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# The Effect of Green Investment, Good Corporate Governance on Company Values From an Islamic Economic Perspective

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## Abstract

This research aims to analyze the influence of green investment, institutional ownership, and managerial ownership on the value of companies in the energy sector listed on the Indonesia Stock Exchange (IDX) for the 2019–2024 period. The research method used is an associative quantitative approach with panel data obtained from annual reports and corporate sustainability reports. The sampling technique used purposive sampling with a total of 15 companies over six years of observation. Data analysis was performed using panel data regression with the Random Effect Model (REM) approach through Eviews 12 software, after undergoing Chow, Hausman, and Lagrange Multiplier tests. The results show that green investment and institutional ownership have a significant positive effect on company value, while managerial ownership has no significant effect. This confirms that green investment practices and institutional oversight contribute to increasing the value and sustainability of energy sector companies in Indonesia.

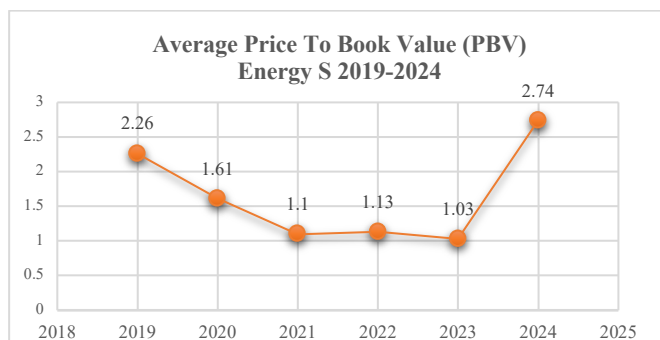
## Keywords

Firm Value, Green Investment, Institutional Ownership, Islamic Economics, Managerial Ownership.

## 1. Introduction

Current global developments indicate increasing attention to environmental issues and sustainability principles, including in Indonesia, which has significant potential in the energy sector. According to the 2021 report by Think Geo Energy Research, Indonesia ranks second as the world's largest geothermal energy producer, with a generating capacity of 2,276 megawatts (MW), just below the United States (CNBC Indonesia, 2023a). This abundance of natural resources, which has been utilized by various energy companies, makes the sector increasingly attractive to investors in the capital market, as it is considered capable of providing promising long-term investment prospects. Data from the Indonesia Stock Exchange (IDX) show that the Energy Sector Index (IDXENERGI) is one of the few sectors that remained in positive territory when the Composite Stock Price Index (JCI) declined and weakened below the psychological level of 6,900 (CNBC Indonesia, 2023b). This condition confirms that the energy sector has a distinct appeal for investors, thereby potentially driving an increase in firm value.

Firm value, measured using the price-to-book value (PBV) ratio, reflects the extent to which the market values a company relative to its book value. This ratio illustrates investors' perceptions of a company's prospects and performance. When stock prices increase, it indicates that investors have a high level of confidence in the company, leading them to be willing to pay above its book value in the expectation of obtaining greater returns in the future (Indrarini, 2019).



**Figure 1.** Price to Book Value of the Energy Sector 2019 – 2024

Figure 1 explains the development of Price to Book Value (PBV) in the energy sector during the 2019-2024 period, showing quite significant fluctuations. At the beginning of the period, PBV was in the range of 1-3 times, indicating that market valuation was still in line with the company's book value. Sharp fluctuations in each period can be influenced by several factors, including global commodity price dynamics, energy transition policies, and post-pandemic economic uncertainty. This phenomenon illustrates that company value is influenced not only by fundamental market factors but also by the company's commitment to a sustainable strategy, one of which is through the implementation of green investment.

Green investment is capital investment in projects or incentives focused on energy efficiency, renewable energy, and carbon emission reduction (Surningprang, 2022). Green investment refers to the use of funds provided by governments or companies to invest in environmental products and services (Zhang & Berhe, 2022). Efforts to encourage sustainable business practices are realized through sustainable finance regulations by OJK Decree Number 51 of 2017 concerning the implementation of financing to motivate companies to be more transparent in reporting sustainable activities (Mahyastuti et al., 2021). This is a strategy that

needs to be designed in the utilization of natural resources to support sustainable development, namely through the application of renewable energy, waste management, and environmental conservation and rehabilitation (Putri, 2024). Several energy sector companies in Indonesia have implemented this principle, such as PT Dian Swastatika Sentosa Tbk (DSSA), through its subsidiary, PT Daya Sejati Utama, which is collaborating on the development of a solar cell factory. DSSA's share price was recorded at IDR 77,100 as of January 9, 2024. PT Indika Energy Tbk (INDY) has also demonstrated its commitment by targeting net-zero emissions by 2050, including by developing wood pellets for biomass energy. Its share price was IDR 1,350 as of February 15 (Putra et al., 2025).

