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The Influence of ESG Disclosure, Green Investment, and Firm Size on Firm Value through Financial Performance as an Intervening Variable in Lq45 Manufacturing Companies (2019–2024)

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A B S T R A C T

The primary objective of this study is to verify and analyze the influence of ESG Disclosure, Green Investment, and Firm Size on Firm Value, with Financial Performance serving as a mediating variable. The research focuses on manufacturing companies listed on the LQ45 index of the Indonesia Stock Exchange (IDX) for the period 2019–2024. Adopting a quantitative methodology, the study utilizes data derived from annual reports. From a total population of 45 manufacturing firms, purposive sampling was employed to select a sample of 13 companies within the food and beverage sector for a six-year observation. Data analysis was conducted using Structural Equation Modeling (SEM) facilitated by Partial Least Square (PLS) software version 4.0. The results of this study indicate that: (1) Firm Size is the dominant factor, positively impacting both Financial Performance and Firm Value; (2) ESG Disclosure improves Financial Performance but not Firm Value; and (3) Green Investment and Financial Performance show no significant effects on value. Crucially, no mediation effect was found. The recommendations of this study are that LQ45 manufacturing companies must prioritize the quality of ESG reporting over administrative formality, and ensure that sustainability practices generate real operational value added. Furthermore, companies must increase transparency and conduct independent verification of sustainability reports. Additionally, they should communicate the economic benefits of green investment more clearly to all stakeholders.

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INTRODUCTION

Fundamentally, every business entity aims to maximize profitability and enhance shareholder wealth, with firm value serving as a critical criterion for investment decisions. In the Indonesian capital market, particularly within the LQ45 index, conditions in 2025 have proven to be highly dynamic and volatile due to various domestic and global factors (Dafin et al., 2025). Despite these fluctuations, maintaining high firm value remains a strategic long-term objective, as it reflects effective operations and promising future prospects that are essential for attracting investors and ensuring the company's sustainability in a competitive market (Setiawati et al., 2023).

In the modern corporate environment, the evaluation of firm value has shifted away from a sole reliance on conventional financial indicators to encompass Green Investment and Environmental, Social, and Governance (ESG) criteria. Stakeholders now view transparent ESG disclosure and capital allocation for eco-friendly initiatives as vital indicators of good risk governance and innovation (Rasyid et al., 2022). This shift is evident in the Indonesian market, where the Financial Services Authority (OJK) reported that 76% of public companies had adopted sustainability reporting by 2023, alongside a significant post-pandemic rise in green investments within the manufacturing sector, reaching Rp 120 trillion in 2022 (Ciptaningsih & Cahyonowati, 2024).

Fundamentally, firm value represents the investor's gauge of a company's success, a metric frequently assessed via the Price to Book Value (PBV) ratio (Kurniawati & Nugroho, 2025). A substantial PBV signals that the market views the firm as a growth-oriented entity, a standing that correlates directly with effective management and the enhancement of shareholder welfare (Agustina et al., 2025). Therefore, for manufacturing companies, demonstrating strong financial performance while simultaneously adhering to sustainability standards is crucial to driving firm value and meeting the growing expectations of modern shareholders (Paramita & Rahayu, 2024).

The urgency of this research is based on the increasing relevance of this topic in the business and financial world. ESG (Environmental, Social, and Governance) disclosure and green investment are increasingly under scrutiny in many global companies as stakeholders increasingly demand transparency regarding sustainability and social responsibility. Meanwhile, financial performance remains a key indicator in assessing a company's success and value, while company size can serve as a differentiating factor in the effectiveness of its sustainability strategy.

Focusing on LQ45 manufacturing companies provides an interesting area of study because these companies are considered more stable and consistent in implementing sustainability strategies. Using data for the 2019–2024 period, this study also captures post-COVID-19 pandemic dynamics and regulatory changes that encourage sustainable business practices. This period also reflects increased global pressure on ESG issues, both from institutional investors, international financial institutions, and domestic regulations. Based on the above explanation, the researchers found a phenomenon in company value among manufacturing

companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2024 period, which is presented as follows:

