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The role of profitability in moderating the influence of green investment and financial performance on company value

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ABSTRACT

Research objective: This study aims to analyze the effect of green investment, dividend policy, and leverage on company value with profitability as a moderating variable in companies listed on the IDX ESG Leaders for the 2020–2023 period.

Method: Quantitative approach is used in this study with panel data regression method. The sample consists of 12 companies selected by purposive sampling. Data are processed using EVIEWS 10 program to test the direct relationship between variables and the moderation effect of profitability.

Results: The results of the study indicate that green investment has no significant effect on firm value, while dividend policy has a negative and significant effect. Leverage also has no significant effect on firm value. Profitability is proven to moderate the effect of dividend policy on firm value, but is unable to moderate the relationship between green investment and leverage on firm value.

Practical and Theoretical Contribution/Originality: This study provides theoretical contributions by supporting the Stakeholder and Signaling theories in the context of green investment and dividend policy. Practically, this study suggests that companies need to improve communication related to green investment to increase market legitimacy.

Research Limitations: This research is limited to the period 2020–2023, with sample coverage only on companies in IDX ESG Leaders. In addition, several other variables such as company size and governance are not included in the model.

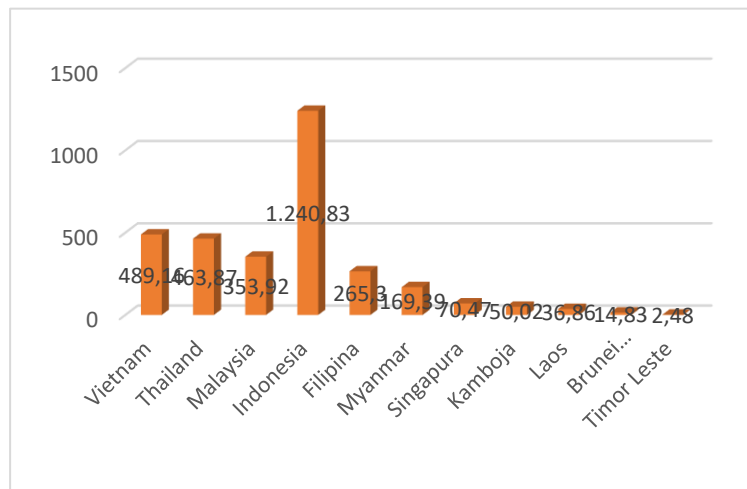
Keywords: Dividend Policy; Firm Value; Green Investment; Leverage; Profitability.



2025 Fatasya Aulya Ngindana Zulfa, Puji Endah Purnamasari

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INTRODUCTION

**Figure 1.**

Data Emisi
Gas Rumah
Kaca Negara
Asia Tenggara
2022

Source: European Commission, 2022 processed by researchers, 2024

Climate change has become a major environmental issue that has received global attention in recent decades. [Wegner, et.al., \(2022\)](#) , stated that we are currently in the midst Nowadays, greenhouse gas emissions (GHG) are an issue that is often a topic of discussion in the world, including in Indonesia. Based on data from *the European Commission* in 2022.

Greenhouse gas emissions in Indonesia were 1,240.8 million tons. The total emissions make Indonesia the country with the most greenhouse gas emissions among Southeast Asian countries, as seen in Figure 1 below.

of a crisis that threatens the foundations of our society due to the increasing impacts of climate change worldwide. Heat waves, droughts, floods, and forest fires cause daily destruction, such as many people dying, losing their homes and livelihoods, and destroying ecosystems. The UN defines climate change as a long-term change in temperature and weather patterns. Based on a study by the [Swiss Re Institute \(2021\)](#) , the world is threatened with losing approximately 10% of its total economic value due to climate change.

To overcome the environmental issues that occur, companies can implement *green investment* . According to ([Zhang & Berhe, 2022](#)), *green investment* is a broad concept that refers to the use of green capital mobilized by the government and industry to invest in environmental goods and services such as protecting ecosystem diversity and compensating for climate damage. Furthermore, *green investment* is an environmentally friendly business strategy to gain and maintain legitimacy and support from stakeholders.

