may be indirect. The rejection of this hypothesis is understandable because, although CSR brings reputational benefits, other factors that more directly influence performance, such as managerial strategy, product innovation, and operational efficiency, often have a more tangible impact on firm value. CSR focuses more on social responsibility and long-term sustainability,



which, while important, do not always produce performance improvements quickly enough to significantly impact firm value.

5 Conclusion

Based on the results of the data analysis and discussion carried out, the following conclusions were obtained:

1. The results of the study indicate that *green investment* has a significant positive effect on company performance, meaning that increased green investment is followed by improvements in operational efficiency, profitability, reputation, and market opportunities. Conversely, *corporate social responsibility* (CSR) does not significantly affect company performance, indicating that CSR is not yet optimal or strategically integrated to improve company performance.
2. Company performance has been shown to have a significant positive effect on company value, confirming that increased profitability, efficiency, and growth are followed by increased market value. Meanwhile, *green investment* and CSR have no direct significant effect on company value. This suggests that the market values a company's actual performance more than the mere presence of CSR activities.

Mediation analysis revealed that corporate performance acts as a full mediator of *green investment's* effect on firm value. In other words, the effect of *green investment* on firm value emerges through improved performance. Conversely, CSR does not utilize performance as a channel to influence firm value.

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