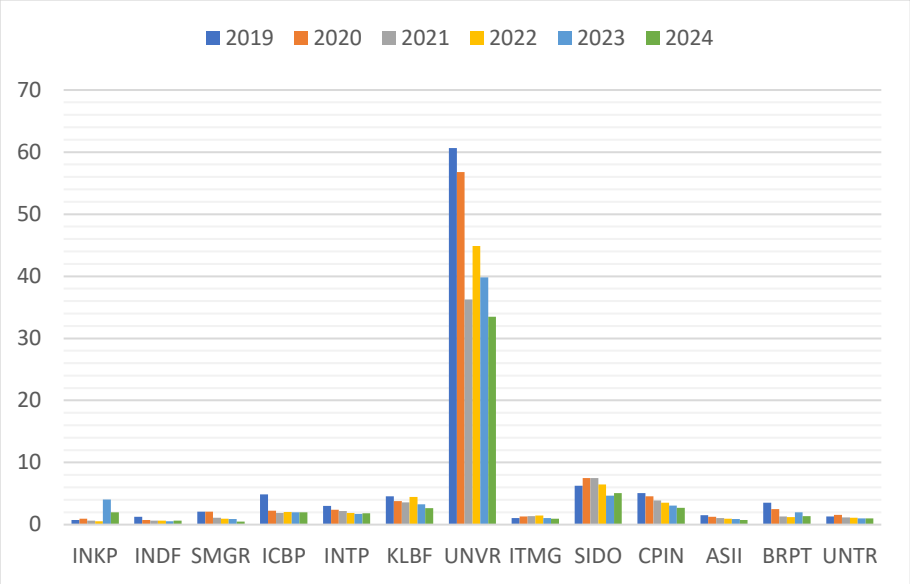

Figure 1. Firm Value (PBV) of Manufacturing Companies 2019-2024
Source: processed data (www.idx.co.id)

Based on the data in the table, the Price to Book Value (PBV) of manufacturing companies listed on the IDX for the 2019–2024 period shows a diverse pattern. PT Unilever Indonesia Tbk (UNVR) had the highest PBV compared to other companies, although it decreased from 60.67 in 2019 to 33.46 in 2024. PT Indofood CBP Sukses Makmur Tbk (ICBP) and PT Indocement Tunggal Prakarsa Tbk (INTP) showed relative stability with PBV values ranging from 1.7 to 2.0. Several companies, such as PT Indo Tambangraya Megah Tbk (ITMG), PT Astra International Tbk (ASII), and PT United Tractors Tbk (UNTR), showed a gradual downward trend during the period. PT Semen Indonesia Tbk (SMGR) and PT Indofood Sukses Makmur Tbk (INDF) have low and relatively stable PBV values, while PT Indah Kiat Pulp & Paper Tbk (INKP) shows high fluctuations with a significant spike in 2023. Meanwhile, PT Kalbe Farma Tbk (KLBF), PT Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO), and PT Charoen Pokphand Indonesia Tbk (CPIN) have moderate PBV values with a slight decline at the end of the period. Meanwhile, PT Barito Pacific Tbk (BRPT) fell to 1.22 in 2022 before rebounding to 1.38 in 2024. Overall, this data shows differences in performance between companies: some are consistently stable, some tend to decline, and some fluctuate greatly, reflecting the dynamics of the manufacturing sector in the Indonesian capital market.

Firm value in the manufacturing sector is primarily assessed using Price to Book Value (PBV), where a high ratio reflects positive investor sentiment and shareholder wealth. To understand the fluctuations in firm value from 2019–2024, several theoretical frameworks are employed. Agency Theory and Signaling Theory suggest that ESG disclosures serve to reduce information asymmetry between management and shareholders (Jensen & Meckling, 1996). Concurrently, Stakeholder and Legitimacy Theories emphasize that maintaining social legitimacy and satisfying broad stakeholder demands are vital for

organizational survival (Freeman, 1984). Furthermore, the Resource-Based View (RBV) posits that unique capabilities in green innovation and sustainable management act as strategic assets that drive long-term competitive advantage and value creation (Barney, 1991).

Responding to growing global demands, companies are adopting ESG Disclosure and Green Investing as essential strategies for accountability and risk management, not simply trends. ESG disclosure provides transparency regarding environmental impacts, social commitments, and ethical governance, which helps build a company's reputation and trust (Phitaloka et al., 2025). Complementing this, Green Investing involves proactively allocating capital to renewable energy, waste management, and project efficiency (Farrel & Dewi, 2025). Together, these practices demonstrate a commitment to sustainability that goes beyond regulatory compliance, aiming to mitigate climate change risks while enhancing a company's attractiveness to modern investors (Rahmiyati, 2025).

