

**THE IMPACT OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ON  
THE MARKET CAPITALIZATION OF BANKING COMPANIES LISTED ON  
THE INDONESIA STOCK EXCHANGE DURING THE PERIOD OF 2022-2024**



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**APPROVAL SHEET**

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FACTORS ON THE MARKET CAPITALIZATION OF BANKING  
COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE DURING  
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**LEGALIZATION SHEET**

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MARKET CAPITALIZATION OF BANKING COMPANIES LISTED ON THE  
INDONESIA STOCK EXCHANGE DURING THE PERIOD OF 2022-2024**

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## DECLARATION OF AUNTHENTICITY

Here I declare the originality of the thesis; I have not presented anyone else's work to obtain my university degree, nor have I presented anyone else's words, ideas, or expression without acknowledgment. All quotations are cited and listed in the bibliography of the thesis.

If this statement is false in the future, I am willing to accept any sanction complying with the determined regulation or its consequences.

Yunlin, 12 January 2026



Muhammad Wijdan Farizqi

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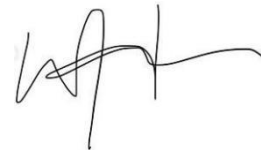
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A handwritten signature in black ink, appearing to be 'Wijdan Farizqi', written in a cursive style.

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## **ABSTRACT**

The purpose of this research is to analyze the impact of Environmental, Social, and Governance (ESG) scores on the market capitalization of banking sector companies listed on the Indonesia Stock Exchange (IDX) from 2022 to 2024.

The independent variables in this research were ESG, E, S, G, and the dependent variable was market capitalization, proxied by Tobin Q. The research method used multiple linear regression to test the direct or indirect relationship among variables. The results of the research indicated that ESG had a negative and significant impact on market capitalization. In addition, Environment had a positive and significant impact on market capitalization, while social and governance had a positive but insignificant impact on market capitalization.

Key words: ESG, Environment, Sosial, Governance, Tobin's Q, ROA, ROE

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# CHAPTER I

## INTRODUCTION

### 1.1 Background

The banking sector plays a crucial role as a key pillar in maintaining global economic stability and capital market dynamics (Chmielewska & Kluza, 2024). As financial intermediaries, banks function as drivers of investment that reflect the health of a country's economy through funding activities and stock price movements on the exchange. Banks do not only act as providers of liquidity, but also as a mechanism for transmitting monetary policy that has a direct impact on national economic growth. The success of this sector in managing capital flows is crucial to the efficient allocation of resources in various other industries. Therefore, banking performance is always a major concern for investors, regulators, and market participants around the world (Mishra et al., 2025).

The unique characteristics of the banking industry lie in its foundation as a trust-based industry and its highly stringent risk management (Chmielewska & Kluza, 2024). Bank operations are greatly influenced by their ability to mitigate various risks, ranging from credit risk to systemic risk, which can have widespread impacts (Aydoğmuş, et al., 2022). In the modern era, banks are required to maintain a higher level of information transparency in order to uphold their reputation and public trust. Accurate and comprehensive information disclosure is key for banks to reduce financial uncertainty in the eyes of stakeholders. Banking

stability is now measured not only by balance sheet figures, but also by banks' ability to face environmental and social challenges (Chmielewska & Kluza, 2024).

In Indonesia, the development of sustainability reporting practices is reflected through the Financial Services Authority (OJK) regulation in OJK Regulation Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. Companies listed on the Indonesia Stock Exchange (IDX), particularly in the banking sector, have begun to prioritize Environmental, Social, and Governance (ESG) disclosures, given that this sector receives significant scrutiny regarding its environmental and social impacts. This becomes increasingly relevant considering the substantial capacity of the banking sector to influence economic development, as well as the urgency of the climate crisis and ongoing environmental phenomena. Therefore, companies need to engage in activities that can improve their ESG scores, thereby gaining legitimacy and a positive reputation for their efforts in environmental conservation and social welfare improvement.

In the context of capital markets, market capitalization is a fundamental indicator that represents both the value of a company and the collective perception of investors (Vochenko, et al. (2024). This value reflects the price that the market is willing to pay for the company's future growth prospects and management quality. High market capitalization is often seen as a reflection of strong investor confidence in the sustainability of the entity's business. For the banking sector, fluctuations in market capitalization are an important signal of how the market assesses a bank's resilience to economic shocks (Adamopoulou and Gkizori, 2025). This indicator goes beyond traditional accounting figures by integrating market expectations of risk and opportunity.

There are various internal and macroeconomic factors that traditionally influence market capitalization in the banking industry. Profitability, often measured by Return on Assets (ROA), remains the main determinant in determining the value of bank shares in the eyes of investors (Donrad S & Sibarani., 2025). In addition, capital structure, operational efficiency, and external factors such as inflation rates also play a significant role in influencing purchasing power and monetary policy (Donrad S & Sibarani., 2025). Movements in market capitalization are highly sensitive to changes in macroeconomic conditions that can affect banks' net interest margins and asset quality. However, with the development of capital markets, non-financial factors are beginning to gain greater weight in assessments (Donrad S & Sibarani., 2025).

Global developments on sustainability issues have driven a significant increase in the adoption of Environmental, Social, and Governance (ESG) practices across various sectors. Awareness of the climate crisis and corporate social responsibility has now become mainstream in global investment decision-making. Companies are now required not only to generate maximum profits, but also to contribute to the creation of a cleaner, healthier, and fairer society. The integration of these sustainability principles is driven by the need to mitigate the long-term impacts of physical and transition risks associated with climate change. ESG has now transformed from a voluntary initiative to a fundamental standard in evaluating overall business performance (Mishra et al., 2025).

The ESG concept has profound relevance for the banking sector given its role as a credit provider that influences the direction of industrial development. Banks that integrate ESG into their business strategies are considered to have better risk management capabilities and lower uncertainty profiles. A focus on environmental disclosure and strong governance

can help banks avoid regulatory penalties and improve resource efficiency (Miralles-Quirós, et al., 2018). In addition, good ESG practices help banks mitigate reputational risks that can damage customer and investor confidence. Banks that are transparent on sustainability issues tend to be viewed as more stable entities in the face of crises (Li et al., 2024).

Theoretically, the relationship between ESG and market value can be explained through the perspectives of signaling theory and stakeholder theory. Based on signaling theory, ESG information disclosure serves as a positive signal to the market regarding the quality of management and the company's long-term commitment to business ethics. This signal is effective in reducing information asymmetry between bank management and investors, which in turn can increase investment interest. Meanwhile, stakeholder theory emphasizes that achieving optimal financial performance depends on the bank's ability to meet the expectations of all stakeholders. By paying attention to social and environmental interests, banks can build a strong reputation and sustainable stakeholder loyalty (Orazalin et al., 2023).