The capital market in Indonesia has four indices that focus on *green investment*, one of which is the ESG Leaders stock index (IDXESGL), reflecting positive performance growth in sustainable investment. This leads to an increase in the company's value as a determinant of the company's survival. (Mardiana and Wuryani, 2019) stated that this company value is an important indicator for shareholders in assessing a company before making a decision to invest. The assessment of a company's value in this study is carried out in addition to using *green investment indicators* with ESG (Environmental, Social, Governance) proxies but also using dividend policy variables using *the Dividend Payout Ratio* (DPR) proxy and *leverage* with *the Debt Equity Ratio* (DER) proxy, as well as profitability moderation variables using the *Return On Asset* (ROA) proxy.

Research by [Lutfi & Yudiana \(2021\)](#) found that profitability as a moderation that strengthens the relationship between dividend policy and firm value. Conversely, research by [Saputra \(](#)

[2022](#)) shows that companies with low profitability levels have a significant impact of the influence of dividend policy on firm value. This is in line with research by [Satria \(2019\)](#) which concluded that low profitability can reduce investors' positive perceptions of dividend distribution, thereby reducing the impact of the policy on increasing firm value.

Dividend policy is a company's provision regarding the allocation of profits, whether the profits generated will be given to investors in the form of dividends or saved in the form of retained earnings. An increase in dividends is seen as a positive signal which means the company's prospects are good [\(Fauziah, 2017\)](#) . The more dividends paid, the higher *the dividend payout ratio* , with this the company's stock price also increases [\(Bayu Wulandari, 2021\)](#).

The company value is also influenced by *leverage* . This variable as a risk factor and opportunity for the company. *Leverage* is the practice of borrowing capital to increase profits in a business or investment context [\(Suhartono et al., 2024\)](#) . *Leverage* is a company's ability to manage its finances in the hope of generating higher profits to increase shareholder returns [\(Vionita et.al., 2023\)](#) .

The urgency of the issue and the need to increase *green investment* are the basis for reviewing previous research on *green investment* . When compared to conventional investment, previous research on *green investment interest* with research objects of companies listed on the ESG stock index is still very limited. Previous studies on *green investment interest* have examined the SRI-KEHATI Index [\(Tanasya & Handayani, 2020\)](#) , the Indonesia Stock Exchange (IDX) [\(Negara, et al., 2024\)](#) , manufacturing companies listed on the IDX [\(Negara et al., 2024\)](#) , sharia and non-sharia companies in SRI-KEHATI [Nurhayati et al., \(2021\)](#) , comparison of risk and return levels in companies listed on the SRI-KEHATI and LQ45 Index [\(Yasya et al., 2023\)](#) , *green investment* to create awareness of the Indonesian people in SDG 2030 [\(Lia & Natswa, 2023\)](#) , private companies in China [\(Xue et al. , 2022\)](#) , economic growth rate in Vietnam [\(Hung, 2023\)](#) , and energy companies in China [\(Chen & Ma, 2021\)](#).

According to (Maharani and Agustia, 2024), *green investment* can create competitive advantages for companies, especially in industries with high dependence on natural resources. Companies that implement sustainable investment strategies tend to gain appreciation from stakeholders and improve their image in contributing to maximizing the value of the company. Based on previous research, researchers can formulate hypotheses in the form of:

H₁ : *Green investment* has an effect on the Value of Companies Listed on IDX ESG Leaders 2020-2023

Policy should strike a balance between current payouts and future growth to maximize the company's stock price. [\(Sudana & Sallama, 2015\)](#). The better the dividend policy, the higher the company value. Previous research by [Kurniawati & Khair \(2020\)](#) , [Nurhasanatang et al. \(2020\)](#) , [Palupi & Hendiarto \(2018\)](#) shows that dividend policy has a significant influence on company value. Based on these findings, the hypothesis can be formulated as follows:

H₂ : Dividend Policy Affects the Value of Companies Listed on IDX ESG Leaders 2020-2023