The ability to execute sustainable strategies is significantly shaped by both Firm Size and Financial Performance. Firm size, defined by metrics such as total assets and market capitalization, indicates the availability of resources required to support extensive green initiatives; typically, larger organizations benefit from enhanced flexibility and greater visibility in these efforts (Cloudya et al., 2025). In parallel, Financial Performance—assessed via profitability, liquidity, and solvency ratios serves as a core measure of operational efficiency (Fatima, 2020). Robust financial health demonstrates a firm's capacity for effective cost management and revenue maximization, providing investors with a crucial benchmark for evaluating the organization's stability and future potential (Erlinda, 2022).

This study introduces a novel and comprehensive framework by linking ESG Disclosure, Green Investment, Financial Performance, and Firm Size to explain Firm Value. It uniquely focuses on the mediating role of Financial Performance and the moderating influence of Firm Size within this relationship. The research specifically targets manufacturing companies listed on the LQ45 index due to their significant contribution to the national GDP and their high exposure to environmental risks, such as energy consumption and waste management. These companies were selected for their substantial market capitalization and transparency, ensuring that the findings are representative of entities that command significant investor attention and have a profound impact on environmental, social, and governance landscapes.

The main objective of this research is to examine the influence of ESG Disclosure and Green Investment on Firm Value. In particular, the study scrutinizes the role of Financial Performance as a mediator, alongside the moderating effect of Firm Size on the relationship between sustainability initiatives and firm value. Centered on LQ45 manufacturing companies from 2021 to 2024, the research aims to clarify how sustainable practices evolve into concrete market and financial performance within Indonesia's leading manufacturing sector.

LITERATURE REVIEW

Corporate Finance

According to Ross et al. (2017:4), corporate finance is a strategic discipline that examines the causal relationship between business decisions made by management and the market value of a firm's stock. In practice, this field focuses not only on financial recording but also discusses how every managerial decision whether related to investment allocation, funding strategies, or dividend policy can have a significant impact on increasing firm value and maximizing shareholder welfare in the long term.

Agency Theory

Bendickson et al. (2016:76) describe agency theory as a framework governing contractual agreements between members of a company, with a primary focus on monitoring costs and enforcing relationships between groups. This agency relationship is formed through a contract in which the principal (owner) delegates authority to the agent (management) to perform services on their behalf. According to Hendrastuti & Harahap (2023:23), this delegation grants power to the agent to make the best decisions for the principal, but it also creates a need for supervision to ensure the agent acts in accordance with the principal's interests rather than personal interests.

Stakeholder Theory

Freeman (1984:32) defines stakeholders as any group or individual capable of affecting, or being affected by, the achievement of a company's objectives. From the perspective of this theory, a company is no longer viewed solely as an entity operating for its own interest (profit), but as an entity obligated to provide broad benefits to all its stakeholders including shareholders, creditors, consumers, suppliers, the government, and society. Donaldson & Preston (1995:54) emphasize that this creates a social relationship based on the principles of corporate responsibility and accountability toward the surrounding ecosystem.

Legitimacy Theory

Legitimacy theory implies that corporate social responsibility (CSR) initiatives are strategic responses to external pressures, whether political, social, or economic. Suchman (1995:34) asserts that this theory is rooted in the concept of a "social contract" between the company and the community in which it operates. This means that for a company to continue using economic resources and survive, its operations must align with societal norms and values, thereby allowing the company to obtain legitimacy or a "social license" to operate.

Signaling Theory

Originating from Spence's work on "Job Market Signaling," signaling theory relates to the efforts of the information owner (sender) to convey relevant information to the recipient to reduce information asymmetry. As noted by Spence (1973:21) in Ni'mah & Kusumaningtias (2025), these signals such as good financial reports or environmental certifications will be interpreted by the

recipient (investors or the market), who will then adjust their behavior and economic decisions based on their understanding of the quality of the signal provided.

Resource Based View (RBV)

Developed from economics and strategy literature in the 1950s, the Resource-Based View (RBV) postulates that a firm's competitive advantage stems from the ownership of internal resources and its ability to compete in the market. In this view, a firm is considered a collection of resources that are valuable and rare. Barney (1991) asserts that to develop a firm, management must be able to maximize the potential of these unique resources through effective and efficient performance to generate sustainable profit.