A number of previous studies have attempted to prove the effect of ESG practices on company market value in various countries. Research conducted by Chmielewska and Kluza (2024) found a strong negative relationship between the severity of ESG risks and company market valuation. This implies that companies with good ESG risk management (low risk rating) tend to receive an “ESG premium” or higher market valuation. Other empirical evidence conducted by Adamopoulou and Gkizori (2025) showed that investors are willing to pay more for companies with business models that are less vulnerable to future climate risks. These findings reinforce the argument that investing in environmental risk mitigation and

improved governance provides tangible financial benefits for shareholders (Chmielewska & Kluza, 2024).

Although many studies support a positive impact of ESG on firm value, such as those conducted by Krishnan et al. (2024), Miralles-Quirós et al. (2018), and Aydoğmuş et al. (2022), the existing literature still shows inconsistent or mixed results. Some studies report a negative impact because investing in ESG aspects is considered an additional operational cost that can reduce short-term profitability. For example, research on commercial banks in the United States found that there was significant linear relationship between ESG scores and the market value of these banks but in China found that there was no significant linear relationship between ESG scores and the market value of the bank (Vochenko et al., 2023). This phenomenon shows that in certain markets, investors may still prioritize traditional financial indicators over sustainability performance. This inconsistency has sparked debate about whether ESG disclosure truly creates value or is merely an administrative burden.

The inconsistency of these results creates a significant research gap, especially regarding the limited ESG research that focuses specifically on the banking sector. Previous studies conducted by Orazalin, et al. (2023) combined banks with other industrial sectors, even though banks have fundamentally different risk and regulatory characteristics. There is still a lack of in-depth studies on how each ESG dimension (environmental, social, and governance) partially affects the market capitalization of banks compared to heavy industry sectors. Furthermore, research in emerging markets is often still fragmentary compared to the literature in developed markets. This calls for further analysis that considers the highly regulated context of the banking industry.

Research on the impact of ESG on market capitalization is highly relevant in the context of modern capital markets, which are increasingly concerned about climate change risks. The integration of ESG data has become the new standard in investment evaluation by global financial institutions to achieve sustainable development goals (SDGs). Banks that fail to adapt ESG practices risk losing access to green financing and facing higher capital costs. Amid increasing global regulatory pressure, understanding how ESG affects market valuation is crucial for bank management in formulating long-term strategies (Mishra et al., 2025). Therefore, this research is necessary to provide empirical evidence on the economic value of non-financial transparency in the financial sector.

The urgency of this research is based on the need for scientific guidance for banking management, investors, and regulators in facing the transition to a green economy. For academics, this research contributes to the development of literature on the determinants of market capitalization in the financial services industry. For bank management, the results of this research are expected to serve as a basis for balancing profitability and sustainability responsibilities in order to maintain investment attractiveness. For regulators, this research provides insights for formulating stricter ESG reporting policies to strengthen financial sector transparency. Overall, this research seeks to address the challenge of how the banking sector can continue to grow financially while maintaining environmental and social integrity.

## **1.2 Problem Statement**

Based on the background explanation above, this research formulates the following problems:

1. Does Environmental, Social, and Governance performance affect market capitalization?
2. Does environmental performance affect market capitalization?
3. Does social performance affect market capitalization?
4. Does governance performance affect market capitalization?

### **1.3 Research Objectives**

This research conducts with the following objectives:

1. To determine the influence of Environmental, Social, and Governance performance on market capitalization?
2. To determine the influence of Environmental performance on market capitalization?
3. To determine the influence of Social performance on market capitalization?
4. To determine the influence of Governance performance on market capitalization?

### **1.4 Benefits of Research**

Benefits that can be obtained from this research:

#### **a.) Theoretical benefits:**

This research is expected to contribute to the development of academic literature by providing a deeper understanding of how sustainability practices influence a firm's market value, particularly within the banking industry. By examining market capitalization as a key indicator of investor perception, this research is anticipated to highlight the significance of ESG factors in contemporary finance and capital market research. The

research applies stakeholder theory to demonstrate that a bank's value is enhanced when it meets the expectations of diverse stakeholder groups, including society and regulators, rather than focusing solely on short-term profitability. Furthermore, this research employs signaling theory to explain how comprehensive ESG disclosures function as positive signals of management quality, thereby reducing information asymmetry for market participants. Ultimately, this research is expected to enrich the literature on the banking sector by demonstrating that prioritizing environmental and social responsibilities constitutes a material factor supporting long-term financial stability and firm valuation. Beyond its immediate contributions, this research also serves as a useful reference for future investigations into sustainable finance within the financial services industry. Future studies can build upon this research by expanding the analysis period or incorporating more diverse geographical regions to see if the results remain consistent across different markets, and there is a significant opportunity for researchers to expand the variables used or conduct longitudinal studies to track the impact of ESG performance over several decades. By providing early empirical evidence, this research encourages other students to explore how individual ESG pillars specifically influence market capitalization in highly regulated sectors.

## **b.) Practical benefits:**

### **1. Investor**

This research provides valuable insights for investors to assist them in making more informed investment decisions regarding banking companies listed on the stock exchange. By considering Environmental, Social, and Governance (ESG) scores

alongside traditional financial data, investors can better evaluate a bank's long-term sustainability and its resilience against non-financial risks. The findings help investors identify firms that may obtain an "ESG premium," where superior risk management practices signal lower financial uncertainty to the market. Ultimately, this information allows market participants to assess the quality of corporate management and the potential for future earnings growth more accurately.

## **2. Public**

This research offers practical benefits for general public by improving their understanding of how sustainability practices are linked to a bank's market value. The explanation of ESG frameworks is designed to be accessible, helping those without a strong finance background recognize that ethical governance and social responsibility are material factors for business success. By highlighting these connections, the research increases public awareness regarding the importance of sustainable finance in maintaining global economic stability. Consequently, readers may become more conscious of how their chosen banking institutions manage environmental and social challenges to create a fairer and healthier society.

### **1.5 Writing systematics**

This research is organized into five chapters as follows:

#### **Chapter I: INTRODUCTION**

This opening chapter serves to establish the foundational framework of the research. It begins with a comprehensive background section that contextualizes the

research within the broader field of study and outlines the circumstances that necessitated this investigation. Following this, the chapter identifies and articulates the specific problems or gaps in existing knowledge that this research seeks to address. The research objectives are then clearly delineated, explaining the specific aims and goals that guide the study. Additionally, this chapter establishes the significance and value of the research by demonstrating its potential contributions to the academic field and practical applications. The chapter concludes with an outline of the thesis structure, providing readers with a clear understanding of how the subsequent chapters are organized and how they interconnect to form a cohesive research narrative.

## **Chapter II: LITERATURE REVIEW**

This chapter presents a thorough examination of the existing body of knowledge relevant to the research topic. It systematically explores the theoretical frameworks and conceptual models that underpin the research hypothesis and provide the intellectual foundation for the research. The chapter critically reviews and synthesizes previous scholarly work, identifying key findings, methodological approaches, and theoretical perspectives that have shaped understanding in this area. Through this comprehensive review, the research identifies gaps, inconsistencies, or areas requiring further investigation within the existing literature. The chapter traces the evolution of key concepts and debates within the field, establishing how this research builds upon and extends previous work. Based on this critical analysis of existing scholarship, the chapter develops the research framework and articulates the specific hypotheses that will be tested, demonstrating how these hypotheses emerge logically from the reviewed literature.

