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Corporate Green Performance And Firm Value In Environmentally Sensitive Sectors On The Indonesia Stock Exchange

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Abstract

This study aims to examine the effect of environmental disclosure and environmental performance on firm value in environmentally sensitive sector companies listed on the Indonesia Stock Exchange. Environmentally sensitive sectors were selected because their operational activities have a high potential for ecological impact; therefore, environmental transparency and environmental performance are important aspects of market valuation. This study employs a quantitative approach with an associative research design. The data used are secondary data obtained from annual reports, sustainability reports, PROPER data, and corporate market information. The sample was determined using purposive sampling, resulting in 90 observations. Firm value is measured using Tobin's Q, environmental disclosure is measured using a disclosure index based on the GRI Standards, and environmental performance is measured using PROPER scores. The data were analyzed using multiple linear regression with SPSS 26. The results indicate that environmental disclosure has a positive and significant effect on firm value. Environmental performance also has a positive and significant effect on firm value. These findings indicate that environmental information transparency and achievements in environmental management can enhance investors' positive perceptions of companies, particularly in industries facing regulatory pressure and reputational risk in the Indonesian capital market. This study confirms that sustainability practices are not merely a form of compliance, but also contribute to sustainable firm value creation and long-term competitive advantage.

Keywords: environmental disclosure; environmental performance; firm value; PROPER; environmentally sensitive sectors.

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INTRODUCTION

The development of the modern business paradigm shows that corporate success is no longer assessed solely by the ability to generate profit, but also by the ability of companies to manage the social and environmental impacts arising from their operational activities. Environmental issues are increasingly relevant, particularly for companies operating in environmentally sensitive sectors, such as mining, energy, basic materials, manufacturing, plantations, and other sectors whose production activities have the potential to generate emissions, waste, land degradation, or ecological pressure (Khurram et al., 2023). In the capital market context, attention to environmental aspects is important because investors, creditors, government, and society increasingly evaluate companies not only on the basis of historical financial performance, but also on the sustainability of business models, environmental compliance, and non-financial risks that may affect firm value prospects (Karimi et al., 2026).

In Indonesia, attention to sustainability has been strengthened through Financial Services Authority Regulation Number 51/POJK.03/2017 concerning the implementation of sustainable finance for financial service institutions, issuers, and public companies. This regulation emphasizes the importance of aligning economic, social, and environmental aspects within the national economic system and requires financial service institutions, issuers, and public companies to prepare sustainability reports. Therefore, environmental accountability can no longer be viewed merely as a voluntary communication activity, but has become part of corporate accountability mechanisms to stakeholders (Isnurhadi et al., 2020).

Corporate green performance in this study is positioned as a construct that reflects a company's commitment to environmental management. This construct is measured through two main dimensions, namely environmental disclosure and environmental performance. Environmental disclosure represents the extent to which companies disclose environmental information to the public, for example through annual reports and sustainability reports (Sumarta et al., 2023). Meanwhile, environmental performance represents the substantive achievements of companies in environmental management, which in the Indonesian context are often measured using the PROPER rating issued by the Ministry of Environment and Forestry (Ivan et al., 2020).

The distinction between environmental disclosure and environmental performance needs to be emphasized. Environmental disclosure relates to transparency, communication, and corporate legitimacy before stakeholders. Companies that disclose environmental information more extensively are expected to reduce information asymmetry, increase investor trust, and strengthen the perception that they have sound sustainability governance (Utomo et al., 2020). Li

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et al. (2018) found that the level of ESG disclosure is positively associated with firm value, indicating that sustainability transparency and accountability can enhance stakeholder trust.

However, environmental disclosure is not always identical to good environmental performance. A company may present extensive environmental reports, but it does not necessarily have superior environmental management achievements. Conversely, companies with good environmental performance may obtain economic benefits through resource efficiency, risk control, a positive reputation, and stronger social acceptance. From the perspective of stakeholder theory, companies that pay attention to the interests of environmental stakeholders may gain social and market support because corporate sustainability depends not only on shareholders, but also on groups affected by corporate activities (Freeman, 1984; Donaldson & Preston, 1995). From the perspective of legitimacy theory, environmental management and reporting are viewed as means for companies to maintain alignment between corporate actions and prevailing social norms (Suchman, 1995; Deegan, 2002).