ESG Disclosure

ESG disclosure is a corporate standard in investment practices comprising three main pillars: Environmental, Social, and Governance (Hafiz Mulzaki, 2024). Fransisca et al. (2025) explain that ESG disclosure illustrates the extent to which a company presents its sustainability performance based on standard reporting frameworks, such as the GRI, to provide information transparency to stakeholders. In this study, the indicators used refer to the GRI-G4 Guidelines, which require companies to comprehensively disclose the economic, environmental, and social impacts of their operational activities.

1. Economic Performance
2. Environmental Performance
3. Social Performance

Green Investment

According to Kasmir (2016:54), green investment focuses on funding prospects dedicated to conservation, renewable energy adoption, and eco-friendly practices such as maintaining clean air and water. Handayani (2020:67) defines it as channeling funds into projects that promote sustainability and carbon reduction, while embedding ESG criteria into the decision-making process. The formula used for this measurement is presented below:

Green investment = (Total green investment)/(Total assets)

PROPER indicator =

Table 1. Green Investment

Compliance Level	Rank	Color	Expected Publication Effect	
Beyond Compliance	5	Gold	Reputational Incentive	(Stakeholder Appreciation)
	4	Green		
Compliant	3	Blue		
	2	Red	Reputational Disincentive	(Stakeholder Pressure)
Non-Compliant	1	Black		

Source: Minister of Environment Regulation Number 6 of 2013, http://proper.menlh.go.id (accessed in 2025).

Company Size

In the context of finance, firm size is understood as a scale that distinguishes business entities into large, medium, or small categories (Rasyid et al., 2022:54). Furthermore, Riyanto (2017:299) explains that this size reflects the magnitude of the company, which can be observed through total asset ownership and sales volume achievement. Therefore, to obtain an objective value for firm size, Brigham & Houston (2020:90) utilize a formula approach as follows:

Company Size = Ln_Total Assets

Company Size = Ln_Total Equity

Where, Ln TA = Natural Logarithm of Total Assets

Financial performance

According to Kasmir (2016:56), a company's financial performance is the company's achievements over a specific period, reflecting its health. Financial performance is management performance, which is the expansion of financial value and its estimated benefits. The consequences of estimating financial indicators are crucial for partners to understand the company's functional status and level of achievement.

ROE = $\frac{Net\ Income}{Equity}$ x 100%

ROA = $\frac{Net\ Income}{Total\ Assets}$ x 100%

Company Value

According to Fahmi (2015:82), company value serves as a market ratio that mirrors market realities, offering insights into the long-term implications of management decisions. Indrarini (2019:2) describes it as a reflection of investor confidence in management's resource stewardship, which directly impacts stock prices. Therefore, elevating company value is critical for increasing shareholder prosperity through higher stock valuations (Indrarini, 2019:2). Brigham and Houston (2020:145) outline the method for measuring this value as follows:

Price to Book Value (PBV) = $\frac{\text{Share Price}}{\text{Book Value per Share}}$

Tobin's Q = $\frac{\text{MVE+T.Debt}}{\text{TA}}$

METHODOLOGY

This study adopts a descriptive quantitative design to examine how ESG Disclosure, Green Investment, and Firm Size influence Firm Value, with Financial Performance acting as a mediating variable. The research focuses on manufacturing companies listed on the Indonesia Stock Exchange's (IDX) LQ45 index from 2019 to 2024, aiming to identify causal relationships through numerical analysis.

From a total population of 45 manufacturing firms within the LQ45, purposive sampling was utilized to select companies that consistently issued audited annual and sustainability reports during the observation period. This process resulted in a final sample of 13 companies over six years, using secondary data retrieved from the official IDX website and Yahoo Finance.

Data analysis was performed using Structural Equation Modeling (SEM) with Partial Least Squares (PLS) version 4.0. This tool was selected for its efficacy in managing complex structural models and smaller sample sizes without the prerequisite of normal data distribution. The analytical process encompassed descriptive statistical tests, outer model analysis to ensure instrument validity and reliability, and inner model analysis to test hypotheses regarding direct and indirect variable relationships.