Increasing company value can be achieved by implementing good corporate governance, which can streamline company oversight. Good Corporate Governance (GCG) is a system or method of company management to create greater value for its stakeholders, in accordance with the GCG principles of accountability, transparency, independence, responsibility, and fairness (Badawi & Hartati, 2024). Two important indicators of ownership structure that also influence GCG effectiveness are institutional ownership and managerial ownership. Institutional ownership can act as an effective oversight mechanism because the institution or agency has a significant stake in the company's performance. On the other hand, managerial ownership allows for alignment of interests between managers and shareholders, as management owns shares in the company (Tarjo, 2021).

Although sustainability issues are gaining increasing attention, green investment practices and the implementation of corporate governance in the energy sector still pose many challenges. Environmentally friendly investments have not been implemented evenly, and some companies have even been indicated as engaging in greenwashing, or attempting to project an image of environmental concern without any real commitment (Surningprang, 2022). For example, PT. Adora Energy showcased its green smelter project but still used a captive coal-fired power plant as its primary energy source. This, in reality, increased emissions and contradicted clean energy principles. Consequently, PT. Adora faced investor resistance (Jong, 2023). Furthermore, in the cases of PT. Anugerah Surya Pratama (ASP), PT. Mulia Raymond Perkasa (MRP), PT. Kawai Sejahtera Mining (KSM), and PT. Nurhum stated that nickel mining in Raja Ampat for electric battery raw materials to support sustainable green energy, the reality on the ground is that this activity actually damages the environment such as forests, seas and the surrounding communities affected (Putra et al., 2025). At the same time, weaknesses in the implementation of good corporate governance principles also often occur, marked by conflicts of interest, abuse of authority, and corruption cases such as the one involving the director of commissioner of PT Perusahaan Gas Negara (PGN) in a criminal act of corruption with the Commissioner of PT. Inti Alasindo Energi (IAE). This corruption is estimated to have caused state losses of USD 15 million or around IDR 252.2 billion (Sumartomjon & Susanto, 2025). So this can lower the company's image which has an impact on the company's value.

The Quran has affirmed that humans are caliphs on earth, entrusted with the management of the universe and moral responsibility. As explained in Surah Al-Baqarah, verse 30.

وَإِذْ قَالَ رَبُّكَ لِلْمَلٰئِكَةِ إِنِّي جَاعِلٌ فِي الْأَرْضِ خَلِيفَةً ۗ قَالُوا أَتَجْعَلُ فِيهَا مَنْ يُفْسِدُ فِيهَا وَيَسْفِكُ الدِّمَآءَ وَنَحْنُ نُسَبِّحُ بِحَمْدِكَ وَنُقَدِّسُ لَكَ ۗ قَالَ إِنِّي أَعْلَمُ مَا لَا تَعْلَمُونَ

*Meaning: Remember when your Lord said to the Angels: "Indeed, I want to make a caliph on the face of the earth."*

The verse above emphasizes that humans are appointed as caliphs on earth, who have a moral responsibility to preserve nature. This role reflects the importance of implementing the principles of responsibility and trust in all human activities, including economic and business activities. Green investment is a concrete manifestation of this role, where companies not only pursue profits but also contribute to environmental preservation. In line with the implementation of Good Corporate Governance (GCG), it functions as a control and ethics system that upholds transparency and accountability, enabling companies to carry out their mandates as part of their social and environmental responsibilities.

Recognizing this urgency, this study seeks to contribute to academic research through empirical analysis using panel data to examine how green investment and GCG influence company value in the energy sector. This research aims to analyze the influence of green investment, institutional ownership, and managerial ownership on the value of companies in the energy sector listed on the Indonesia Stock Exchange (IDX) for the 2019–2024 period. The results are expected to strengthen the literature, provide the latest empirical evidence, and serve as a reference for companies and regulators in encouraging more responsible business practices that align with the principles of sustainability and trustworthiness from an Islamic economic perspective.