Theoretically, green performance is expected to have a positive effect on firm value. However, empirical findings remain inconsistent. Utomo et al. (2020) found that environmental performance positively affects firm value and environmental disclosure among non-financial companies listed on the IDX that participated in PROPER, but environmental disclosure did not affect firm value and did not mediate the relationship between environmental performance and firm value. These findings suggest that the Indonesian capital market may not respond uniformly to environmental disclosure, particularly when the quality, completeness, and comparability of environmental information have not fully met strong standards.

Inconsistency is also evident in other studies. Itan (2023) and (Asrar Fenani & Faisol, (2025) found that environmental performance does not always directly increase firm value in the Indonesian mining sector. On the other hand, the international study by Gerged et al. (2021) showed that aggregate ESG scores are positively related to firm value, although the environmental score individually is not always significant. These differing findings indicate that the relationship between green performance and firm value is likely influenced by institutional context, information quality, industry characteristics, investor sensitivity to environmental issues, and the level of regulatory pressure.

Based on these conditions, research on corporate green performance and firm value in environmentally sensitive sectors on the IDX is important. Environmentally sensitive sectors have higher ecological and social risk exposure than other sectors; therefore, market responses to corporate environmental practices are relevant to examine. Companies in these sectors face

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greater legitimacy pressure because their operational activities may directly affect the environment and society. Accordingly, environmental disclosure and environmental performance can serve as important signals for investors in assessing risk, sustainability prospects, and the quality of corporate governance.

Based on the preceding discussion, this study aims to empirically examine the effect of environmental disclosure and environmental performance on firm value in environmentally sensitive sector companies listed on the Indonesia Stock Exchange. The results of this study are expected to provide theoretical benefits by enriching the literature on environmental accounting and firm value, as well as practical benefits for corporate management, investors, and regulators in understanding the importance of environmental transparency and environmental performance as part of firm value creation strategies.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Corporate Green Performance

Corporate green performance is a form of corporate responsibility in managing the environmental impacts arising from operational activities. In this study, green performance is understood through two dimensions, namely environmental disclosure and environmental performance. Environmental disclosure indicates the extent to which companies disclose environmental information in annual reports or sustainability reports. Such disclosure is important because it can reduce information asymmetry between companies and stakeholders and serve as a signal of corporate commitment to sustainability (Habibullah et al., 2025)

Environmental performance describes a company's actual achievement in managing the environment. In Indonesia, corporate environmental performance is often measured using PROPER, a performance rating program for companies in environmental management (Shah & Ivascu, 2023). PROPER criteria include assessment of compliance with environmental regulations and assessment beyond what is required, or beyond compliance. Thus, environmental disclosure emphasizes information transparency, whereas environmental performance emphasizes substantive environmental management achievements.

Firm Value

Firm value reflects the market's perception of a company's prospects, risks, and management quality. In quantitative research, firm value is commonly proxied by market-based measures, such as Tobin's Q or Price to Book Value (Damas et al., 2021). The higher the firm value,

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the stronger investors' confidence in the company's ability to create value in the future. In the sustainability context, firm value is influenced not only by financial performance, but also by the company's ability to manage environmental risks and build stakeholder trust.

Theoretical Foundation

This study can be explained through legitimacy theory and stakeholder theory. Legitimacy theory views companies as needing to maintain alignment between operational activities and prevailing social norms. Environmental disclosure is one way for companies to maintain legitimacy, particularly for companies in environmentally sensitive sectors. Deegan (2002) shows that social and environmental disclosure plays an important role in building or maintaining organizational legitimacy.

Meanwhile, stakeholder theory emphasizes that companies need to consider the interests of various parties, not only shareholders. Freeman (1984) is known as a key figure who developed the stakeholder approach in strategic management. In the context of this study, environmental disclosure and environmental performance can be viewed as corporate responses to the demands of investors, regulators, communities, and other parties concerned with the environmental impacts of corporate activities.

Environmental Disclosure and Firm Value

Environmental disclosure may affect firm value because more transparent environmental information can increase investor trust. Companies that disclose environmental information adequately are perceived as having better accountability and governance. Li et al. (2018) found that the level of ESG disclosure is positively related to firm value because disclosure enhances transparency, accountability, and stakeholder trust.

However, previous research findings are not fully consistent. Gerged et al. (2021) found that corporate environmental disclosure is positively related to firm value measured using Tobin's Q among companies in Gulf Cooperation Council countries. Conversely, Sumarta et al. (2023) found that environmental disclosure does not affect market value, indicating that environmental disclosure is not always appreciated by investors. Based on the preceding discussion, the following hypothesis is proposed:

H1: Environmental disclosure has a positive effect on firm value.