RESEARCH RESULT

Evaluation of Outer Model

In the context of Structural Equation Modeling (SEM), the evaluation of the measurement model (outer model) serves as the foundational stage to ensure that the research instrument is both valid and reliable. To establish the quality of these constructs, the analysis necessitates a rigorous examination of specific criteria, including:

a. Convergent Validity

Table 2. Convergent Validity Test

	Green Investment	Financial Performance	Firm Value	ESG Disclosure	Firm Size
X1.1				0.783	
X1.2				0.756	
X1.3				0.892	
X2.1	0.980				
X2.2	0.977				
X3.1					0.985
X3.2					0.990
Y1			0.918		
Y2			0.793		
Z1		0.983			
Z2		*0.893*			

Source: Output processing with SmartPLS 4.0

The results of the convergent validity analysis indicate that all indicators have reached the expected value of >0.7. The data above shows that the loading factors are in accordance with expectations.

b. Average Variance Extracted (AVE)

Table 3. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Green Investment	0.957
Financial Performance	0.882
Firm Value	0.736
ESG Disclosure	0.660
Firm Size	0.975

Source: Output processing with SmartPLS 4.0

As illustrated in the table, the Average Variance Extracted (AVE) values for all constructs surpass the critical threshold of 0.50. This statistical evidence demonstrates that the indicators satisfy the requisite criteria for convergent validity, implying that the latent variables adequately explain the variance of their indicators. Consequently, the indicators are confirmed to possess the necessary reliability and validity, justifying the progression to the subsequent stages of testing.

c. Composite Reliability dan Cronbach's Alpha

Table 4. Composite Reliability dan Cronbach's Alpha

	Cronbach's Alpha	rho_A	Composite Reliability
Green Investment	0.955	0.958	0.978
Financial Performance	0.886	1.461	0.937
Firm Value	0.854	0.736	0.847
ESG Disclosure	0.743	0.757	0.853
Firm Size	0.975	1.001	0.987

Source: Output processing with SmartPLS 4.0

As evidenced in Table 3, the assessment of internal consistency through Composite Reliability and Cronbach's Alpha yielded robust results. All latent constructs demonstrated reliability values meeting or exceeding the critical 0.70 benchmark. This indicates that the items used to measure the constructs are consistent with one another, rendering the questionnaire reliable and appropriate for further structural model analysis.

Structural Model Evaluation (Inner Model)

Once the criteria for the outer model are fully satisfied, ensuring the instrument's validity and reliability, the research proceeds to the testing of the inner model (structural model). This phase is critical for substantiating the conceptual framework, as it examines the structural paths and causal dependencies between latent variables. The primary objective is to ascertain whether the exogenous (independent) constructs significantly influence the endogenous (dependent) constructs in alignment with the formulated hypotheses. This comprehensive assessment extends beyond simple significance testing; it involves analyzing the model's explanatory power through R^2 values, assessing its predictive relevance using the Q^2 metric, and validating relationships through bootstrapping techniques.

a. Nilai R-Square (R2)

Table 5. R-Square Values

	R Square	R Square Adjusted
Financial Performance	0.400	0.376
Firm Value	0.273	0.233

Source: Output processing with SmartPLS 4.0

1. Financial Performance Variable (Z). The R-Square (R^2) value for the Financial Performance variable (Z) is 0.400, while the Adjusted R-Square value is 0.376. This means that approximately 40.0% of the variance in Financial Performance can be explained by the predictor variables in this research model. The lower Adjusted R-Square value (37.6%) accounts for the number of predictors in the model, providing a more conservative estimate of the explained variance. generally, this indicates that the contribution of predictor variables to explaining the variation in Financial Performance is at a moderate to sufficiently high level.
2. Firm Value Variable (Y). The R-Square (R^2) value for the Firm Value variable (Y) is 0.273, while the Adjusted R-Square value is 0.233. This indicates that approximately 27.3% of the variance in Firm Value can be explained by the predictor variables in this model. The Adjusted R-Square value shows that after adjusting for the number of predictors, the model is able to explain about 23.3% of the variation in Firm Value. This suggests that the predictor variables have a moderate-to-low explanatory capability regarding the variation in Firm Value.

b. f^2 Effect Size

Table 6. f^2 Effect Size

	f-square
ESG Disclosure -> Firm Value	0.001
ESG Disclosure -> Financial Performance	0.073
Green Investment -> Firm Value	0.005
Green Investment -> Financial Performance	0.038
Firm Size -> Firm Value	0.435
Firm Size -> Financial Performance	0.105
Financial Performance -> Firm Value	0.003