Study by [Hasanudin et al. \(2020\)](#) found that leverage in optimal proportions can actually increase the value of the company, especially in conditions where the company can use debt to increase equity returns. Another study by [Fauziah & Nurhayati \(2021\)](#) also supports this finding, where leverage acts as a tool to increase the value of the company as long as it is used wisely. Meanwhile, [Lamba & Atahau \(2022\)](#) emphasized that the effect of *leverage* on the value of the company is highly dependent on market conditions and industrial sectors, with certain sectors being better able to use debt to increase value than other sectors. Based on previous research, researchers can formulate hypotheses in the form of:

H₃: Leverage has an effect on the Value of Companies Listed on IDX ESG Leaders 2020-2023

[Kholmi & Nafiza \(2022\)](#) also stated that profitability allows companies to be more effective in utilizing the benefits of *green investment*, such as operational efficiency and reduced energy costs. In addition, research by [\(Ye & Dela, 2023\)](#) shows that companies with high levels of profitability tend to get more support from investors when they focus on environmental sustainability. Finally, a study by [\(Damayanti & Astuti, 2022\)](#) found that companies that have made sustainable investments not only improve environmental performance but also generate greater financial returns. Based on this empirical evidence, it can be hypothesized that profitability strengthens the influence of *green investment* on the value of a company. According to previous findings, researchers can formulate hypotheses in the form of:

H₄: Profitability moderates the relationship between *green investment* and the Value of Companies Listed on IDX ESG Leaders 2020-2023

Research by [Lutfi & Yudiana \(2021\)](#) found that profitability acts as a moderator that strengthens the relationship between dividend policy and firm value. When profitability is high, the impact of dividend policy on firm value becomes more significant. In contrast, research by [Saputra et. al. \(2022\)](#) shows that companies with low profitability levels do not get a significant impact from dividend policy on company value. This phenomenon is in line with research conducted by [Satria \(2019\)](#) which states that ROA as a proxy for low profitability can reduce investors' positive perceptions of dividend distribution, thereby reducing the impact of the policy on increasing company value. Based on the theory and results of previous studies, the relevant hypothesis can be formulated as follows:

H₅: Profitability moderates the relationship between Dividend Policy and the Value of Companies Listed on IDX ESG Leaders in 2020-2023

Research found by [Widyaningsih et al. \(2022\)](#), which states that profitability is able to moderate the effect of leverage by strengthening the positive impact of leverage on company value in companies with good financial performance. Similar results were also found in a study by [Febriansyah \(2023\)](#), which revealed that companies with higher levels of profitability tend to be better able to manage their debt, thereby increasing investor confidence and ultimately increasing company value. Furthermore, research by [\(Hartono et al., 2020\)](#), shows that leverage can be a risk for companies with low profitability, while for profitable companies, leverage is considered a financial tool that can increase company value. Meanwhile, research by [\(Irawan et al., 2022\)](#) strengthens the hypothesis that profitability is an important factor that can mitigate the risk posed by high leverage on the decline in company value. Based on the presentation of the theory and the results of previous studies, the researcher formulated a hypothesis in the form of:

H₆: Profitability moderates the relationship between *Leverage* and the Value of Companies Listed on IDX ESG Leaders in 2020-2023

Previous studies have examined the influence of *green investment* on company value with different research objects. Several studies examined companies listed on the SRI-KEHATI Index [\(Tanasya & Handayani, 2020\)](#), Indonesia Stock Exchange [\(Negara et.al., 2024\)](#), and manufacturing companies [\(Nurhayadi et al., 2021\)](#). However, research on companies listed in IDX ESG Leaders is still very limited. In addition, previous studies have not explored the role of profitability as a moderating variable in the relationship between *green investment*, dividend policy, and leverage on firm value. Therefore, this study has novelty *by* adding a profitability moderating variable to examine the extent to which companies with high or low profitability can strengthen or weaken the influence of independent variables on firm value. Profitability is chosen as a moderating variable because it has an important role in determining how companies can utilize green investment, dividend policy, and leverage in