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Environmental Performance and Firm Value

Environmental performance indicates the substantive quality of corporate environmental management. Companies with good environmental performance may have lower regulatory risk, a stronger reputation, and better relationships with stakeholders. Dianti & Puspitasari (2024) found a positive relationship between environmental performance and the level of environmental disclosure, indicating that companies with better environmental performance tend to have a stronger incentive to disclose environmental information.

In the Indonesian context, Utomo et al. (2020) found that environmental performance has a positive effect on firm value among non-financial companies listed on the IDX and participating in PROPER. However, the study also found that environmental disclosure does not mediate the effect of environmental performance on firm value. This finding suggests that investors may assess environmental performance as a signal of corporate quality, even though environmental disclosure is not always the main channel in market value formation. Based on the preceding discussion, the following hypothesis is proposed:

H2: Environmental performance has a positive effect on firm value.

RESEARCH METHOD

Research Design and Approach

This study uses a quantitative approach with an associative research design. The objective is to examine the effect of environmental disclosure and environmental performance on firm value in environmentally sensitive sector companies listed on the Indonesia Stock Exchange.

Population and Sample

The research population consists of environmentally sensitive sector companies listed on the IDX during the research period. Environmentally sensitive sectors include mining, energy, basic materials, and chemicals. The sampling technique uses purposive sampling with the following criteria: companies listed consecutively during the research period; companies that publish annual reports or sustainability reports; and companies with complete data related to the research variables. This study uses 90 observations.

Data Type and Sources

The data used are secondary data obtained from companies' annual reports and sustainability reports, the official website of the Ministry of Environment and Forestry related to

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PROPER, and market data from the Indonesia Stock Exchange. Data were collected using documentation techniques.

Data Analysis Technique

The data analysis technique uses multiple linear regression with SPSS 26. The regression model used in this study is as follows:

$$FV = \alpha + \beta1ED + \beta2EP + e$$

Notes: FV denotes firm value; α denotes the constant; β1 and β2 denote regression coefficients; ED denotes environmental disclosure; EP denotes environmental performance; and e denotes the error term. Significance testing is conducted at a 5 percent significance level or p-value < 0,05.

Operational Definition and Variable Measurement

Table 1. Operational Definition of Variables

Variable	Definition	Indicator/Proxy	Scale
Firm Value (Y)	Market perception of firm value as reflected in share price	Tobin's Q = (MVE + D)/TA; MVE = market value of equity, D = book value of debt, TA = total assets	Ratio
Environmental Disclosure (X1)	Level of environmental information disclosure in annual reports or sustainability reports	Environmental disclosure index based on GRI Standards; score = number of disclosed items/number of expected items	Ratio
Environmental Performance (X2)	Corporate achievement in environmental management based on PROPER assessment	PROPER score: gold = 5, green = 4, blue = 3, red = 2, black = 1	Ordinal

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RESEARCH RESULTS

Descriptive Statistics

Table 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Environmental Disclosure	90	0,15	0,94	0,5536	0,21407
Environmental Performance	90	2,00	5,00	3,3444	0,68959
Firm Value	90	2,11	6,99	3,7648	0,99407
Valid N (listwise)	90				

Source: SPSS 26 output, processed data.

Based on Table 2, the number of observations used in this study is 90. The environmental disclosure variable has a minimum value of 0,15 and a maximum value of 0,94, with a mean value of 0,5536 and a standard deviation of 0,21407. This indicates that the average level of environmental disclosure among the sampled companies is 55,36 percent.

The environmental performance variable has a minimum value of 2,00 and a maximum value of 5,00, with a mean value of 3,3444 and a standard deviation of 0,68959. This value indicates that the average environmental performance of companies is in the moderate to good category based on PROPER scores. Meanwhile, the firm value variable has a minimum value of 2,11 and a maximum value of 6,99, with a mean value of 3,7648 and a standard deviation of 0,99407. These results indicate that firm value in the research sample varies considerably.