Source: Output processing with SmartPLS 4.0

1. Effect of ESG Disclosure on Firm Value. With an f-square value of 0.001, which is smaller than 0.02, it can be interpreted that the predictor variable ESG Disclosure has a very small or negligible effect on the endogenous variable Firm Value.
2. Effect of ESG Disclosure on Financial Performance. With an f-square value of 0.073, which falls within the range of $0.02 \leq f^2 \leq 0.15$ (since $0.02 \leq 0.073 \leq 0.15$), it can be interpreted that the predictor variable ESG Disclosure has a weak effect on the endogenous variable Financial Performance.
3. Effect of Green Investment on Firm Value. With an f-square value of 0.005, which is smaller than 0.02, it can be interpreted that the predictor variable Green Investment has a very small or negligible effect on the endogenous variable Firm Value.
4. Effect of Green Investment on Financial Performance. With an f-square value of 0.038, which falls within the range of $0.02 \leq f^2 \leq 0.15$ (since $0.02 \leq 0.038 \leq 0.15$), it can be interpreted that the predictor variable Green

Investment has a weak effect on the endogenous variable Financial Performance.

5. Effect of Firm Size on Firm Value. With an f-square value of 0.435, which is greater than 0.35 (since 0.435 ≥ 0.35), it can be interpreted that the predictor variable Firm Size has a strong effect on the endogenous variable Firm Value.
6. Effect of Firm Size on Financial Performance. With an f-square value of 0.105, which falls within the range of $0.02 \leq f^2 \leq 0.15$ (since $0.02 \leq 0.105 \leq 0.15$), it can be interpreted that the predictor variable Firm Size has a weak effect on the endogenous variable Financial Performance.
7. Effect of Financial Performance on Firm Value. With an f-square value of 0.003, which is smaller than 0.02, it can be interpreted that the predictor variable Financial Performance has a very small or negligible effect on the endogenous variable Firm Value.

c. Q-Square (Goodness of Fit Model)

Table 7. Q-Square (Goodness of Fit Model)

	SSO	SSE	Q^2 (=1-SSE/SSO)
Firm Value	45.000	44.109	0.020
Financial Performance	45.000	39.765	0.116

Source: Output processing with SmartPLS 4.0

Based on the data visualized in Table 5, the model's goodness of fit was rigorously evaluated using the Q-Square predictive relevance test. The results demonstrate varying degrees of predictive power: the *Financial Performance* variable achieved a Q^2 of 0.116, suggesting a moderate level of predictive relevance, while *Firm Value* obtained a Q^2 of 0.020, indicating a smaller yet positive predictive capability. Despite the variance in magnitude, the fundamental requirement for predictive relevance is satisfied, as both values exceed the critical threshold of zero. This confirms that the path model exhibits predictive validity for the endogenous latent variables, meaning that the independent variables are capable of predicting the observed values of both Financial Performance and Firm Value better than the mean of the data points alone.

d. Hypothesis Testing Results (Path Coefficient Estimation)