## 2. Literature Review and Hypothesis Development

### 2.1. Green Investment and Company Value

According to Akerlof (1970) signaling theory, published in his work entitled “The Market Lemons,” this theory was further developed by Spance (1973) and further developed by Ros in 1997, who stated that company executives with better information about their company will be encouraged to share this information with potential investors, thereby increasing the company's stock price (Gama et al., 2024). Green investment is an investment activity aimed at protecting the environment, reducing pollution and carbon emissions by using alternative energy, and conserving natural resources. This investment represents a form of corporate social responsibility to achieve sustainable development (Chițimiea et al., 2021). Signaling theory states that green investment acts as a positive signal to the market. Allocating corporate funds to green projects is seen as an indication that the company has a sustainability-focused business strategy. This can foster investor confidence, increase their interest in investing, and drive increased company value. Various studies conducted by Diantini et al. (2023), Widarwati et al. (2024), and Nurjannah et al. (2025) have found that green investment has a positive and significant effect on company value. Therefore, the hypothesis in this study is:

H1: Green investment has a significant effect on company value.

### 2.2. Institutional Ownership and Firm Value

Institutional ownership refers to the proportion of a company's shares held by institutions such as pension funds, mutual funds, insurance companies, or banks. This ownership structure is recognized as a key element of good corporate governance, as it encourages optimal management performance by providing professional oversight (Rahayu & Wahyudi, 2024; Murti et al., 2024). According to agency theory pioneered by Jensen and Meckling (1976), conflicts of interest often arise between principals (shareholders) and agents (managers) due to diverging goals, managers may prioritize personal benefits over shareholder wealth maximization. Institutional investors, with their substantial stakes and expertise, serve as an effective external monitoring mechanism to mitigate these agency

conflicts. They actively supervise managerial decisions, reduce opportunistic behavior, and ensure efficient resource allocation, ultimately enhancing firm value.

The monitoring role of institutional ownership is particularly vital in emerging markets like Indonesia, where information asymmetry and weak enforcement can exacerbate agency problems. Institutions possess greater resources for analyzing company performance, engaging in shareholder activism, and influencing board decisions compared to individual investors. Research by Mastuti and Prastiwi (2021) highlights that higher institutional oversight leads to more effective utilization of company assets, preventing wasteful expenditures and promoting disciplined management practices. This alignment effect signals credibility to the market, boosting investor confidence and stock valuations.

Empirical evidence consistently supports a positive relationship between institutional ownership and firm value. For instance, studies on energy sector companies listed on the Indonesia Stock Exchange (IDX) have found that institutional ownership significantly influences firm value, often moderated by factors like profitability (various sources, 2019–2023). In oil and gas mining firms, institutional ownership positively affects value through improved performance mediation (Reschiwati et al., 2020). Similarly, Sudjana et al. (2023) and Galuh et al. (2024) demonstrate that higher institutional ownership correlates with elevated firm value by strengthening governance and reducing agency costs. These findings align with broader international literature, where active institutional monitoring enhances innovation, reduces tail risks, and improves overall performance.

H2: Institutional ownership has a significant effect on company value.

### **2.3. Managerial Ownership and Firm Value**

Managerial ownership refers to the percentage of company shares held by members of management, including directors and commissioners who actively participate in strategic decision-making. This ownership structure is intended to align managers' interests with those of shareholders, encouraging better performance and contributing to long-term company sustainability (Rustan, 2023). Within the framework of agency theory (Jensen & Meckling, 1976), managerial ownership serves as an incentive alignment mechanism that reduces agency conflicts by making managers partial owners. When managers hold shares, they bear a portion of the risks and rewards, motivating them to prioritize shareholder wealth maximization over personal interests, thereby enhancing decision-making efficiency and firm value.

The convergence-of-interest hypothesis posits that higher managerial ownership positively influences firm value by mitigating agency costs through improved motivation and reduced opportunistic behavior. Empirical studies support this view: Paulina (2022) and Purwanto (2022) find that managerial ownership positively affects firm value by strengthening governance and performance. Similarly, Sari & Wulandari (2021) demonstrate that it fosters better resource optimization and sustainability in Indonesian firms. In the Indonesian context, especially the energy sector, low average managerial ownership often limits alignment benefits, resulting in insignificant effects on value. This suggests that while managerial ownership can theoretically enhance value through interest convergence, empirical outcomes depend on ownership thresholds, sector dynamics, and governance quality.

H3: Managerial ownership board has a significant effect on company value.

