

## ***The Influence Of Green Governance, Green Competitive Advantage, Green Investment And Green Innovation On Company Value Automotive Sector On BEI***

### **Pengaruh Green Governance, Green Competitive Advantage, Green Investment Dan Green Innovation Terhadap Nilai Perusahaan Sektor Otomotif Di BEI**

**Yuniep Mujati Suaidah**

ITEBIS PGRI Dewantara

[yunip.dewantara@gmail.com](mailto:yunip.dewantara@gmail.com)

\*Corresponding Author

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#### **ABSTRACT**

This research aims to analyze whether *green governance*, *green competitive advantage*, *green investment* and *green innovation* have a positive effect on company value in automotive sector companies listed on the IDX. This research adopts a quantitative approach. The focus of the research is automotive companies listed on the IDX from 2021 to 2023. According to [www.ajaib.co.id](http://www.ajaib.co.id), there are 16 automotive companies listed on the IDX. This research uses a saturated sample. Types of secondary data. Data collection techniques with documentation on the website [www.idx.com](http://www.idx.com). Data analysis uses multiple linear regression. Green governance has a significant positive effect on the value of automotive sector companies listed on the stock exchange. *Green competitive advantage* has a significant positive effect on the value of automotive sector companies listed on the stock exchange. *Green investment* has a significant positive effect on the value of automotive sector companies listed on the stock exchange. *Green innovation* has a significant positive effect on the value of automotive sector companies listed on the stock exchange.

**Keywords:** *green governance, green competitive advantage, green investment, green innovation, company value*

#### **ABSTRAK**

Penelitian ini bertujuan untuk menganalisis apakah *green governance*, *green competitive advantage*, *green investment* dan *green innovation* berpengaruh positif terhadap nilai perusahaan pada perusahaan sektor otomotif yang terdaftar di BEI. Penelitian ini menggunakan pendekatan kuantitatif. Fokus penelitian adalah perusahaan otomotif yang terdaftar di BEI dari tahun 2021 sampai dengan 2023. Menurut [www.ajaib.co.id](http://www.ajaib.co.id), terdapat 16 perusahaan otomotif yang terdaftar di BEI. Penelitian ini menggunakan sampel jenuh. Jenis data sekunder. Teknik pengumpulan data dengan dokumentasi pada website [www.idx.com](http://www.idx.com). Analisis data menggunakan regresi linier berganda. *Green governance* berpengaruh positif signifikan terhadap nilai perusahaan sektor otomotif yang terdaftar di BEI. *Green competitive advantage* berpengaruh positif signifikan terhadap nilai perusahaan sektor otomotif yang terdaftar di bursa efek. *Green investment* berpengaruh positif signifikan terhadap nilai perusahaan sektor otomotif yang terdaftar di bursa efek. *Green innovation* berpengaruh positif signifikan terhadap nilai perusahaan sektor otomotif yang terdaftar di bursa efek.

**Kata Kunci:** Tata Kelola Hijau, Keunggulan Kompetitif Hijau, Investasi Hijau, Inovasi Hijau, Nilai Perusahaan

#### **1. Introduction**

The automotive subsector is very important for the Indonesian economy because it makes a significant contribution to employment, investment and technological development. The Indonesian automotive market continues to show resilience, with the focus on energy-efficient vehicle segments such as low-cost environmentally friendly cars (LCGC) increasing, and the car market is expected to experience a decline, to see high growth. The demand for electric vehicles (EV) coincides with government support for the local electric vehicle industry

(indonesianinvestment.com, 2023). So to win the market, companies must be able to contribute greatly to the environment and gain public trust.

Company value is a measure of the success or quality of a company and is often associated with investors' perceptions of a company's financial performance and long-term prospects (Siregar et al., 2019). Company value is an important indicator for measuring operational performance, measuring management performance achievements, long-term business prospects, and can be used as a benchmark for assessing the efficiency of the business strategy that has been implemented (Herdinata et al., 2024)

Automotive companies are currently under increasingly strong normative pressure to implement sustainable business practices. International regulations and national policies that focus on reducing carbon emissions and increasing energy efficiency are increasingly forcing industry to make significant changes in their operations (BSN Public Relations, 2024). Along with these developments, sustainability issues are becoming the center of attention. Initiatives to implement green governance, which involves environmental governance in company decision making, are crucial to ensuring compliance with regulations and increasing transparency and the company's reputation in the eyes of consumers and investors. Good green governance can support innovation and improve company performance, including in the automotive sector which is facing global environmental challenges. This refers to a corporate governance system that focuses on managing environmental issues to ensure companies run according to sustainability principles (Li et al., 2022).