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Classical Assumption Tests

Normality Test

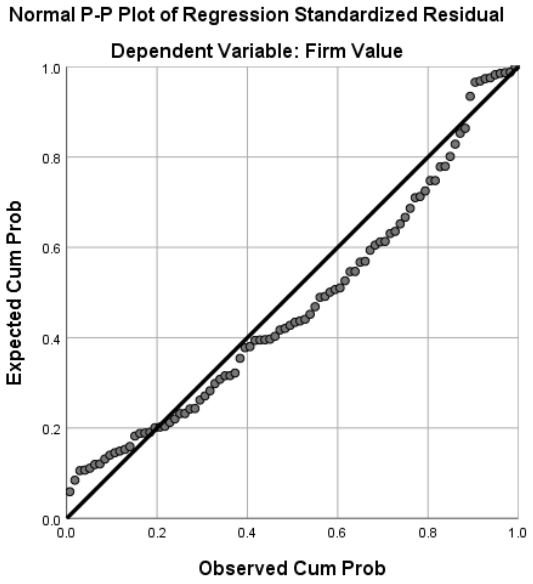


Figure 1. Normality Test

The normality test is conducted to determine whether the residuals in the regression model are normally distributed. In this study, normality is assessed by examining the Normal P-P Plot of Regression Standardized Residual. Based on the test results, the residual points appear to spread around the diagonal line and follow the direction of the diagonal line. This pattern indicates that the residual data do not show extreme deviation from the normal distribution.

Accordingly, the regression model in this study satisfies the normality assumption. This means that the residuals in the regression model testing the effect of environmental disclosure and environmental performance on firm value are normally distributed, making the model appropriate for further regression analysis.

Multicollinearity Test

Table 3. Multicollinearity Test

Independent Variable	Tolerance	VIF	Interpretation
Environmental Disclosure	0,999	1,001	No multicollinearity

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Environmental Performance	0,999	1,001	No multicollinearity

Source: SPSS 26 output, processed data.

The multicollinearity test is conducted to ensure that there is no high correlation among independent variables. Based on Table 3, all independent variables have tolerance values > 0,10 and VIF values < 10. This indicates that the regression model is free from multicollinearity problems, so the regression coefficients can be estimated reliably.

Heteroscedasticity Test

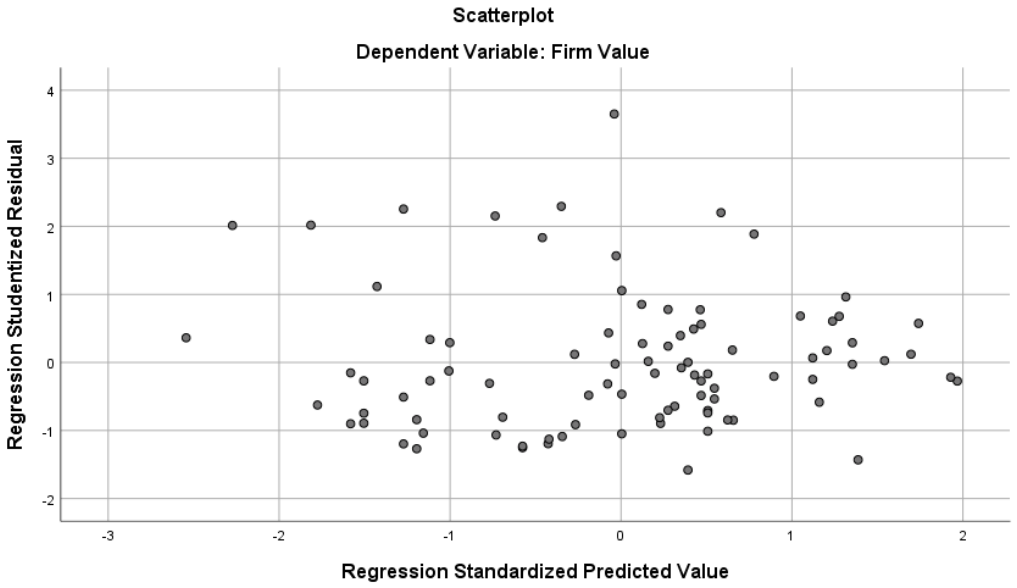


Figure 2. Heteroscedasticity Test

Based on the scatterplot results, the residual points are randomly distributed above and below zero. The distribution of points also does not form a particular pattern, such as a narrowing, widening, or wavy pattern. This condition indicates that the residual variance in the regression model is relatively constant.

Accordingly, the regression model in this study does not experience symptoms of heteroscedasticity. This means that the regression model used to test the effect of environmental disclosure and environmental performance on firm value satisfies the heteroscedasticity assumption.