#### 2.4. The Simultaneously Effect on Company Value

The simultaneous influence refers to the joint effect of multiple independent variables, namely green investment, institutional ownership, and managerial ownership, on the dependent variable, firm value. In regression analysis, this combined impact is evaluated through the F-test, which assesses whether the independent variables collectively explain significant variation in firm value beyond individual effects. Building on agency theory and signaling theory, the integration of sustainable practices with robust governance mechanisms can synergistically enhance firm value by reducing agency costs, improving oversight, and signaling long-term commitment to stakeholders (Tarjo, 2021; Badawi & Hartati, 2024).

Green investment, as a strategic allocation toward environmental initiatives, complements governance structures by fostering transparency and accountability. When combined with strong institutional ownership, which provides active monitoring and resource efficiency, and managerial ownership, which aligns incentives, these factors can amplify positive signals to the market, leading to higher valuations (Chițimiea et al., 2021). Empirical studies indicate that such joint effects are particularly pronounced in sustainability-focused contexts. For instance, research on Indonesian firms shows that green investment and good corporate governance elements, including institutional ownership, simultaneously influence firm value, often mediated by profitability or reputation (Widarwati et al., 2024; Wijayanti & Budi, 2024).

In the energy sector, where environmental risks are high, the interplay of these variables supports sustainable performance. Institutional oversight strengthens the implementation of green projects, while managerial ownership ensures efficient execution, collectively mitigating risks like greenwashing and enhancing investor confidence (Surningprang, 2022; Diantini et al., 2023). Studies confirm positive simultaneous impacts, with green investment and governance proxies (e.g., ownership structures) jointly elevating firm value through improved CSR and operational efficiency (Galuh et al., 2024; Siswati & Sumayah, 2025).

H4: Green investment, institutional ownership, and managerial ownership board have a significant effect on firm value.

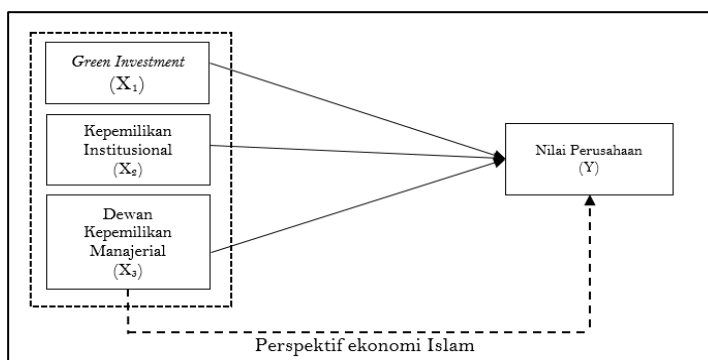


Figure 2. Conceptual framework

Figure 2 explains that firm value, as the dependent variable, can be influenced by green investment practices, institutional ownership, and managerial board ownership. These three independent variables are assumed to have a significant positive effect, both partially and simultaneously, on firm value and are consistent with an Islamic economic perspective.

### **3. Methods**

This study employs an associative quantitative method to examine the relationships between variables. The data sources consist of secondary panel data derived from annual reports and sustainability reports of energy sector companies listed on the Indonesia Stock Exchange (IDX) over the period 2019–2024. These reports are accessible through the official websites of each company and the IDX portal, ensuring reliability and consistency in the dataset.

The population encompasses all companies in the energy sector listed on the IDX during the observation period, totaling approximately 87 companies as of mid-2024. To form the sample, purposive sampling is applied, selecting companies based on specific criteria relevant to the research objectives. These criteria include companies that are consistently listed throughout 2019–2024, publish complete annual and sustainability reports for the entire period, provide sufficient data on green investment expenditures related to environmental protection and governance, and disclose ownership structures including institutional and managerial shares. This approach results in a final sample of 15 companies observed over six years, yielding 90 observations in total.

Firm value, the dependent variable, is measured using the Price to Book Value (PBV) ratio, calculated as the market price per share divided by its book value per share, reflecting market perceptions of company prospects (Indrarini, 2019). Green investment is quantified by aggregating all expenditures associated with environmental protection, renewable energy initiatives, and green governance activities, drawing from sustainability reports (; Tanasya & Handayani, 2020; Song & Dong, 2024; Zulfa & Purnamasari, 2025). Institutional ownership is represented by the percentage of shares held by institutions such as companies or funds, while managerial ownership is the percentage of shares owned by directors and commissioners, both computed relative to total outstanding shares (Rustan, 2023).