Competitive advantage theory is based on the company's relationship with the natural environment (Hart, 1995). Green competitive advantage is the competitive advantage of a company's products related to the environment. The existence of a good green competitive advantage will be a positive signal, which can help increase the stock market value thereby generating a positive addition to the company's value. There are still relatively limited research results that examine the relationship between green competitive advantage and company value. However, research by Wijayanto et al. (2019) and Roos Ana et al. (2021) found that competitive advantage has a significant positive influence on company value.

In the context of environmentally friendly investment, the Indonesian automotive sector also has great potential to increase its competitiveness through investment in environmentally friendly technology such as electric vehicles and renewable energy infrastructure. Green investments often focus on environmentally friendly practices that improve a company's environmental performance. Green investment is one of the focuses of sustainability criteria that investors consider when investing in a company. Companies that are active in green investment programs not only comply with regulations but also attract investors who are more aware of the importance of sustainability, but also tend to be seen as attractive to investors looking for a sustainable portfolio, thereby increasing demand for their shares and therefore increasing the company's market value (Tanasya and Handayani, 2020).

*Green innovation* includes advances in hardware or software technology related to green products or processes, including energy storage technology, waste processing, green product design, as well as corporate ecological management (Mishra, 2021).

This research aims to analyze whether *green governance*, *green competitive advantage*, *green investment* and *green innovation* have a positive effect on company value in automotive sector companies listed on the IDX

## 2. Literature Review

### The influence of Green Governance on company value

Implementation of green governance covers various aspects, such as environmental regulations, transparency in resource management, public participation in policy formulation, and the application of environmentally friendly technology. Apart from that, this approach also

emphasizes the importance of collaboration between various stakeholders to create innovative solutions that support climate change mitigation, biodiversity conservation, and the transition to a green economy. By implementing green governance principles, it is hoped that sustainable development can be created that is not only economically profitable but also able to preserve the environment for future generations. Jo & Harjoto (2011) state that the combination of effective board of directors supervision will result in better corporate governance and higher company value. This means that the presence of a strong board of commissioners has a greater impact if the company also has a good environmental program (Weni et al., 2021).

### **The influence of *green competitive advantage* on company value**

*Green Competitive Advantage* (GCA) is a situation in which a company adopts environmental management practices and introduces innovations to improve performance and achieve corporate competitive advantage. Every company needs to apply the concept of green innovation in its activities as a strategy for companies to develop their business by also paying attention to environmental sustainability. The concept of green innovation is a strategy and a solution for companies to develop their business without violating government regulations (Mariyamah & Handayani, 2019). The existence of a good green competitive advantage will be a positive signal, which can help increase the stock market value thereby generating a positive addition to the company's value. There are still relatively limited research results that examine the relationship between green competitive advantage and company value. However, research by Wijayanto et al. (2019) and Roos Ana et al. (2021) found that competitive advantage has a significant positive influence on company value.

### **The effect of *green investment* on company value**

A company may make green investments as a way to gain legitimacy by demonstrating its commitment to sustainability and environmental preservation. The concept of green investment refers to a company's efforts to manage environmental aspects responsibly (Novitasari & Chariri, 2019). Alsayegh et al. (2023) say that increasing the efficiency of green investment means increasing company value through more precise and efficient investment decisions. Which will then provide a competitive advantage through environmentally friendly innovation. This statement is supported by research conducted by Wijayanti Ayu et al., (2024) Green investment is proven to have a positive influence on company value.