### **Chapter III: RESEARCH METHOD**

This chapter provides a detailed and systematic description of the methodological approach employed in conducting this research. It begins by outlining the overall research design and explaining the rationale for selecting this particular methodological framework. The chapter then describes the population under research and explains the sampling procedures used to select participants or cases for investigation, including justification for the sampling strategy and sample size determination. All variables examined in the research are clearly defined and operationalized, specifying how they will be measured or observed. The chapter presents the data collection instruments and procedures in detail, explaining how validity and reliability were ensured throughout the data gathering process. Furthermore, it describes the analytical techniques and statistical or qualitative methods that will be applied to examine the collected data, including any software or tools utilized in the analysis process.

### **Chapter IV: DATA ANALYSIS AND DISCUSSION**

This chapter constitutes the empirical core of the thesis, presenting the findings derived from the systematic analysis of collected data. It begins by describing the characteristics of the data and the analytical procedures applied. The results are presented in a structured and logical manner, often accompanied by tables, figures, and statistical outputs that illustrate key findings. The chapter moves beyond mere presentation of results to provide in-depth interpretation and discussion of what these findings reveal about the

research questions. It examines whether the results support or contradict the stated hypotheses and explores possible explanations for the observed patterns. The findings are situated within the context of existing literature reviewed in Chapter II, highlighting areas of convergence and divergence with previous research. The chapter also addresses unexpected findings and considers alternative interpretations, thereby demonstrating critical engagement with the data and theoretical implications of the results.

## **Chapter V: CONCLUSION AND RECOMMENDATIONS**

This concluding chapter synthesizes the key findings of the research and reflects upon their broader significance. It provides a concise summary of the main results obtained through the investigation and discusses how these findings address the original research objectives and questions posed in Chapter I. The chapter articulates the theoretical contributions of the research, explaining how it advances understanding within the field and what new insights it offers. It acknowledges the limitations and constraints of the research, discussing factors that may have influenced the results and identifying boundaries to the generalizability of findings. Based on the research outcomes and identified limitations, the chapter proposes specific directions for future research that could further develop or refine the understanding of the topic. Finally, it discusses the practical implications and potential applications of the research findings, considering how the results might inform policy, practice, or decision-making in relevant contexts, thereby demonstrating the real-world value and impact of the scholarly investigation.

## CHAPTER II

### LITERATURE REVIEW

#### 2.1 Theoretical Basis

The researcher used stakeholder theory and signaling theory as the theoretical basis.

##### 1. Stakeholder theory

Stakeholder theory was first introduced by R. Edward Freeman in 1984, stating that the long-term success of a company is determined not only by maximizing shareholder wealth but also by the company's ability to align the interests of various stakeholders such as employees, customers, suppliers, creditors, communities, government, and regulators (Freeman, 1984). In the ESG context, companies that effectively meet stakeholder expectations tend to have better reputations and lower regulatory risks, which ultimately increase the company's market value. Orazalin et al. (2023) affirmed that companies are considered entities that must provide benefits to a broader group, where ESG metrics function as performance evaluation tools for these stakeholders.

Stakeholder theory provides a strong theoretical foundation for explaining why companies with high ESG performance tend to have higher firm value. According to Aydoğmuş et al. (2022), companies that demonstrate commitment to ESG principles through transparent disclosure practices send signals about their dedication to long-term sustainability and responsible corporate citizenship, which under favorable market

conditions can enhance investor confidence, facilitate access to capital, and strengthen firm valuation. Orazalin et al. (2023) further explained that from a stakeholder perspective, board of sustainability committees function as effective mechanisms that can meet the interests of relevant stakeholders, improve sustainability performance and achieve adequate financial outcomes; thereby, building shared value for shareholders and stakeholders.

## **2. Signaling Theory**

Signaling theory, first introduced by Spence in 1973, describes signals as activities or attributes of individuals in a market which, by design or accident, alter the beliefs of or convey information to other individuals in the market. Put differently, the theory focuses on how companies reduce information asymmetry between management and external parties, particularly investors (Spence, 1973). Signaling theory suggests that one of the main goals of companies is to deliver a "signal" to external parties regarding the company's goodwill, usually demonstrated by disclosing more information, especially information related to the company's sustainable development (Caesaria & Basuki, 2017). Junius et al. (2020) added that comprehensive ESG information disclosure is considered a positive signal showing management quality, commitment to long-term ethics, and certainty of future cash flows. Thus, through this signal, investors can distinguish companies with good risk management from those without often resulting in an "ESG premium" in stock price valuation.

In the capital market context, signaling theory explains how ESG disclosure can influence investor perception and ultimately firm value. Adamopoulou and Gkizori (2025) stated that the signaling function becomes particularly relevant in markets where non-

financial performance is difficult to quantify or verify, and high-quality sustainability disclosures and ratings function as credible signals about management quality, risk control, and cash flow reliability. Junius et al. (2020) further explained that lack of information may affect external parties to defend themselves by valuing the company less. Therefore, signals that companies want to convey must include relevant and comprehensive information, so that forms of non-financial disclosure such as ESG disclosure can be seen as good signals that can influence stakeholder decisions and ultimately help companies obtain good valuation in the eyes of investors.

### **3. Environmental, Social, Governance Concept**

**Environmental, Social, and Governance (ESG)** performance has emerged as a crucial indicator of a firm's **sustainability and responsible business conduct** within global capital markets (Vochenko et al. 2024). These three pillars represent comprehensive dimensions of corporate evaluation that extend beyond traditional financial metrics to measure a company's impact on the environment and its relationships with various stakeholders. The Environment concept encompasses the company's capacity to reduce the use of resources such as water and energy through efficient supply chain management, commitment to reduce emissions in operational processes, and environmentally friendly product innovations to create new market opportunities (“Environmental, social and governance”, 2023). Meanwhile, the Social pillar focuses on the company's effectiveness in ensuring employee satisfaction and safety, respecting human rights, maintaining product responsibility for consumer privacy and safety, and being a good corporate citizen for the community (“Environmental, social and governance”, 2023). Governance refers to the application of transparent corporate management principles, fair treatment of all

shareholders, and corporate social responsibility (CSR) strategies that integrate economic and sustainability dimensions into daily decision-making (“Environmental, social and governance”, 2023). Overall, these three pillars are instruments for objectively measuring the relative performance, commitment, and effectiveness of a company's sustainability compared to other companies in the same industry or country.

In Indonesia, ESG implementation is stipulated by the Financial Services Authority through OJK Regulation No. 51/POJK.03/2017, which regulates “The implementation of sustainable finance for financial services institutions, issuers, and government companies.” In this regulation, the OJK regulates and proposes the implementation of 12 sustainable finance practices that include improving governance, environmental, and social performance.