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Coefficient of Determination Test

Table 4. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,445	0,198	0,180	0,90026

Source: SPSS 26 output, processed data.

The coefficient of determination test shows an R Square value of 0,198. This means that environmental disclosure and environmental performance are able to explain 19,8 percent of the variation in firm value, while the remaining 80,2 percent is explained by other variables outside the research model. The Adjusted R Square value of 0,180 indicates that, after adjustment for the number of independent variables and the sample size, the model's ability to explain firm value is 18,0 percent.

Thus, the contribution of environmental disclosure and environmental performance to firm value remains relatively limited. This condition indicates that firm value in environmentally sensitive sectors is not determined only by disclosure and environmental performance aspects, but may also be influenced by financial factors, corporate governance, industry conditions, and other external factors.

F Test or Simultaneous Test

Table 5. F Test

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	17,438	2	8,719	10,758	0,000
Residual	70,510	87	0,810		
Total	87,948	89			

Source: SPSS 26 output, processed data.

The F test is used to determine whether the independent variables jointly affect the dependent variable. Based on the ANOVA test results, the F value is 10,758 with a significance value of 0,000. Because the significance value is less than 0,05, it can be concluded that environmental disclosure and environmental performance simultaneously have a significant effect on firm value.

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These results indicate that the regression model used in this study is appropriate for explaining the relationship between environmental disclosure, environmental performance, and firm value. In other words, environmental transparency and environmental performance achievements jointly play a role in influencing firm value.

Multiple Linear Regression Test

Table 6. Multiple Linear Regression Test

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.	Interpretation
Constant	1,564	0,539	-	2,902	0,005	Significant
Environmental Disclosure	1,713	0,446	0,369	3,841	0,000	Significant
Environmental Performance	0,374	0,138	0,260	2,705	0,008	Significant

Source: SPSS 26 output, processed data.

Based on Table 6, the multiple linear regression equation obtained is as follows:

Firm Value = 1,564 + 1,713 Environmental Disclosure + 0,374 Environmental Performance + e

Based on the multiple linear regression results, the environmental disclosure variable has a coefficient value of 1,713 with a significance value of 0,000. This significance value is less than 0,05; therefore, environmental disclosure has a positive and significant effect on firm value. This result indicates that the broader the environmental disclosure made by the company, the higher the firm value reflected in market perception.

Furthermore, the environmental performance variable has a coefficient value of 0,374 with a significance value of 0,008. This value is also less than 0,05; therefore, environmental performance has a positive and significant effect on firm value. This finding indicates that companies with better environmental performance tend to receive higher market valuation.

Thus, the two independent variables in this study, namely environmental disclosure and environmental performance, are proven to have positive and significant effects on firm value. These results indicate that environmental transparency and environmental performance achievements play an important role in forming firm value in environmentally sensitive sectors on

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the Indonesia Stock Exchange.

DISCUSSION

The Effect of Environmental Disclosure on Firm Value

The results of the first hypothesis test show that environmental disclosure has a positive and significant effect on firm value. This is indicated by a regression coefficient of 1,713 with a significance value of 0,000, which is lower than the 0,05 significance level. Therefore, the first hypothesis stating that environmental disclosure has a positive effect on firm value is accepted.

This finding indicates that the higher the level of environmental disclosure made by a company, the higher its firm value. More extensive environmental disclosure can provide additional information to investors regarding the company's commitment to managing the environmental impacts of its operational activities. This information is particularly important for companies in environmentally sensitive sectors because these sectors have higher ecological and social risks than other sectors. Therefore, environmental transparency can serve as a positive signal to the market that the company has better accountability, governance, and sustainability orientation.

From the perspective of legitimacy theory, environmental disclosure can be understood as a company's effort to maintain legitimacy before society and stakeholders. Companies that openly communicate environmental information show that their business activities are being aligned with social norms, regulatory demands, and public expectations for responsible business practices. Thus, environmental disclosure functions not only as an administrative report, but also as a strategic communication mechanism for building market trust.

This result is also consistent with stakeholder theory, which emphasizes that companies need to consider the interests of various parties, including investors, regulators, society, creditors, and communities affected by corporate operations. When companies disclose environmental information more adequately, stakeholders have a stronger basis for assessing risks, sustainability prospects, and corporate management quality. This condition can strengthen positive perceptions of the company and ultimately increase firm value.