### **The influence of *Green innovation* on company value**

Tang dan Ruoxuan (2023) *Green innovation* can be defined as a company's efforts to make products and processes more environmentally friendly, which can ultimately improve company performance. This is in line with research conducted by Putri and Hidayatul (2022), where it is known that green innovation has a positive effect on company value. By offering more environmentally friendly products, they can meet increasing consumer demand for sustainable products, which can increase market share and revenue (Tang and Ruoxuan, 2023).

## **3. Research Methods**

This research adopts a quantitative approach. The focus of the research is automotive companies listed on the IDX from 2021 to 2023. According to [www.ajaib.co.id](http://www.ajaib.co.id), there are 16 automotive companies listed on the IDX. This research uses a saturated sample. Types of secondary data. Data collection techniques with documentation on the website [www.idx.com](http://www.idx.com). Data analysis uses multiple linear regression.

## **4. Results and Discussions**

**Results**

**Tabel 1. Normality Test  
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		48
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	1.11662303
Most Extreme Differences	Absolute	.109
	Positive	.109
	Negative	-.097
Test Statistic		.109
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Source: Processed data, 2025

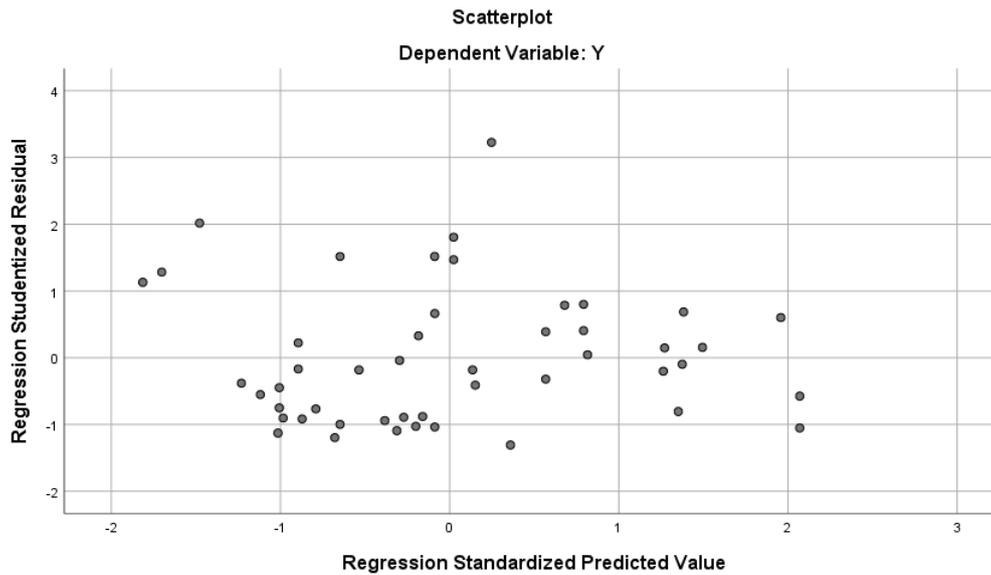
Based on Table 1, the Kolmogorov-Smirnov (K-S) test is used to test whether the residuals are normally distributed, which aims to evaluate the suitability of the residual distribution to a normal distribution. If the Kolmogorov-Smirnov test results show a significance value greater than 0.05, it can be concluded that the residuals have a normal distribution. Conversely, if the significance value is less than 0.05, then the residual is considered not to follow a normal distribution. This graphical analysis can also be used to confirm the results of the normality test carried out. Based on the test results shown in Table 4.2, the regression model in this study meets the normality assumption. This can be proven by the significance value of the Kolmogorov-Smirnov test which reaches 0.200, which is greater than the significance limit of 0.05.

**Tabel 2. Multikolinearitas**

Variabel	Tolerance	VIF
X1	0,833	1,201
X2	0,876	1,129
X3	0,948	1,055
X4	0,868	1,152

Based on the data in the table, the three variables (green governance, green investment, and green innovation) have tolerance values and inflation variation factors (VIF) below 10. Furthermore, the tolerance for each of these variables is greater than 0.01. Thus, there is no indication of significant multicollinearity among the variables examined in this study.

The results of previous data analysis show that the Durbin-Watson (DW) value obtained is 1.884, which lies in the range between 1.77 to 2.23. This range shows that the model used does not experience autocorrelation. Therefore, the Durbin-Watson value of 1.884 does not indicate an autocorrelation problem in this model.