#### 4. Market Capitalization Concept

**Market capitalization** is fundamentally defined as the **total market value of a company’s outstanding shares** issued for trading on the capital market (Prayoga et al., 2024). It serves as a primary metric for determining investment decisions, reflecting the market's assessment of a company's development potential and wealth creation. In the context of other studies, firm value is often proxied using Tobin's Q, which is also a market-based performance measure. Tobin’s Q calculated as total assets minus book value of equity plus market value of equity divided by total assets (Orazalin et al., 2023). Market capitalization acts as a **measure of a firm's presence in the market**, which can directly influence its brand recognition, revenue streams, and its access to various financing options. A large market capitalization is often interpreted by investors as a sign of **good development potential** and a higher probability of paying dividends (Prayoga et al., 2024).

It provides an illustration of a company's **sustainability potential**, suggesting that the firm can maintain its financial health and survive over the long term.

## 2.2 Review of Previous Studies

Some results from previous studies examining the relationship between Environmental, Social, and Governance (ESG) factors and Market Capitalization are explained in the table of previous research results below.

Table 2.1 Previous Studies

No	Author Name and Year of Publication	Research Variables	Object of Research	Findings
1	Aydoğmuş, et al. (2022)	Independent Variable: ESG Combined Score, Environmental (ENV), Social (SOC), Governance (GOV) scores (Refinitiv). Dependent Variable: Firm Value (Tobin's Q) dan Profitability (ROA).	1,720 largest public companies globally (14,043 observations, 2013-2021).	ESG Combined Score, SOC, and GOV had a positive and highly significant effect on Firm Value (TQ) and Profitability (ROA). ENV had no significant relationship with Firm Value (TQ),

				but had a significant positive effect on Profitability (ROA).
2	Miralles-Quirós, et al. (2018)	<p>Independent Variable: Environmental Performance, Social Performance, Governance Performance, General ESG Performance (Thomson Reuters Eikon).</p> <p>Dependent Variable: Share Price (<math>P_{i,t}</math>) / Firm Value.</p>	73 companies listed on the São Paulo Stock Exchange, Brazil (2010–2015).	Overall ESG performance had a positive and significant relationship with stock price. ENV and GOV were individually rated as positive and significant (GOV at a 90% confidence level), while SOC was not significant. The results supported the value enhancing theory.
3	Junius, et al. (2020)	Independent Variable: ESG Score (Bloomberg).	271 companies registered in 4 ASEAN countries	ESG scores had no significant impact on company performance (ROA,

		Dependent Variable: Operational Performance (ROA), Financial Performance (ROE), Market Performance (Tobin's Q), Market Value (Price-Earnings Ratio / PER).	(Indonesia, Malaysia, Singapore, Thailand), 2013–2017 period.	ROE, TQ) or market value (PER).
4	Şerban, et al. (2022)	Independent Variable: ESG Score (Refinitiv) dan Value Added (VA).  Dependent Variable: Market Capitalization (MC).	5,557 public companies from 9 economic sectors and 78 countries.  Period: Fiscal year 2019.	decreased in line with the increase in Market Cap and became insignificant in large-cap (Q7). ESG was insignificant in the Consumer Cyclical, Industrials, and Technology sectors (OLS).
5	Kurniawan & Rokhim (2023)	Independent Variable: ESG Combined Score (Refinitiv Eikon).	607 companies listed on ASEAN stock	ESG performance had a negative and significant

		Dependent Variable: Firm Performance (Tobin's Q, ROE, ROA). Moderated Variable: Ownership Concentration (Top), Equity Balance (Ebal), Institutional Ownership (IO).	exchanges (2017–2021).	relationship with Tobin's Q, ROE, and ROA (Hypothesis 1 rejected, negative effect sign).
6	Bifulco & Tiscini (2024)	Independent Variable: ESG Score (MSCI/Sustainalytics). Dependent Variable: Company Value (Share Price /PriceToSalesPerShareDaily). Moderated Variable: Family Firm (FF) dummy.	The company was listed on the FTSE MIB, Italy (2017–2021).	There was no significant relationship between ESG Score and company value, both for Family Firms and Non-Family Firms.
7	Prayoga, et al. (2024)	Independent Variable: Environmental Disclosure (ENV), Social Disclosure (SOC), Governance Disclosure (GOV).	14 companies indexed in the IDX-ESG Leaders in Indonesia (2018–2022).	Social and Governance had a positive and significant influence on Market Capitalization.

		Dependent Variable: Market Capitalization Value (M.Cap).		Environment had no significant influence.
8	Triyani & Siswanti (2024)	Independent Variable: ESG Rating, SR Disclosure, Digital Banking Transactions.  DV: Firm Value (PBV).  Variable Intervening: Financial Performance (ROA).	8 Indonesian Commercial Banks (KBMI 3 and 4). Period: 2018–2022.	ESG ratings did not have a direct positive and significant effect on PBV. However, ROA was able to significantly mediate the effect of ESG ratings on PBV.
9	Krishnan, et al. (2024)	Independent Variable: ESG scores (Composite, E, S, G scores).  Dependent Variable: Firm Characteristics: Market Value of Equity (MVE), Book-to-Market Ratio (BTM), Return on Assets (ROA).	Public companies in the US (data from 2006–2023).	Higher ESG scores were positively and significantly correlated with MVE (Market Cap) and Environmental scores. However, changes in ESG scores over time

				were not significantly correlated with changes in MVE, BTM, or ROA.
10	Vochenko, et al. (2024)	<p>Independent Variable: ESG combined score.</p> <p>Dependent Variable: Market Capitalization (MCAP Rank).</p>	<p>More than 5,087 companies were registered globally (US, EU, Japan, China, etc.).</p>	<p>ESG disclosure scores had a positive and significant effect on market capitalization (globally and in most sample countries). Exception: in China, the effect of ESG is not significant.</p>
11	Orazalin, et al. (2023)	<p>Independent Variable: Board Sustainability Committee (BSCOM), Process-Based Climate Change Initiatives (PCCIs), Carbon Performance</p>	<p>Global non-financial companies, observations 592 companies</p>	<p>High emissions decreased market value, while climate initiative (PCCIs) and sustainability</p>

		<p>Based on Results/Greenhouse Gas Emissions (CCPE).</p> <p>Dependent Variable: Market Value (MV), Carbon Performance (CCPE) (when tested in relation to PCCIs).</p> <p>Control Variable: Corporate Governance Characteristics (such as board size, independence, and gender diversity), Company-Specific Factors (such as company size, profitability, and debt), Country-Specific Variables (such as country governance quality, GDP growth, and inflation rate)</p>	<p>from 35 countries</p> <p>Between 2002 and 2019</p>	<p>committees (BSCOM) increase it. However, these initiatives were often symbolic "greenwashing," as they correlate with higher emissions and failed to improve actual carbon performance. These findings vary across different countries and sectors.</p>
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## **2.3 Hypothesis**

Based on the above, the hypothesis are as follow:

### **2.3.1 The Impact of Environmental, Social, and Governance performance on Market**

#### **Capital**

Stakeholder theory suggests that for a company to achieve long-term success, it must consider the interests of all parties involved in its operations, such as employees, customers, and the community (Freeman et al., 2010). By focusing on these various groups, firms can build sustainable relationships and earn the public trust necessary for continued growth. Complementing this idea, signaling theory deals with the issue of information asymmetry, where a company's management possesses more internal knowledge about its prospects than outside investors do (Spence, 1973). To reduce this information gap, firms with strong future outlooks send positive signals to the market to demonstrate their quality and commitment to ethical standards. High ESG performance serves as one of these signals, indicating that a firm is engaging in responsible and sustainable business practices. This level of ESG disclosure reflects a firm's transparency and accountability, which helps to increase investor trust and enhance the corporate reputation, ultimately contributing to higher firm value.