Data analysis is conducted using panel data regression with EViews 12 software. The process begins with model selection tests, including the Chow test to compare common and fixed effects, the Hausman test to choose between fixed and random effects, and the Lagrange Multiplier test to decide between common and random effects. Subsequent classical assumption tests ensure model validity, covering multicollinearity, heteroscedasticity, and normality of residuals. Hypothesis testing employs partial t-tests for individual effects and the F-test for simultaneous influence, providing robust empirical insights into the relationships.

### **4. Results**

This section presents the empirical findings from the panel data regression analysis conducted on 90 observations derived from 15 energy sector companies listed on the Indonesia Stock Exchange over the period 2019–2024. The analysis begins with descriptive statistics to provide an overview of the variables, followed by model selection tests to determine the most appropriate estimation technique. Classical assumption tests are then performed to ensure the validity and reliability of the regression model. Finally, hypothesis testing is carried out through partial t-tests and the simultaneous F-test to evaluate the individual and joint effects of green investment, institutional ownership, and managerial ownership on firm value, measured by the Price to Book Value (PBV) ratio. These results offer robust insights into the relationships hypothesized in the study, particularly within the context of sustainable practices and governance mechanisms in Indonesia's energy sector.

**Table 1.** Results of Descriptive Statistical Analysis

Variable	Mean	Median	Minimum	Maximum	Std Dev
GI	0.215044	0.168000	0.024000	0.841000	0.151030
KIN	0.654257	0.675000	0.200000	0.981000	0.189971
KM	0.016589	0.001000	0.000000	0.150000	0.039926
PBV	0.993433	0.925500	0.026000	2.924000	0.605217

Table 1 shows the descriptive analysis test of the sample data consisting of the number of samples, the average value (mean), standard deviation, maximum and minimum values. In general, the GI variable has an average of 0.2150 with a standard deviation of 0.1510, indicating relatively small data variation. The KIN variable has an average of 0.6542 with a minimum value of 0.20000 and a maximum of 0.9810. The KM variable has an average of 0.01658 and low variation with a standard deviation of 0.0399. Meanwhile, the PBV variable shows the highest average value of 0.9934 with a standard deviation of 0.6052, indicating that firm value varies quite significantly between companies.

The static panel data regression analysis in this study was generally conducted using the following models: Common Effect, Fixed Effect, and Random Effect. The best model was selected using the Chow test to select between common and fixed effects. The Hausman test was used to select between fixed and random effects. Furthermore, the Lagrange Multiplier (LM) test was used to select between common and random effects.

**Table 2.** Model Selection Test Results

Model specifications	Statistics	P-Value	Model
Chow Test	Cross-section chi-square(Prob)	0.0000	FEM
Hausman Test	Cross-section random (Prob)	0.6313	REM
LM Test	Cross-section (Prob)	0.0000	REM

Based on the Table 2, the model selection process includes: Chow test, Hausman test, and Lagrange multiplier (LM) test. The results of the Chow test show a probability of  $0.000 < 0.05$ , thus FEM is the most appropriate model. Next, the Hausman test shows a probability of  $0.6313 > 0.05$ , thus the selected model is REM. Finally, the Lagrange multiplier (LM) test is used to decide the best model between CEM and REM, which obtains a probability of  $0.000 < 0.05$ , indicating that the Random Effect Model (REM) is the best model in this study.

The selected model is REM, so classical assumption tests must be performed. The classical assumption tests used are multicollinearity, heteroscedasticity, and normality. Multicollinearity tests were conducted to determine the correlation between independent variables in the regression model.

**Table 3.** Multicollinearity Test

Variable	GI	KIN	KM
GI	1.000000	0.116075	-0.082010
KIN	0.116075	1.000000	-0.184340
KM	-0.082010	-0.184340	1.000000

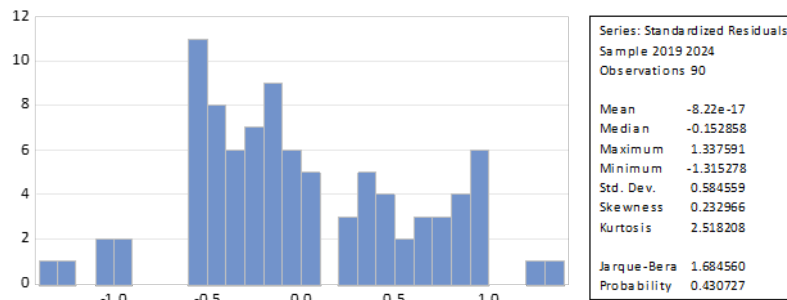
The results of the multicollinearity test in Table 3 show that the coefficient values of the 3 (three) independent variables in this study are less than 0.800, which means that this study passes the multicollinearity test or does not contain multicollinearity problems (Ghozali & Ratmono, 2017). The variables green investment (GI), institutional ownership (KIN), and managerial ownership (KM) in the estimated model that has been created do not have a correlation.