**Figure 1. Heteroscedasticity**

Analysis of the dispersion graph indicates that the distribution of data points is spread randomly around the zero value on the Y axis either above, below, or around the point. These findings indicate that overall, the regression model applied does not show any indication of heteroscedasticity.

**Table 3. Partial Test**

Variabel	Beta	Signifikasi
X1	1,686	0,031
X2	1,465	0,022
X3	2,362	0,021
X4	2,586	0,016

Based on the data from table 2, the following explanation is obtained:

1. At Based on these findings, it can be concluded that the first hypothesis (H1) is accepted, which indicates that the implementation of green corporate governance has a significant impact on company value.
2. At X2 the significance level is 0.022 which is smaller than 0.05 with a positive beta direction of 1.465, this shows that the green competitive advantage variable has a significant positive influence on the value of companies recorded in the automotive sector in the 2021-2023 period. Based on these findings, it can be concluded that the first hypothesis (H2) is accepted, which indicates that green competitive advantage has a significant impact on company value.
3. At Thus, it can be concluded that H3 is accepted, which shows that green investment has a significant influence on company value.
4. At a significance level of  $0.016 < 0.05$  with a positive beta of 2.586, it can be concluded that green innovation has a significant positive effect on the value of listed companies in the automotive sector for the 2021-2023 period. Thus, it can be concluded that H4 is accepted, and shows that green innovation has a significant influence on company value.

**Discussions**

1. The influence of *green governance* on company value

The results of the second hypothesis test show that hypothesis H1 is accepted, namely green governance on company value. The significance value is 0.021, which is lower than

0.05. This research shows that the value of automotive companies listed in the green index will be influenced by green governance from 2021 to 2023.

According to stakeholder theory, companies must consider the interests of various stakeholders, which include investors, consumers, employees, society and government. In the context of green government, it shows a company's commitment to environmental conservation, which is important to many stakeholders. For example, customers appreciate car companies that develop environmentally friendly vehicles, such as electric or hybrid cars. In addition, the company strengthens its relationships with environmental stakeholders by meeting their expectations. This can increase market confidence, consumer loyalty and investor attraction, increasing overall company value.

According to legitimacy theory, companies must act within the boundaries accepted by social norms, culture, and laws. In the automotive industry, green governance indicates that companies act in accordance with social norms that increasingly demand environmental sustainability.

This research uses the board of directors as a measure of the success of green governance, and discusses the role of an independent board of directors in overseeing the company's sustainability policy. This research finds that an independent board of directors can increase transparency, reduce environmental risks, and encourage sustainable governance, which in turn increases company value. As shown by Setiadi et al. (2017), the independence of the board of commissioners significantly influences company value, especially in terms of environmental reporting transparency.

The company's concern for the environment, society and governance is shown in the CSR report. This is supported by research by Jo and Harjoto (2011), who found that effective environmental management, supported by internal governance such as board leadership, can increase company value through improving reputation and risk management. Effective board of directors oversight improves corporate governance and value. Good environmental management can connect an independent board of commissioners with company values. In other words, a strong board of commissioners is more effective if the company also has a good CSR program (Weni et al., 2021).

## 2. The effect of *green competitive* advantage on company value

The results of the second hypothesis test show that hypothesis H2 is accepted, namely green competitive advantage on company value. The significance value is 0.021, which is lower than 0.05. This research shows that the value of automotive companies listed in the green index will be influenced by green competitive advantage from 2021 to 2023.

According to Widiyati & Murwaningsari (2021), a sustainable company is a company's effort to minimize adverse ecological and social impacts so that future generations have sufficient resources to fulfill their desires and to succeed in the long term. The existence of a competitive advantage is expected to provide additional value to products both in the form of goods and services produced by the company (Pratama & Achmad, 2015). The existence of a good green competitive advantage will be a positive signal, which can help increase the stock market value thereby producing a positive addition to the company's value.