increasing company value. *Stakeholder theory* suggests that companies with high profitability have better financial flexibility to invest in sustainability (Ye & Dela, 2023). A study by Lutfi & Yudiana (2021) also shows that profitability can strengthen the relationship between dividend policy and firm value, because more profitable companies can distribute dividends without sacrificing long-term growth. In addition, research by Widyaningsih et.al. (2022) found that profitability is able to moderate the effect of leverage on firm value. Companies with high profitability can be more effective in managing debt, thereby increasing investor confidence and ultimately increasing firm value. Therefore, by adding profitability as a moderating variable, this study is expected to provide more comprehensive insights into the relationship between *green investment*, dividend policy, leverage, and firm value.

Based on the explanation above, it is a driving factor for conducting this study with the title **"The Effect of *Green Investment*, Dividend Policy, and *Leverage* on Company Value with Profitability as a Moderation (Study of Companies Listed on IDX ESG Leaders 2020-2023)."**

METHOD

This research is a quantitative research using a descriptive approach. The descriptive approach is a statistical technique for analyzing data by providing a description of the data collected without drawing comprehensive conclusions (Sugiyono, 2017). The research was conducted on companies listed on the ESG Leaders Stock Index in Indonesia in 2020-2023. The research design that can be made is as follows:

The population of the objects in this study were 30 companies listed on the ESG Leaders Stock Index, both in the banking, media and entertainment, property and real estate, textiles and garments, infrastructure and telecommunications, consumer goods, and others sectors. In addition, these companies have consistently published annual financial reports for a period of four years from 2020 to 2023. The sample in this study was 12 companies listed on the ESG Leaders Stock Index and consistently included and provided financial reports during the study period.

Study This use data panel, combination *time series* And *cross section* data. The data is annual data starting from December 2020 to with month March 2024. The dependent variable in this study is the company value while the independent variables in this study are *green investment*, dividend policy, and leverage and the moderating variable in this study is profitability. Measurement for each variable Which There is in study This is as following:

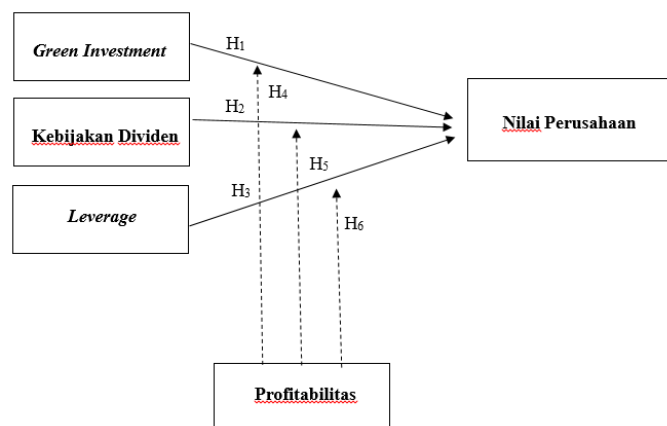


Figure 2.
Research
Design

Source: data processed researcher, 2024

No	Variables	Variable Definition	Measurement	Scale
1	<i>Green Investment</i> (ESG)	<i>Green investment</i> refers to the allocation of capital into projects or companies that focus on environmental, social, and good governance sustainability (Cakranegara & Sidjabat, 2021). <i>Green investment is often measured using the Environmental, Social, and Governance (ESG) framework</i> , which assesses a company's performance in terms of environmental, social, and governance (De Jong & Rocco, 2022).	<i>ESG Risk Rating</i> data published by the Company	Ratio
2	Dividend Policy (<i>Dividend Payout Ratio</i>)	Dividends are part of the profits obtained by the company to shareholders, either in the form of cash dividends or stock dividends (Palupi & Hendiarto, 2018).	DPR = (Dividend per share) / Earnings per share) x 100%	Ratio
3	<i>Leverage</i> (DER)	Company leverage can be measured using the <i>debt to equity ratio</i> (DER), which reflects the comparison between the company's total debt and total equity (Eddy & Angela, 2020).	DER = (<i>Total Debt</i> / <i>Total Equity</i>) x 100%	Ratio
4	Enterprise Value (PBV)	Company value or PBV is an appreciation of investors or the company's prospects in the future or what is reflected from company stock price in stock market (Jogiyanto, 2010)	PBV = (Share price / Book value er share) stock sheet) x 100%	Ratio
5	Profitability (ROA)	ROA is the company's ability to use all of its assets For generate profit after tax (Santioso & Christopher, 2020).	ROA = (<i>Net profit after tax</i> / <i>Total assets</i>) x 100%	Ratio