**Table 4.** Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.012642	0.008395	1.505835	0.1358
GI	0.022275	0.012533	1.777243	0.0791
KIN	0.000344	0.011656	0.029521	0.9765
KM	-0.-28551	0.054611	-0.522809	0.6025

The heteroscedasticity test is carried out to assess whether, in a regression model, the variance of the residuals differs across observations. The results of the heteroscedasticity test in Table 4 show that the probability value of the 3 (three) independent variables, namely Green Investment (GI), Institutional Ownership (KIN), and Managerial Ownership (KM) in this study is more than 0.05, which means that this study passes the heteroscedasticity test or there are no symptoms of heteroscedasticity.

The normality test in regression is used to determine whether the residual values generated from the regression are normally distributed. A good regression model is one with normally distributed residual values. A distribution is considered normal if it has a significance value > 0.05 (Gujarat, 2006).



**Figure 3.** Normality Test

Based on the output of Figure 3, it is known that the probability value > 0.05 is 0.430 (0.430 > 0.05), so the residual value is normally distributed.

**Table 5.** Hypothesis Test

Variable	Coefficient	Std.Error	t-Statistic	Prob.	Description
GI->PBV	1.027959	0.265243	2.811351	0.0061	Accepted
KN->PBV	1.027959	0.430094	2.39078	0.0190	Accepted
KM->PBV	-1.405953	1.961535	-0.716762	0.4755	Rejected

From the test results as shown in Table 5, it obtained the coefficient value of the green investment (GI) variable of 1.028 with a probability less than the significance level (0.05 or 5%)  $0.006 < 0.05$  so  $H_0$  is rejected and  $H_1$  is accepted. It can be stated that the GI variable has a positive and significant influence on company value. institutional ownership variable of 1.028 with a probability smaller than the significance rate (0.05 or 5%)  $0.019 < 0.05$  so that  $H_0$  is rejected and  $H_2$  is accepted. And the test results obtained the coefficient value of the managerial ownership (KM) variable of -1.406 with a probability greater than  $0.475 > 0.05$  so that  $H_0$  is accepted and  $H_3$  is rejected which means that the managerial ownership variable has no effect on company value.

**Table 6.** R and F Test

Test	Results
R-squared	0.165563
Adjust R-squared	0.136455
F-statistic	5.687845
P (F-statistic)	0.001335

Based on the data management output in Table 6, it can be seen that the F-statistic prob. has a value of 0.001. This value is less than or smaller than the significance level of 0.05 or 5% so that  $H_a$  is accepted and it can be stated that the independent variables consisting of green investment, institutional ownership, and managerial ownership together have a significant influence on company value. (R-Squared value) it is known that the results of the determination coefficient test have a value of 0.1655 or 16.55%. This result indicates that the independent variables of green investment, institutional ownership, and managerial ownership together are able to explain the variation in changes in company value (PBV) by 16.55%. Meanwhile, the remaining 83.45% is influenced by other factors outside this research model. The adjusted R-squared value of 0.1364 indicates that after adjusting the number of variables the model is still able to explain 13.64% of the data variation.

## 5. Discussion

The research results show that green investment can increase company value and is seen as a form of corporate commitment to environmental sustainability and fostering investor confidence. This research aligns with research by Diantini et al. (2023) and Widarwati et al. (2024), who stated that green investment can increase profitability, operational performance, attract investors, strengthen CSR, and enhance corporate reputation. Furthermore, this is supported by research by Nurjannah et al. (2025), who stated that allocating funds for environmentally friendly activities can directly contribute to improving a company's image and attractiveness in the capital market. Research by Wijayanti and Budi (2024) found that green investment has a significant positive effect on company value. Therefore, this research hypothesis is accepted.