This finding supports Li et al. (2018), who state that ESG disclosure can increase firm value by enhancing transparency and stakeholder trust. This result is also consistent with Gerged et al. (2021), who found that corporate environmental disclosure has a positive relationship with firm value. However, this result differs from Sumarta et al. (2023), who found that environmental disclosure does not affect the market value of companies. These differences may be caused by

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differences in sector, observation period, sample characteristics, and the level of investor attention to sustainability issues.

Therefore, the results of this study confirm that environmental disclosure plays an important role in increasing firm value, particularly in environmentally sensitive sector companies listed on the Indonesia Stock Exchange. Adequate environmental disclosure can be an important instrument for companies to strengthen reputation, reduce information asymmetry, and build investor trust in corporate sustainability.

The Effect of Environmental Performance on Firm Value

The results of the second hypothesis test show that environmental performance has a positive and significant effect on firm value. This is indicated by a regression coefficient of 0,374 with a significance value of 0,008, which is lower than 0,05. Therefore, the second hypothesis stating that environmental performance has a positive effect on firm value is accepted.

This finding indicates that the better the company's environmental performance, the higher its firm value. Environmental performance in this study is measured using PROPER scores, so this result indicates that companies with better environmental ratings tend to obtain more positive market valuations. Good environmental performance can reflect a company's ability to comply with environmental regulations, manage ecological risks, reduce potential sanctions, and maintain good relationships with society and regulators.

In environmentally sensitive sectors, environmental performance is highly important because corporate activities are directly related to potential ecological impacts, such as emissions, waste, pollution, and natural resource use. Therefore, companies that are able to demonstrate better environmental performance tend to be perceived as having lower non-financial risk. Investors may assess such companies as having better sustainability prospects, which in turn increases firm value.

Within the framework of stakeholder theory, this result shows that fulfilling environmental responsibility can strengthen corporate relationships with stakeholders. Companies with good environmental performance not only fulfill shareholder interests, but also consider the interests of society, government, consumers, and other parties affected by operational activities. Positive responses to stakeholder interests can strengthen corporate reputation and increase market trust.

Meanwhile, from the perspective of legitimacy theory, good environmental performance can serve as evidence that companies strive to conduct business activities in accordance with

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prevailing social values, norms, and demands. Companies with higher PROPER scores demonstrate that their environmental management is not merely symbolic, but is also reflected in substantive achievements. Thus, environmental performance can strengthen corporate legitimacy and contribute to increasing firm value.

The results of this study are consistent with Utomo et al. (2020), who found that environmental performance has a positive effect on firm value among non-financial companies listed on the Indonesia Stock Exchange. This finding strengthens the argument that environmental performance can be viewed as a positive signal for investors because it reflects the company's ability to manage environmental risks and maintain operational sustainability. However, this result differs from several studies finding that environmental performance does not always directly affect firm value, which may be due to differences in industry characteristics, investor sensitivity, and the quality of environmental information available in the market.

Based on these results, environmental performance is an important factor in forming firm value. Companies with better environmental performance have greater opportunities to gain investor trust, strengthen social legitimacy, and reduce risks that may disrupt business sustainability.

CONCLUSION

Based on the research results, it can be concluded that environmental disclosure has a positive and significant effect on firm value. This indicates that the better a company discloses environmental information, the higher the market valuation of the company. Environmental disclosure is a form of transparency that can strengthen investor and stakeholder trust in the company's sustainability commitment.

In addition, environmental performance also has a positive and significant effect on firm value. This means that companies with better environmental performance tend to receive a more positive market response. Good environmental performance reflects a company's ability to manage environmental impacts, comply with regulations, and maintain social legitimacy. Thus, environmental disclosure and environmental performance are two important aspects of firm value creation in environmentally sensitive sectors.

FUTURE RESEARCH DIRECTIONS

Companies in environmentally sensitive sectors are advised to improve the quality of environmental disclosure in a more transparent, complete, and relevant manner. Such disclosure

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should be accompanied by improvements in actual environmental performance, such as regulatory compliance, waste management, energy efficiency, and improvement in PROPER ratings. Investors are also advised to consider environmental aspects, both disclosure and performance, as one basis for investment decision-making.

Future studies are advised to add other variables, such as profitability, leverage, firm size, corporate governance, or ESG scores, and to expand the research period and object to produce more comprehensive results. In addition, future research may examine mediating or moderating roles, such as corporate reputation, environmental risk, governance quality, or industry sensitivity, to obtain a deeper understanding of the mechanism underlying the relationship between corporate green performance and firm value.

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