Numerous empirical studies have documented this relationship, with research conducted by Aydoğmuş et al. (2022), Miralles-Quirós, et al. (2018), Krishnan, et al. (2024), and Vochenko, et al. (2024) demonstrating that strong ESG scores exert a significant influence on market capitalization. In contrast, weaker ESG performance often

reflects poor management of environmental, social, and governance responsibilities, which sends a negative signal to the market and can lead to a decrease in a company's market capitalization.

Based on theoretical descriptions and previous research findings, it can be assumed that the higher the ESG score (the better ESG management), the higher the company's market capitalization. Therefore, the hypothesis proposed in this research is as follows:

**H1: Environmental, Social, and Governance Performance has a positive impact on company market capitalization.**

### **2.3.2 The Impact of Environmental performance on Market Capital**

In theory, the relationship between environmental performance and market capitalization can be explained through signaling theory. Signaling theory refers to actions taken by management in sharing their views on the company's prospects (Spence, 1973), such as the company's environmental performance to send positive signals to investors.

Environmental performance is a form of responsible corporate behavior that can enhance a company's image in the eyes of consumers (McGuire et al., 1988). In addition, better environmental performance can facilitate companies to gain access to certain markets, in this case investors. Research conducted by Miralles-Quirós, et al. (2018) stated that environmental performance has a significant positive effect on market capitalization. This means that the higher a company's environmental performance, the higher its value will be, thereby attracting investors who believe that investing in the company's shares will yield profits (Ristiani & Sudarsi, 2022).

Based on theoretical descriptions and previous research findings, it can be assumed that the higher the profitability of a company, the higher its value. Therefore, the hypothesis proposed in this research is as follows:

**H2: Environmental Performance has a positive impact on company market capitalization.**

### **2.3.3 The Impact of Social Performance on Market Capital**

Social performance refers to the management of specific primary stakeholders such as employees, customers, and the community (Miralles-Quirós, et al., 2018). Stakeholder theory suggests that for a company to achieve long-term success, it must move beyond a narrow focus on shareholder wealth and consider the interests of all parties involved in its operations, such as employees, customers, and the broader community (Freeman et al., 2010). By paying close attention to these diverse groups, firms are able to build sustainable relationships and earn the public trust necessary for continued growth. Complementing this idea, signaling theory addresses the challenge of information asymmetry, which occurs when a company's management possesses more internal knowledge about its prospects than external investors do (Spence, 1973). To bridge this information gap, firms with strong performance send positive signals to the market to demonstrate their quality and commitment to ethical standards. Strong social performance serves as one of these vital signals, indicating that a firm is engaging in responsible and sustainable business practices. High-quality social disclosure reflects a firm's commitment to transparency and accountability, which helps to increase investor trust, enhance corporate reputation, and ultimately contribute to higher firm value. Prior empirical studies have widely examined this relationship, showing that social performance has a significant impact on market value

(Aydoğmuş, et al., 2022 and Prayoga, et al., 2024). In contrast, weaker social performance is often perceived as a sign of poor management which sends a negative signal to investors and can lead to a decrease in the company's market capitalization.

Based on theoretical descriptions and previous research findings, it can be assumed that the higher the profitability of a company, the higher its value. Therefore, the hypothesis proposed in this research is as follows:

**H3: Social Performance has a positive impact on company market capitalization.**

### **2.3.4 The Impact of Governance performance on Market Capital**

Stakeholder theory proposes that sustained corporate success requires organizations to extend their perspective beyond maximizing returns for shareholders alone and acknowledge the legitimate interests of all parties affected by their business activities, including workforce members, consumers, and society at large. Through careful attention to these varied constituencies via robust oversight mechanisms, organizations can cultivate enduring partnerships and establish the public confidence essential for ongoing expansion. Building on this perspective, signaling theory examines the issue of information imbalance that arises when corporate leadership holds greater internal insight regarding future performance than outside capital providers possess. To address this knowledge disparity, well-performing organizations transmit favorable indicators to capital markets that showcase their capabilities and dedication to principled conduct. Robust oversight practices function as one such critical indicator, demonstrating that an organization maintains responsible and sustainable operations through superior management frameworks. Regular disclosure of governance activities reveals an organization's

dedication to openness and responsibility, thereby strengthening investor confidence, elevating corporate standing, and consequently driving enhanced organizational worth. Previous research confirms this connection, illustrating that governance practices substantially influence corporate market capitalization (Aydoğmuş, et al., 2022, Miralles-Quirós, et al., 2018). Conversely, inadequate governance practices are frequently interpreted as evidence of substandard leadership and insufficient supervision, thereby conveying unfavorable messages to capital providers and potentially resulting in diminished market valuation.

Based on theoretical descriptions and previous research findings, it can be assumed that the higher the profitability of a company, the higher its value. Therefore, the hypothesis proposed in this research is as follows:

**H4: Governance Performance has a positive impact on company market capitalization.**

## 2.4 Theoretical Framework

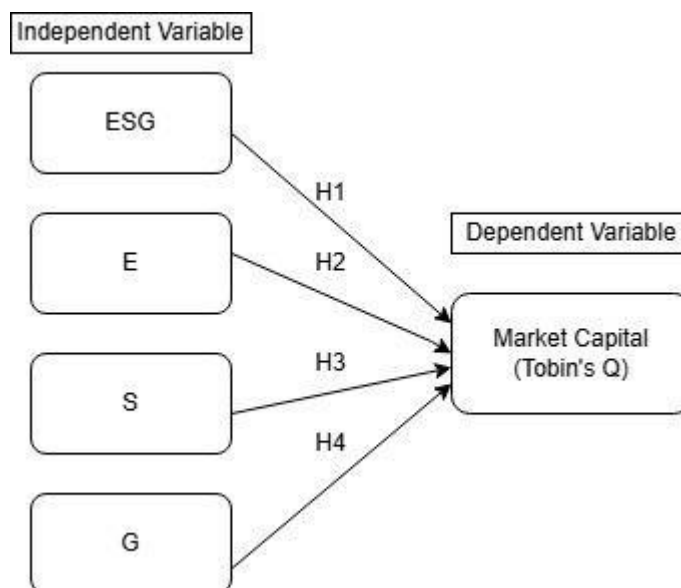


Figure 1 Research Structure

## **CHAPTER III**

### **RESEARCH METHOD**

#### **3.1 Research Object and Sample Collection**

The population in this research consisted of companies publicly listed on the Indonesia Stock Exchange. The data period used was from 2022 to 2024. The sampling method used was purposive sampling after an elimination process. The main criteria that companies must meet to be included in the sample were:

- Companies in the banking sector were actively listed on the Indonesia Stock Exchange during the period of 2022 to 2024.
- Banking sector companies that published Financial and Annual reports for the period ending December 31 during the period of 2022 to 2024
- The company must have an Environmental, Social, and Governance (ESG) score available in the Refinitiv Eikon database during the research period.
- The company had the required data (such as Total Asset, Equity, Market Capital, Revenue, ESG, E, S, G) and was not an outlier.
- Each company's data must be complete for each year.