Based on the test results, institutional ownership has a significant positive effect on company value. This is evident from the resulting t-statistic of 2.390, with a significance value of  $0.019 < 0.05$ . It is clear that the higher the institutional share ownership, the better the oversight provided to company management. This research aligns with Sudjana et al. (2023) and Galuh et.al (2024). Research by Mastuti and Prastiwi (2021) and Siswati and Sumayyah (2025) states that institutional ownership has a positive effect on firm value. The higher the level of institutional oversight, the more effective the use of company assets to prevent wasteful management. Therefore, this hypothesis is accepted.

The managerial ownership variable has no effect on firm value. This is evidenced by the t-statistic obtained, which is -0.716, with a significance value of  $0.475 > 0.05$ . The results of this study indicate that managerial share ownership is not yet an effective governance mechanism in increasing firm value. From an agency theory perspective, this condition indicates that the alignment effect is not yet optimal and there is a potential entrenchment effect due to the low proportion of managerial ownership, so that managers tend not to focus on increasing the company's value. This research aligns with the results of a study by Setyasari et al. (2022), which stated that low managerial ownership results in managers not achieving the expected benefits. This prevents management from improving its performance, thus impacting firm value. Furthermore, this research is supported by research conducted by Paulina et al. (2022) and Ahmadi et al. (2024), which found that managerial ownership had no effect on firm value. However, this research is not supported by

research conducted by Sari and Wulandari (2021) and Purwanto (2022), which showed a positive effect of managerial ownership on firm value. Therefore, this hypothesis is rejected.

In the perspective of Islamic economics, this research is in line with the maqashid sharia according to Imam al-Syatibi, namely realizing the benefit to avoid damage that exists on earth by maintaining the pillars of human welfare, including five benefits that provide protection for its preservation, Yusuf al-Qaradhawi added that of the five pillars, namely the environmental aspect. (Nurzaman, 2019) Environmentally friendly investment and governance reflect this aspect. This is in line with the word of Allah in Surah Al-A'raf verse 46:

وَلَا تُفْسِدُوا فِي الْأَرْضِ بَعْدَ إِصْلَاحِهَا وَادْعُوهُ خَوْفًا وَطَمَعًا إِنَّ رَحْمَتَ اللَّهِ قَرِيبٌ مِّنَ الْمُحْسِنِينَ

*"Do not cause corruption on the earth after it has been properly established. Pray to Him with fear and hope. Indeed, Allah's mercy is close to those who do good."*

The implementation of Good Corporate Governance (GCG) in Islam emphasizes the principles of trustworthiness, honesty, transparency, and fairness as part of corporate governance in accordance with Sharia values. Good GCG ensures that the company is managed ethically, responsibly, and sustainably. The relationship between green investment and Sharia-based GCG can increase company value. In Islam, a company's value is measured not only by its economic aspects but also by its compliance with Sharia and social contributions. Thus, all three are interconnected in realizing a company that is economically and spiritually sustainable.

## **6. Conclusion**

Based on the test results, it can be concluded that green investment and institutional ownership influence firm value, while managerial ownership has no effect. This indicates that a company's efforts to allocate funds to sustainable investments can increase market confidence, strengthen company performance, and enhance its value in the eyes of investors. Furthermore, managerial ownership has no effect because the involvement of managers as shareholders has not been able to drive firm value, and the small proportion of share ownership reduces managers' incentives to maximize firm performance. From an Islamic economic perspective, these results support the concept of maqasid sharia, which emphasizes trustworthiness, justice, and social responsibility. Therefore, the implementation of green investment and good governance can strengthen firm value and create economic and environmental sustainability.

This study has several limitations that should be acknowledged to provide direction for future research. First, the relatively low adjusted R-squared value indicates that a substantial portion of variation in firm value is explained by factors outside the model. Future studies could incorporate additional variables such as firm size, leverage, profitability, capital structure, or sustainability performance indices to improve explanatory power. Second, the measurement of green investment relies on aggregated expenditures from sustainability reports, which may vary in disclosure quality across companies and potentially introduce measurement bias. Subsequent research could employ more refined proxies, such as third-party verified environmental scores or specific green project ratios. Third, the sample is limited to 15 energy sector companies over six years, restricting generalizability to other sectors or longer periods. Extending the analysis to broader industries or including comparative international data would enhance robustness.

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***Data Disclosure Statement***

The data that support the findings of this study are available from the corresponding author upon reasonable request.



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