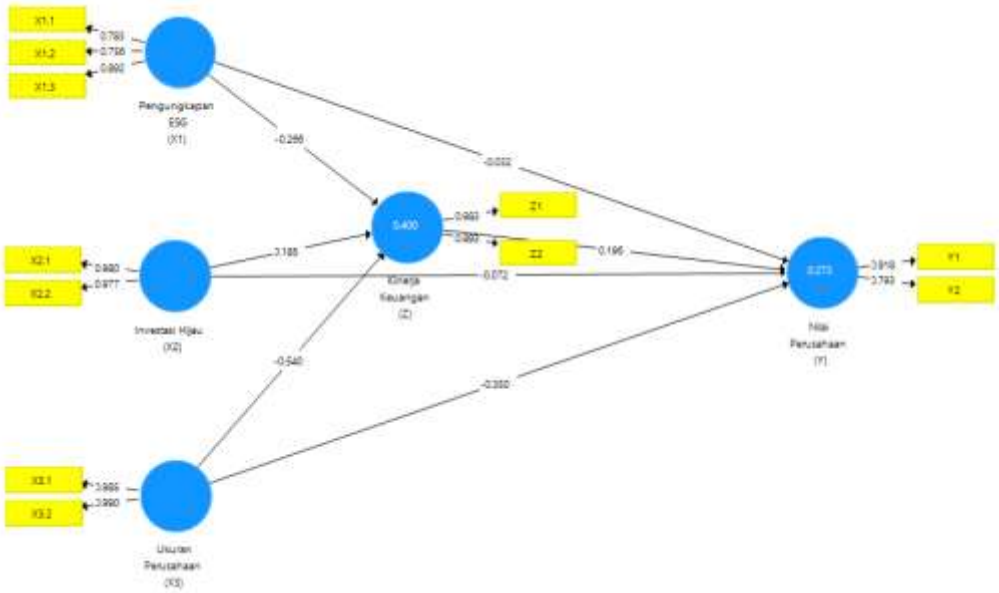

Figure 2. Bootstrapping Test Results

Table 8. Hypothesis Testing

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Result
ESG Disclosure -> Financial Performance	0.266	-0.273	0.105	2.537	0.013	Significant
ESG Disclosure -> Firm Value	-0.032	-0.032	0.089	0.355	0.723	Insignificant
Green Investment -> Financial Performance	0.185	0.195	0.097	1.913	0.059	Insignificant
Green Investment -> Firm Value	-0.072	-0.065	0.113	0.639	0.525	Insignificant
Firm Size -> Financial Performance	0.540	-0.546	0.096	5.610	0.000	Significant
Firm Size -> Firm Value	0.350	-0.338	0.088	3.970	0.000	Significant
Financial Performance -> Firm Value	0.196	0.199	0.108	1.815	0.073	Insignificant

ESG Disclosure -> Fin. Performance -> Firm Value	-0.052	-0.054	0.037	1.409	0.163	Insignificant
Green Investment -> Fin. Performance -> Firm Value	0.036	0.036	0.027	1.352	0.180	Insignificant
Firm Size -> Fin. Performance -> Firm Value	-0.106	-0.112	0.069	1.535	0.129	Insignificant

Source: Output processing with SmartPLS 4.0

1. Effect of ESG Disclosure on Financial Performance. This hypothesis tests whether ESG Disclosure affects Financial Performance. With an original parameter coefficient value of 0.266 and a t-statistic value of 2.537, which is greater than the t-table (1.96) at alpha 0.05, as well as a p-value of 0.013 (which is smaller than 0.05), it can be concluded that ESG Disclosure has a positive and significant effect on Financial Performance.
2. Effect of ESG Disclosure on Firm Value. This hypothesis tests whether ESG Disclosure affects Firm Value. With an original parameter coefficient value of -0.032 and a t-statistic value of 0.355, which is smaller than the t-table (1.96) at alpha 0.05, as well as a p-value of 0.723 (which is greater than 0.05), it can be concluded that ESG Disclosure does not have a significant effect on Firm Value.
3. Effect of Green Investment on Financial Performance. This hypothesis tests whether Green Investment affects Financial Performance. With an original parameter coefficient value of 0.185 and a t-statistic value of 1.913, which is smaller than the t-table (1.96) at alpha 0.05, as well as a p-value of 0.059 (which is greater than 0.05), it can be concluded that Green Investment does not have a significant effect on Financial Performance.
4. Effect of Green Investment on Firm Value. This hypothesis tests whether Green Investment affects Firm Value. With an original parameter coefficient value of -0.072 and a t-statistic value of 0.639, which is smaller than the t-table (1.96) at alpha 0.05, as well as a p-value of 0.525 (which is greater than 0.05), it can be concluded that Green Investment does not have a significant effect on Firm Value.
5. Effect of Firm Size on Financial Performance. This hypothesis tests whether Firm Size affects Financial Performance. With an original parameter coefficient value of 0.540 and a t-statistic value of 5.610, which is greater than the t-table (1.96) at alpha 0.05, as well as a p-value of 0.000

(which is smaller than 0.05), it can be concluded that Firm Size has a positive and significant effect on Financial Performance.