This result is in accordance with Wijayanto et al. (2019) which states that Competitive Advantage has a positive influence on company value. Green Competitive Advantage itself is a company's competitive advantage related to its products that meet the needs and demands of customers in relation to the environment. It is indicated that the insignificant influence of green competitive advantage on company value is due to the large number of outlier data so it cannot be used in this research. Apart from that, it was indicated that the company did not consider the importance of creating green production, green creativity and a green brand image which could increase its competitive advantage with its competitors in terms of the company's relationship with the environment/nature.

### 3. The effect of *green investment* on company value

The results of the second hypothesis test show that hypothesis H3 is accepted by the green investment variable. The significance value is 0.021, which is lower than 0.05. This research shows that the value of automotive companies listed in the green index will be influenced by green investment from 2021 to 2021.

If stakeholder theory emphasizes that companies must meet the needs and desires of stakeholders, green investment shows that companies take responsibility for the environment and the welfare of society.

According to Legitimacy Theory, businesses must act in accordance with social standards in order to gain legitimacy. Automotive companies gain social and political legitimacy through green investments, which demonstrate that they help solve environmental problems such as climate change.

The relationship between company owners (principals) and management (agents) is discussed in Agency Theory. This theory focuses on how management maximizes shareholder value while avoiding conflicts of interest. By providing funds for green investments, management demonstrates their adherence to good governance principles. This increases company stability and investor confidence, which in turn increases company value.

*Green Investment* increases company competitiveness through environmentally friendly innovation and improving the environment. They improve environmental performance and generate economic benefits. This is especially important in highly competitive and regulated markets (Alexander Nico, 2023).

Alsayegh et al. (2023) say that increasing the effectiveness of green investment will increase company value through more appropriate and efficient investment choices. Furthermore, environmentally friendly innovation will provide a competitive advantage. The results of this research support research conducted by Wijayanti Ayu et al., (2024) *Green investment* is proven to have a positive influence on company value.

### 4. The influence of *green innovation* on company value

The results of the third hypothesis test show that the green innovation variable has a significance value of 0.016, which is smaller than 0.05. Green investment affects the value of companies listed in the automotive sector between 2021 and 2023.

Stakeholder theory emphasizes the importance of considering the interests of all stakeholders in company decision making. Green innovation reflects the company's responsibility towards various stakeholders. By meeting stakeholder needs and expectations, companies strengthen good relationships, increase consumer loyalty, and attract more investors, which ultimately increases company value.

According to Legitimacy Theory, it is argued that companies must operate according to social, cultural and regulatory norms to maintain legitimacy. Automotive companies demonstrate conformity with social norms that increasingly demand sustainability. Companies that are deemed to act in accordance with social norms and public expectations will gain the support of society and investors, which contributes to increasing company value.

According to Agency Theory, it discusses the relationship between company owners (principals) and management (agents), with a focus on how management maximizes shareholder value. Green innovation reduces agency costs by demonstrating that management is focused on the long-term interests of shareholders. Management that implements green innovation creates confidence that company resources are used wisely to ensure long-term growth, which increases share value and market capitalization. Tang and Ruoxuan (2023) believe that green innovation is a company's efforts to develop

environmentally friendly goods and processes, which in turn can improve their performance. Green innovation can also help companies meet the demands of a market that increasingly prioritizes sustainability, increasing their competitiveness and increasing their revenue potential.

This is in line with research by Putri and Hidayatul (2022), who found that green innovation can increase company value. They can meet consumers' increasing demand for sustainable products by offering more environmentally friendly products (Tang and Ruoxuan, 2023). This can increase market share and revenue.

## 5. Conclusion

Green governance has a significant positive effect on the value of automotive sector companies listed on the stock exchange, meaning that the better the implementation of *green governance*, the company value will increase. *Green competitive* advantage has a significant positive effect on the value of automotive sector companies listed on the stock exchange, meaning that the better the implementation of *Green competitive* advantage, the company value will increase. *Green investment* has a significant positive effect on the value of automotive sector companies listed on the stock exchange, meaning that the better the implementation of *Green investment*, the company value will increase. *Green innovation* has a significant positive effect on the value of automotive sector companies listed on the stock exchange, meaning that the better the implementation of *Green innovation*, the company value will increase.

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