After the elimination process, the final sample consisted of 17 companies in the banking sector with a total of 51 data observations.

## **3.2 Sources and Techniques of Data Collection,**

The type of data used in this research was secondary quantitative data. This quantitative approach was chosen because it can provide an objective and measurable description of the relationship among the variables studied. The main source of data collection in this research was the Refinitiv Eikon database.

## **3.3 Research Variables**

Research variables were attributes, characteristics, or values of a person, object, or activity that show certain variations determined by the researcher as variables to be studied and from which conclusions can be drawn (Sugiono, 2013).

### **3.3.1 Dependent Variable**

#### **3.3.1.1 Market Capitalization Value**

Market capitalization value is the value of a company's outstanding shares issued for trading on the capital market (Prayoga et al., 2024). The value of a company measured by market capitalization is considered important in driving the company's wealth potential and sustainability.

In the context of other studies, firm value is often proxied using Tobin's Q, which is also a market-based performance measure. Tobin's Q calculated as total assets minus book value of equity plus market value of equity divided by total assets ( Orazalin et al., 2023)

$$Tobin's\ Q = \frac{Total\ Assets - Book\ Value\ of\ Equity + Market\ Value\ of\ Equity}{Total\ Asset}$$

### **3.3.2 Independent Variables**

#### **3.3.2.1 ESG (Environmental, Social, and Governance) Score/Performance**

ESG performance is an important indicator of a company's sustainability and responsible practices (Vochenko et al. 2024). ESG scores or ratings have emerged as an important dimension of corporate evaluation beyond traditional financial metrics. Theoretically, ESG is defined as a concept that prioritizes sustainable investment or business development activities with three main factors or criteria, namely environment, social, and governance ( Miralles-Quirós, et al., 2018)

ESG performance is measured using scores or ratings from external data providers, such as Thomson Reuters Eikon/Refinitiv, which assesses a company's performance in three main pillars. The Refinitiv ESG Combined Score is used as an independent variable, reflecting a company's score on the Environmental (E), Social (S), and Governance (G) dimensions This score ranges from 0 to 100, with 100 being the highest score (Kurniawan, & Rokhim., 2023).

#### **3.3.2.2. Environmental Performance (E)**

Environmental performance refers to corporate environmental management that involves the control and prevention of pollution (Miralles-Quirós, et al., 2018). Environmental performance measures a company's work in relation to minimizing resources, reducing emissions, and product innovation. This includes factors such as carbon emissions, energy use, waste management, and pollution control. Specifically, environmental performance measures a company's effectiveness in reducing the use of materials, energy, or water, finding more environmentally friendly solutions in supply chain management, and effectiveness in reducing

environmental emissions in production and operations (Miralles-Quirós, et al., 2018).

#### **3.3.2.3. Social Performance (S)**

Social performance refers to the management of specific primary stakeholders such as employees, customers, and the community (Miralles-Quirós, et al., 2018). Social performance measures aspects related to job quality, respect for human rights, community relations, and product responsibility. It evaluates the company's relationships with employees, suppliers, customers, and communities, covering aspects such as labor practices, human rights, and community engagement. Specifically, it measures the company's effectiveness in creating job satisfaction, a healthy and safe workplace, maintaining diversity and equal opportunities, respecting human rights conventions, committing to being a good corporate citizen, and the ability to produce quality goods/services that integrate health, safety, integrity, and customer data privacy.

#### **3.3.2.4. Governance Performance (G)**

Corporate governance performance refers to corporate management (such as the structure and function of the board of directors and remuneration policies), shareholder rights, and corporate vision and strategy (Miralles-Quirós, et al., 2018). It measures the quality of corporate governance, including the structure and behavior of the board of directors, executive compensation, and shareholder rights. Specifically, it measures the company's commitment and effectiveness in following the principles of good corporate governance practices, its effectiveness in relation to equal treatment of shareholders, and its practices of communicating information

related to economic-financial, social, and environmental dimensions in its decision-making process.

### **3.3.3 Variable Control**

#### **3.3.3.1. Debt to Equity Ratio - (DER)**

DER or Capital structure is defined as a concept that measures the proportion between total debt and total equity owned by a company. This ratio plays an important role in determining the level of risk and potential return expected by the company. The Debt to Equity Ratio (DER) is calculated by dividing total liabilities by total company equity, as explained in the calculation:

$$DER = \frac{\textit{Total Liabilities}}{\textit{Total Equities}} \times 100\%$$

#### **3.3.3.2 Return on Asset- (ROA)**

ROA is a ratio used to measure a company's ability to generate net income from its asset management (Triyani, & Siswanti., 2023). ROA reflects a company's ability to generate net income based on a certain level of assets (Triyani, & Siswanti., 2023). This ratio reflects a company's efficiency in utilizing all of its resources to generate profits. A high ROA value indicates that the company is able to manage its assets optimally to earn profits.

ROA is calculated by dividing Net Income by Total Assets.

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

### **3.3.3.2 Return on Equity- (ROE)**

Return on Equity is a profitability ratio that measures a company's ability to generate profits for shareholders from invested capital. This ratio reflects the company's efficiency in managing equity to generate profits. Mathematically, ROE is measured by dividing the company's Net Income by Total Equities (Kurniawan and Rokhim, 2023).

$$ROE = \frac{Net\ Income}{Total\ Equities}$$

## **3.4 Data Analysis Methods**

### **3.4.1 Descriptive Statistics**

Descriptive statistics is a statistical method used to measure the population and provide characteristic descriptions of research variables. Its purpose is to describe the basic values of a variable, which includes minimum values, maximum values, mean, and standard deviation, providing information that is easy to understand.

#### **1. Classical Assumption Test**

##### **3.4.1.1 Normality Test**

The normality test is conducted to determine whether the residual distribution in a regression model is normally distributed. According to

Widarjono, (2018), this test is important because one of the classical assumptions in linear regression is that the error term must be normally distributed, particularly for hypothesis testing of regression parameters. Ghozali (2007:110-115) further explained that the normality test aims to examine whether the disturbance variable or residuals in the regression model have a normal distribution. There are two ways to detect this: graphical analysis and statistical tests. Several commonly used methods include the Monte Carlo test. Monte Carlo is a quantitative approach used to assess or minimize the impact of non-normally distributed data within research models (Orazalin et al., 2023). In this research, the Monte Carlo test is employed with the requirement that residual data is considered normally distributed if the significance value is greater than 0.05 (Mustofa and Nurfadillah, 2021).