Table 1.
Definition
Operational
Variables

RESULTS AND DISCUSSION

Descriptive Statistics

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	ESG	DPR	DER	ROA	PBV
Mean	21.13354	46.65354	0.589583	7.983542	5.707083
Median	18.99500	50.48500	0.445000	5.555000	1.670000
Maximum	29.74000	111.2500	3.440000	34.79000	56.79000
Minimum	11.31000	0.000000	0.000000	0.380000	0.250000
Std. Dev.	5.736491	31.96451	0.741313	7.790485	12.12058
Skewness	-0.122191	0.099501	2.640209	1.929516	3.125516
Kurtosis	1.645344	1.975895	9.394506	6.357162	11.47909
Jarque-Bera	3.789631	2.176787	137.5450	52.32533	221.9407
Probability	0.150346	0.336757	0.000000	0.000000	0.000000
Sum	1014.410	2239.370	28.30000	383.2100	273.9400
Sum Sq. Dev.	1546.644	48021.32	25.82859	2852.508	6904.696
Observations	48	48	48	48	48

Source: data processed researcher, 2024

Table 2.
Descriptive
Statistical Test

Descriptive analysis in this study describes the characteristics of the research variables consisting of Green Investment (ESG), Dividend Policy (DPR), Leverage (DER), Profitability (ROA), and Firm Value (PBV). Based on the calculation results, the average (mean) ESG value is 21.13 with a standard deviation of 5.73, indicating that the level of green investment of companies in the sample has moderate variation. The maximum ESG value reaches 29.74, while the minimum value is 11.31, indicating differences in the level of concern for sustainability between companies in the IDX ESG Leaders. However, because ESG does not have a significant effect on firm value in this study, it can be concluded that the market has not fully appreciated green investment as a factor that increases company valuation. s

Dividend Policy (DPR) has an average of 46.65% with a standard deviation of 31.96%, indicating a large variation in dividend payment policies among sample companies. The maximum DPR value reaches 111.25%, while the minimum is 0%, which means that there are companies that do not distribute dividends at all. The regression results show that DPR has a negative and significant effect on firm value, indicating that high dividend payments can reduce funds for productive investment and have a negative impact on the growth of firm value.

The Leverage (DER) variable has an average of 0.59 with a standard deviation of 0.74, reflecting that most companies in the sample have a relatively low debt-to-equity ratio. The maximum value of DER is 3.44, while the minimum value is 0, which means that there are companies that have no debt at all. Although leverage can provide benefits by increasing returns on equity, in this study DER does not have a significant effect on company value, indicating that debt-based capital structure is not a major factor in determining company valuation in the ESG index.

Profitability (ROA) has an average of 7.98% with a standard deviation of 7.79%, indicating a significant difference in the company's ability to generate profits from its

assets. The maximum ROA value is 34.79%, while the minimum is only 0.38%, indicating that there are companies that have very low profitability. Interestingly, ROA is proven to moderate the effect of dividend policy on firm value, but is unable to moderate the relationship between green investment and leverage on firm value. This shows that companies with high profitability can be more flexible in determining dividend policies that do not harm the value of the company.

Variable has an average of 5.70 with a standard deviation of 12.12, indicating that there are companies with very high valuations compared to their book value, while others have lower valuations. The maximum PBV value reaches 56.79, while the minimum value is 0.25. This indicates a significant difference in investor perceptions of the company's prospects in the ESG index. With an R-squared value of 82.42%, it can be concluded that the independent variables used in this study are quite capable of explaining variations in company value, while the rest are influenced by other factors not included in the model.