6. Effect of Firm Size on Firm Value. This hypothesis tests whether Firm Size affects Firm Value. With an original parameter coefficient value of 0.350 and a t-statistic value of 3.970, which is greater than the t-table (1.96) at alpha 0.05, as well as a p-value of 0.000 (which is smaller than 0.05), it can be concluded that Firm Size has a positive and significant effect on Firm Value.
7. Effect of Financial Performance on Firm Value. This hypothesis tests whether Financial Performance affects Firm Value. With an original parameter coefficient value of 0.196 and a t-statistic value of 1.815, which is smaller than the t-table (1.96) at alpha 0.05, as well as a p-value of 0.073 (which is greater than 0.05), it can be concluded that Financial Performance does not have a significant effect on Firm Value.
8. Effect of ESG Disclosure on Firm Value through Financial Performance. This hypothesis tests whether ESG Disclosure has an indirect effect on Firm Value through Financial Performance as a mediating variable. With an original parameter coefficient value of -0.052, a t-statistic value of 1.409 (< 1.96), and a p-value of 0.163 (> 0.05), it can be concluded that ESG Disclosure does not have a significant indirect effect on Firm Value through Financial Performance.
9. Effect of Green Investment on Firm Value through Financial Performance. This hypothesis tests whether Green Investment has an indirect effect on Firm Value through Financial Performance as a mediating variable. With an original parameter coefficient value of 0.036, a t-statistic value of 1.352 (< 1.96), and a p-value of 0.180 (> 0.05), it can be concluded that Green Investment does not have a significant indirect effect on Firm Value through Financial Performance.
10. Effect of Firm Size (X3) on Firm Value (Y) through Financial Performance (Z). This hypothesis tests whether Firm Size affects Firm Value through Financial Performance as a mediation path. With an original parameter coefficient value of -0.106, a t-statistic value of 1.535 (< 1.96), and a p-value of 0.129 (> 0.05), it can be concluded that Firm Size does not have a significant indirect effect on Firm Value through Financial Performance.

CONCLUSION

Based on the research results conducted and the data analysis obtained, several conclusions can be drawn as follows:

1. ESG Disclosure has a significant positive effect on the financial performance of LQ45 manufacturing companies. This means that the higher the quality of ESG disclosure, the better the company's financial performance, due to increased investor trust, stakeholder support, social legitimacy, and competitive advantage.
2. ESG Disclosure has no significant effect on the firm value of LQ45 manufacturing companies. Although ESG improves legitimacy and stakeholder relationships, the market does not yet view it as a primary

factor in assessing firm value, and thus it does not directly increase valuation.

3. Green Investment has no significant effect on the financial performance of LQ45 manufacturing companies. High initial costs and long-term benefits mean that green investment has not been able to increase profitability within the research period.
4. Green Investment has no significant effect on the firm value of LQ45 manufacturing companies. The market has not provided appreciation for environmental activities because the benefits are long-term in nature and do not directly increase stock value.
5. Firm size has a significant positive effect on financial performance. Large companies possess economies of scale, access to funding, and stronger operational capabilities, enabling them to increase profitability.
6. Firm size has a significant positive effect on firm value. Large companies signal stability and lower risk to investors, thereby increasing market valuation.
7. Financial performance has no significant effect on firm value. This indicates that LQ45 investors assess firm value based on long-term prospects and non-financial factors, not solely on current profitability.
8. Financial Performance does not mediate the relationship between ESG and firm value. Since the direct path from ESG to firm value is not significant, the indirect impact through financial performance also does not occur.
9. Financial Performance does not mediate the relationship between Green Investment and firm value. Green investment has not provided a short-term financial effect, so it does not contribute to valuation increases.
10. Financial performance does not mediate the relationship between firm size and firm value. Investors assess large companies directly through reputation, stability, and ability to survive, rather than through profitability alone.

RECOMMENDATIONS

1. Theoretically, this study highlights the need for future research to bridge the gap between sustainability practices and firm valuation. Future scholars are encouraged to employ broader theoretical lenses, including Institutional Theory, Dynamic Capability, and Market Efficiency Theory, to better interpret the non-significant effects observed in this study. Additionally, future models should not exist in a vacuum; they must incorporate external environmental factors such as macroeconomic conditions, shifting regulatory landscapes, and capital market culture. This expansion is necessary to capture the full spectrum of forces that shape how ESG practices translate into financial outcomes.
2. Practically, it is imperative for LQ45 manufacturing firms to elevate ESG disclosure beyond a "tick-box" formality, treating it instead as a strategic mechanism for value creation. To enhance credibility, firms are advised to implement independent auditing of their sustainability data. Furthermore, management must actively manage stakeholder perceptions by explicitly communicating the long-term financial benefits of green

investments. Such transparency is vital to ensure that the market fully appreciates the economic potential of the company's commitment to sustainability.

ADVANCED RESEARCH

Directions for Future Research For future research, it is recommended to broaden the scope of observation to other industrial sectors to validate findings and enhance generalizability beyond the manufacturing industry. Moreover, given the insignificance of direct relationships observed in this study, researchers should investigate specific influence paths by introducing new mediating or moderating variables such as corporate reputation, corporate risk, and cost of capital to offer deeper insights into how sustainability efforts ultimately translate into firm value.

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