#### **3.4.1.2 Multicollinearity test**

The multicollinearity test is one part of the classical assumption test that aims to examine whether there is a high correlation among independent variables in the regression model. This test is conducted in regression analysis, such as panel data regression to ensure that the model does not contain high correlation or perfect or near-perfect correlation among independent variables. If a strong correlation occurs among independent variables, it will cause the model error to become larger and the regression coefficients cannot be determined accurately. To ensure a good regression model that is free from multicollinearity symptoms, the statistical criterion

that must be met is that the Variance Inflation Factor (VIF) value must be below 10. According to Ghozali (2007), the commonly used threshold to indicate the presence of multicollinearity is a tolerance value of less than 0.10 which can be interpreted as an indication of multicollinearity symptoms in the regression model.

#### **3.4.1.2 Heteroscedasticity Test**

The Heteroscedasticity Test is a classical assumption test that aims to examine whether there is inequality of variance from residuals (disturbance variables) between one observation and another in a regression model, particularly in models based on Ordinary Least Squares (OLS). Heteroscedasticity testing constitutes an essential diagnostic procedure in Ordinary Least Squares (OLS) regression analysis to verify whether the assumption of constant error variance across observations is satisfied, a prerequisite for estimators to possess the Best Linear Unbiased Estimator (BLUE) properties (Park, 1966). The Park Test, one of the earliest formal approaches to detect heteroscedasticity, operates by regressing the natural logarithm of squared residuals obtained from the initial OLS estimation on the logarithm of the suspected explanatory variable(s), thereby transforming the multiplicative heteroscedastic relationship into a testable linear form (Park, 1966; Godfrey and Orme, 1999). Under the null hypothesis of homoscedasticity, the coefficient on the logarithmic independent variable should not be statistically significant; consequently, if the computed t-statistic or F-statistic exceeds the critical value at a conventional

significance level of  $\alpha = 0.05$ , the null hypothesis is rejected, indicating the presence of heteroscedasticity (Harvey, 1976). Conversely, the regression model passes the heteroscedasticity test and satisfies the homoscedasticity assumption when the probability value (p-value) exceeds 0.05, signifying that the null hypothesis of constant variance cannot be rejected and confirming that error terms exhibit uniform variance across all observations (White, 1980; MacKinnon and White, 1985).

### **3.4.1.3 Autocorrelation Test**

The Autocorrelation Test is part of the classical assumption test conducted to examine whether there is a correlation between the disturbance error (residual) in a given period ( $t$ ) and the disturbance error in the previous period ( $t-1$ ). The purpose of this test is to ensure that the regression model, especially those based on Ordinary Least Squares (OLS), meets the Best Linear Unbiased Estimator (BLUE) requirements. The Durbin-Watson test, one of the most widely employed methods for detecting first-order autocorrelation, operates through a two-step procedure: first, computing the test statistic by calculating the ratio of the sum of squared differences between consecutive residuals to the sum of squared residuals from the original OLS estimation, which yields a value ranging from 0 to 4, second, comparing this calculated statistic against critical lower ( $dL$ ) and upper ( $dU$ ) bounds derived from Durbin-Watson tables at a predetermined significance level of  $\alpha = 0.05$  (Durbin and Watson, 1951; Kiviet, 2020). Under the decision rule framework, the null hypothesis of no autocorrelation is

rejected if the test statistic falls below  $dL$  (indicating positive autocorrelation) or above  $4-dL$  (indicating negative autocorrelation), while the model passes the autocorrelation test when the statistic lies between  $dU$  and  $4-dU$ , confirming the absence of serial correlation; values falling in the inconclusive regions between  $dL$  and  $dU$  or between  $4-dU$  and  $4-dL$  require alternative testing procedures (Durbin and Watson, 1971; Dufour and Dagenais, 2020). For models containing lagged dependent variables where the standard Durbin-Watson test is biased toward accepting the null hypothesis, Durbin's h-statistic and the Durbin-Watson two-step method provide alternative approaches: the two-step procedure involves first estimating the original model and obtaining residuals then regressing these residuals on their lagged values and all original regressors with the significance of the lagged residual coefficient serving as the test criterion for autocorrelation (Durbin, 1970; Belsley and Klema, 2015).

### **3.5 Multiple Linear Regression Analysis**

This research used multiple linear regression, which means performing regression analysis with two or more independent variables (Basuki & Prawoto, 2016). In this research, the data analysis method used multiple linear regression analysis to determine the effect of the independent variable namely ESG (Environmental, Social, and Governance), on the dependent variable namely Market Capital, on the control variable namely Return on Equity, Return on Asset, and Debt to Equity Ratio which was proxied by the following formula:

$$\text{TBQ} = \alpha + \beta_1\text{ESG} + \beta_2\text{E} + \beta_3\text{S} + \beta_4\text{G} + \beta_5\text{DER} + \beta_6\text{ROA} + \beta_7\text{ROE} + \varepsilon$$

- **TBQ = Market Capital**
- **ESG = Environmental, Social, and Governance**
- **E = Environmental**
- **S = Social**
- **G = Governance**
- **DER= Debt to Equity Ratio**
- **ROA= Return on Asset**
- **ROE= Return on Equity**
- **$\alpha$ : Constant**
- **$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$  : Coefficient regression**
- **$\varepsilon$ : Error term**

### **3.6 Hypothesis Testing**

The model used to test the hypothesis in this research was multiple linear regression analysis. This approach was used to predict changes in the dependent variable (criterion) based on variations in two or more independent variables as predictor factors. The regression equation used in this research was as follows:

Hypothesis testing in this research aimed to determine the extent to which independent variables affected dependent variables. The hypothesis testing covered the following:

## **1. T-Test**

The t-test is used to determine how much each independent variable individually influences the dependent variable. This test is based on the probability value (sig). If the probability value is  $< 0.05$ ,  $H_0$  is rejected and  $H_a$  is accepted, which means that there is a significant partial or individual effect. Conversely, if the probability value is  $> 0.05$ ,  $H_0$  is accepted and  $H_a$  is rejected, so it can be concluded that there is no significant partial or individual effect.

## **2. Model Feasibility Test**

Model validity testing is used to assess whether the regression analysis results can be considered valid and to see whether all independent variables collectively influence the dependent variable. This test is conducted using the F test and a significance level of  $< 0.05$  as the basis for decision making. If the probability value is  $< 0.05$ ,  $H_0$  is rejected and  $H_a$  is accepted, which means that there is a simultaneous significant effect. Conversely, if the probability value is  $> 0.05$ ,  $H_0$  is accepted and  $H_a$  is rejected, so it can be concluded that there is no simultaneous significant effect.

## **3. Coefficient of Determination (Adjusted R<sup>2</sup>)**

The model's ability to explain the dependent variable is measured by looking at the adjusted R<sup>2</sup> value, which ranges from 0 to 1. The higher the adjusted R<sup>2</sup> value and the closer it is to 1, the better the model's ability to describe the variation in the dependent variable.