Analysis Model Selection Test

Panel data regression model selection is a crucial analysis process in determine the best approach between *Common Effect* , *Fixed Effect* , or *Random Effect* with perform the chow, hausman and lagrange multiplier tests. Based on the results obtained in the CHOW test, the value of *the Cross-section F Prob.* is 0.000 which means it is smaller than the significance value that is generally set, namely 0.05. By Because That, can concluded that model *Fixed Effect* more appropriate used instead of the *Common Effect model* . Then continued with testing hausman .

Based on the Hausman test, the random cross-section value is 0.4824, which means it is greater than the generally set significance value, namely 0.05. Therefore, it can be concluded that the *Random Effect model* is more appropriate used instead of the *Fixed Effect model* . However, because the model chosen is *Random model Effect* , researchers need to conduct tests *Lagrange Multiplier* (LM).

Based on the results obtained in the test *Lagrange Multiplier* (LM), value *Breusch-Pagan Cross-section* of 0.0006, which means it is smaller than the significance value that is generally set which is 0.05. Therefore, it can be concluded that the *Random Effect model* is more appropriate used from on model *Common Effect* .

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.399801	3.788157	-0.105540	0.9165
1 Green Investment	0.150951	0.147518	1.023272	0.3122
Dividend Policy	-0.106363	0.033836	-3.143456	0.0031
Leverage	-0.003150	1.264396	-0.002491	0.9980
R-squared	0.824224	F-statistic 32.04181		
Adjusted R-Squared	0.798500	Prob (F-statistic) 0.00000		

Source: data processed researcher, 2024

Table 3.
Selected REM
Regression
Models

Equality regression Which used in study This are as follows :

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$$PBV = -0.399 + 0.150ESG - 0.106DPR - 0.003DER - 0.004ESG*ROA + 0.016DPR*ROA + 0.212DER*ROA + e$$

The classical assumption test is an important stage in the testing stage. regression. Test assumption classic This covering test normality, multicollinearity, heteroscedasticity, And autocorrelation. Test normality is stage First in process This. Based on the results of the normality test, the significance value of 0.116745 is greater than 0.05 , so the data is considered to be normally distributed. Furthermore, the second test conducted is the multicollinearity test. The following is results from test multicollinearity:

The results of the multicollinearity test show that there is no high correlation value between independent variables, not exceeding 0.90 , so it is concluded that there is no multicollinearity between independent variables. The third test conducted is the heteroscedasticity test. The following are the results from test heteroscedasticity:

Based on findings testing heteroscedasticity with use model *Glacier* , obtained mark significance variable is greater than 0.5, then can concluded that data No experience heteroscedasticity. With Thus, the assumption homoscedasticity is met in model regression Which used. Steps furthermore that is do test hypothesis with results as following:

	ESG	DPR	DER	ROA	PBV
ESG	1	0.283962935	-0.308872333	-0.294868507	-0.135849676
DPR	0.283962935	1	-0.367165582	0.450988069	0.545374442
DER	-0.308872333	-0.367165582	1	-0.195327728	-0.057574404
ROA	-0.294868507	0.450988069	-0.195327728	1	0.882648730
PBV	-0.135849676	0.545374442	-0.057574404	0.882648730	1

Source: data processed researcher, 2024

Table 4.
Multicollinearity
Test

Variables	Sig.
ESG	0.3679
DPR	0.0626
DER	0.7634

Source: data processed researcher, 2024

Table 5.
Heteroscedas
ticity Test

Influence Green Investment To Mark Company

Mark t count green investment variable of $1.023272 < t \text{ table } 2.01669$ And mark probability as big as $0.3122 > 0.05$ which means that the hypothesis is rejected so it can be explained that the variable green investment Which proxied with ESG rejected to mark companies meaning green investment does not provide influence to mark company.

These findings are supported by Stakeholder Theory which was first introduced in 1963 by the Stanford Research Institute where this concept refers to a group of parties who play a role in supporting the sustainability of an organization including companies committed to green investment should get support from stakeholders, such as consumers and investors (Freeman, 1994). However, these results show that the market has not fully appreciated these efforts, as confirmed by research by [Norocel & Vierescu \(2024\)](#), which states that the economic benefits of ESG activities are often only seen in the long term.

Legitimacy Theory can also help explain these findings. According to [Setya Permana & Tjahjadi \(2020\)](#), companies that focus on environmental activities may do so to maintain social legitimacy, but if the information is not effectively communicated to the public, its impact on company value remains limited. Similar research by [Aksoy et al. \(2022\)](#) shows that ESG disclosure is often insufficient to influence market perceptions.

Influence Dividend Policy To Mark Company

Mark t count DPR variable is $-3.143456 < t \text{ table } 2,01669$ and the probability value is $0.0031 < 0.05$ which means that the hypothesis is accepted so that it can be explained that the variable dividend policy proxied by DPR has a negative and significant effect to mark company. This finding is supported by Stakeholder Theory high dividend policy can reduce internal funds for investment, which may harm other stakeholders such as employees or suppliers. [Lotto \(2020\)](#) in his research also supports this argument, stating that large dividend payments can reduce the company's growth opportunities.

Legitimacy Theory in its theory states that companies must maintain a balance between distributing profits to shareholders and investing in activities that support social legitimacy. However, if the dividend policy is too aggressive, the company may lose legitimacy in the eyes of other stakeholders. Research by [Sijabat & Sitinjak, 2021](#) shows that a high dividend policy is often seen as a signal of inability to manage funds effectively. Signaling Theory explains that dividend policy functions as a signal of a company's financial health. However, if high dividends are not accompanied by strong operational performance, the signal can be interpreted negatively by the market ([Njoku & Lee, 2024](#)).

Influence Leverage To Mark Company

Mark t count variable PER as big as $-0.002491 < t \text{ table } 2,01669$ And mark probability as big as $0.9980 > 0.05$ which means that the hypothesis is rejected so it can be explained that the variable leverage Which proxied with DER rejected to mark company. This shows that leverage No influential to mark company. Stakeholder Theory states that a capital structure that is too heavy on debt can increase the company's risk, thereby reducing stakeholder trust. Research by [Almustafa et.al, 2023](#) asserts that high leverage can limit the flexibility of corporate investment. Legitimacy Theory implies that highly leveraged firms must strive to maintain legitimacy in the eyes of the public, especially if the risk of bankruptcy increases.

According to Signaling Theory, high leverage can be a negative signal for investors because it shows excessive dependence on external financing. However, if leverage is used

strategically, as in the study by [\(Murni et al., 2023\)](#) it can be considered as a signal of management's confidence in future prospects.

169 Coefficient Determination (R^2)

N value of coefficient of determination (R^2) is 0.824224. This indicates that the combination of independent variables, namely *Green Investment*, Dividend Policy, and Leverage have the ability to explain the variability of variables dependent, namely Company Value, of 82.42%. The remaining variability of 17.58% can be attributed to other factors not examined in this study such as size company, NPF, GCG, etc.

Test Moderation (*Moderate Regression Analysis*)

Influence Moderation Profitability On Connection Green Investment To Mark Company

Interaction between Green Investment and Profitability ($ESG \times ROA$) as big as $-0.386385 < t$ table 2,01669 And The probability value is $0.7012 > 0.05$, which means that the hypothesis is rejected so that it can be explained that the profitability variable is not able to moderate the influence between green investment And mark company. This resulted in research findings that profitability was unable to mitigate the impact of green investment on company value. The findings supported by Stakeholder Theory shows that high profitability can provide more flexibility for companies to invest in ESG. However, as noted by [\(Murni et al., 2023\)](#), if profitability is not invested in a way that is relevant to stakeholders, its impact on firm value will be limited.

Legitimacy Theory states that companies that allocate profits to ESG activities can gain additional legitimacy. However, if these activities are not seen as a priority by stakeholders, legitimacy will not increase significantly [\(Xu & Liu, 2023\)](#). In Signaling Theory, profitability can be a signal of a company's ability to support ESG commitments. However, research by [Gholami \(2022\)](#) shows that this signal is only effective if the information is credible.

The Moderating Effect of Profitability on the Relationship between Dividend Policy and To Mark Company

Interaction between Dividend Policy And Profitability ($DPR \times ROA$) as big as $6.328975 > t$ table 2,01669 And mark probability of $0.0000 < 0.05$ which means that the hypothesis is accepted so that it can be explained that variable profitability capable to moderate influence between dividend policy And mark company. The results of the study showed that profitability is able For strengthen influence dividend policy to mark a company.

The findings of this study are in line with the Stakeholder Theory which states that companies with high profitability can meet the expectations of shareholders and other stakeholders simultaneously [\(Freeman, 1994\)](#). Legitimacy Theory also supports this finding, where profitability allows companies to distribute dividends without sacrificing investments that support social legitimacy [\(Suchman, 1995\)](#). In addition, Signaling Theory explains that high profitability strengthens the positive signal of dividend policy, as explained by [\(Modigliani & Miller, 1963\)](#).

Influence Moderation Profitability Above Connection Leverage To Mark Company

JAA

8.2 Interaction between Leverage and Profitability ($DER \times ROA$) is $1.718850 < t$ table 2,01669 and probability value of $0.0932 > 0.05$ which means that the hypothesis is rejected so it can be explained that the profitability variable unable to moderate the influence between policies

dividend And mark company. Study This reject hypothesis Which state existence interaction positive between leverage variables and profitability . Mark Sig Which counted with multiply coefficient regression partial leverage with variable moderation give findings study. t-count 1,718,850 more small from t-table 2.01669, And probability 0.0932 more big from 0.05.

In Stakeholder Theory, high profitability is expected to reduce the risk perception associated with leverage. However, as [Dowling, J. & Pfeffer, J. \(1975\)](#) points out , this is not always the case. Legitimacy Theory also states that high leverage still requires significant legitimacy efforts, even if the firm has high profitability. High profitability can offset the negative effects of high leverage, but the signal may not be strong enough to change the overall market perception in Signaling Theory ([Modigliani & Miller, 1963](#)) .

CONCLUSION

The results of this study show a number of important findings from both empirical and theoretical perspectives. Empirically, green investment does not have a significant effect on firm value, although theory supports its potential impact, especially in the long term. On the other hand, dividend policy has been shown to have a negative and significant effect on firm value. This indicates that large dividend payments can reduce growth-oriented investment opportunities, thereby reducing the company's attractiveness to investors. Meanwhile, leverage also does not have a significant effect on firm value, this is due to the high perception of risk due to the use of large debt. Interestingly, profitability is able to moderate the effect of dividend policy on firm value, but fails to moderate the relationship between green investment and leverage on firm value.

From a theoretical perspective, this study provides several important confirmations to existing theories. Stakeholder Theory explains that involvement in green investment may not be fully appreciated by the market, indicating that this approach requires more time to build positive perceptions among stakeholders. Legitimacy Theory emphasizes the importance of effective communication about a company's environmental activities so that ESG contributions are recognized by the market. In the context of dividend policy, Signaling Theory suggests that dividends can be a positive signal to the market, but if not supported by strong profitability, this signal can be interpreted negatively.

This study has several limitations that need to be considered, namely limitations in terms of information disclosure related to green investments made by companies. Some companies in the IDX ESG Leaders index may have green investment practices that are not fully published or well documented, which can affect the accuracy of ESG variable measurements. In addition, market responses to green investments tend to take longer to be reflected in company value, which can be an external factor beyond the control of researchers in observing short-term impacts.

Expanding the scope of data sources using triangulation methods, such as interviews with company management or more in-depth analysis of sustainability reports can be applied in future research. In addition, long-term studies can be conducted to capture the impact of *green investment* on company value more accurately. Future research can also consider the aspect of investor perceptions of *green investment* to understand the extent to which sustainability factors influence investment decisions and market valuations.

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