## CHAPTER IV

### RESULTS AND DISCUSSION

#### 4.1 Data Research Results

This research examined and analyzed the effect of Environmental, Social, and Governance (ESG) performance on a company's market capitalization, which was measured using Tobin's Q as an indicator of company value and ROA, ROE, DER as a control variable. Using annual report data and closing stock prices as of December from the official website of the Indonesia Stock Exchange for the period of 2021–2023, ESG disclosure scores were obtained from the Bloomberg portal. This research method used a purposive sampling technique which was selected based on certain considerations or criteria, with the following results:

Table 4.1 Data Research Results

No	Description	Total
1.	Banking sector companies listed on the IDX	48
2.	Companies not listed on the IDX from 2022 to 2024 consecutively.	6

3.	Banking sector companies did not publish ESG disclosure scores for 2022–2024 consecutively.	25
4.	Total Sample (n x research period) (17 x 3 years)	51

**4.2 Descriptive Statistics Analysis**

Descriptive statistics is a statistical method used to measure populations and provide characteristics of a research variable. Its purpose is to describe the basic values of a variable which includes the minimum, maximum, mean, and standard deviation, providing information that is easy to understand.

This research used secondary data consisting of eight variables, including one dependent variable namely stock price using Tobin Q, independent variables consisting of ESG Score, Environmental Performance, Social Performance, Governance Performance, and moderating variables consisting of Return on Assets, Return on Equity, and Debt on Equity. The following is a description of each variable used in the research:

Table 4.2 Descriptive Statistical Test Results

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Tobin Q</b>	51	0.42	2.77	0.98	0.37
<b>ESG</b>	51	24.83	87.12	58.99	16.96
<b>E</b>	51	16.95	88.51	55.34	21.55
<b>S</b>	51	8.48	93.77	60.76	22.10
<b>G</b>	51	25.93	90.07	64.79	17.46
<b>ROA</b>	51	0.01	0.34	0.77	0.07
<b>ROE</b>	51	0.02	0.60	0.37	0.12
<b>DER</b>	51	0.00	1.68	0.39	0.39

### **Results of Descriptive Statistical Analysis**

Descriptive statistical analysis was conducted to provide an overview of the variables in this research, namely Tobin's Q, ESG, E, S, G, ROA, ROE, and DER. These descriptive statistics include the minimum, maximum, mean, median, and standard deviation of the 17 company samples analyzed.

Tobin's Q serves as a measure of firm performance and market valuation. Based on Table 4.2, data shows a minimum value of 0.42 and a maximum value of 2.77, with a mean value of 0.98 and a standard deviation of 0.37. A mean near 1.0 suggested that, on average, the market value of the sampled firms was close to the replacement cost of their assets. However, the range and standard deviation indicated that some firms in the sample were significantly undervalued by the market (below 1.0), while others commanded a substantial premium.

The ESG score and its individual pillars such as Environmental (E), Social (S), and Governance (G), reflected the sustainability and ethical performance of the firms. The combined ESG score ranged from a minimum of 24.83 to a maximum of 87.12, with a mean of 58.99 and standard deviation of 16.96. The Environmental pillar showed a mean of 55.34 and a standard deviation of 21.55, with values ranging from 16.95 to 88.51. The Social pillar exhibited the highest variability in the entire dataset, with a standard deviation of 22.10 and the widest range, from a minimum of 8.48 to a maximum of 93.77 and mean of 60.76. This suggested a vast disparity in how firms within the sample manage social responsibilities and stakeholder relations. In contrast, the Governance pillar had the highest mean score (64.79) among the three components, with a standard deviation of 17.46 and values ranging from 25.93 to 90.07. This indicated that governance practices were generally more established or consistently reported compared to environmental or social factors.

The financial characteristics of the firms were captured through ROA, ROE, and DER. Return on Equity (ROE) ranges from 0.02 to 0.60, with a mean of 0.37 and a standard deviation of 0.12, indicating a relatively moderate level of variability in how effectively firms generated profit from shareholders' equity. The Debt-to-Equity Ratio (DER) showed a minimum of 0.00 and a maximum of 1.68, with a mean of 0.39 and a standard deviation of 0.39. The identical mean and

standard deviation highlighted a high degree of variation in capital structures, ranging from firms with no debt to those with higher leverage. Return on Assets (ROA) reported a minimum of 0.01 and a maximum of 0.34, with a standard deviation of 0.07 and a reported mean of 0.77. In summary, the descriptive statistics revealed significant heterogeneity among the sampled companies, particularly with regard to their social and environmental practices. The high variation observed in ESG components (especially the Social pillar) and Debt-to-Equity Ratios indicated that the sample consists of companies with diverse operational strategies and financial structures. These differences in company characteristics implied that while some companies were leaders in sustainability and market performance, others still have significant room for improvement. This high variability might affect company performance differently across the sample, highlighting the potential for further research that needs to be explored.

### **4.3 Classical Assumption Test**

#### **4.3.1 Normality Test**

The normality test aimed to test whether the dependent and independent variables in the regression model were normally distributed. This research used the Monte Carlo normality test, a quantitative approach used to assess or minimize the impact of non-normally distributed data within research model (Orazalin et al., 2023). The results of the normality test were as follows:

Table 4.3 Normality Test

N			Unstandardized Residual
			51
Normal Parameter	Mean		0.00000
	Std. Deviation		0.1922
Most Extreme Differences	Absolute		0.139
	Positive		0.118
	Negative		-0.139
Test Statistic			0.139
Asymp. Sig (2-tailed)			0.015
Monte Carlo Sig (2-tailed)	Sig		0.251
	99 % Confidence Interval	Lower Bound	0.240
		Upper Bound	0.263

From Table 4.3, asymp.sig (2-tailed) showed a value of  $0.015 < 0.05$ . From these results, the data was not normally distributed, so this research used another option, namely the Monte Carlo method. After conducting a normality test with the Monte Carlo Sig. (2-tailed) model, the value showed  $0.263 > 0.05$ , so it can be concluded that the residuals or research data were **normally distributed**.

### 4.3.2 Multicollinearity Test

Table 4.4 Multicollinearity Test

Model	Unstandardized Coefficients		Standardize d	t	Sig.	Collinearity Statistic	
	B	Std. Error				Tolerance	VIF
(Constant)	-892262448	653765951 2		-0.136	0.892		
ESG			-0.90	-0.665	0.509	0.824	1.214
E	429047387. 4	81490484.8 3	0.587	5.265	0.000	0.515	1.942
S	-135294445	77933389.3 6	-0.185	-1.736	0.085	0.562	1.781
G	- 11207127.6	63510888.2 6	-0.015	-0.176	0.860	0.905	1.105
ROA	3.932	3.443	0.137	1.142	0.256	0.444	2.254
ROE	-3.909	1.427	-0.295	-2.739	0.007	0.550	1.818

<b>DER</b>	165163	320177	0.048	0.516	0.607	0.731	1.368
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By using the Variance Inflation Factor (VIF) if the centered VIF value is greater than 10, it can be concluded that there is high multicollinearity in the model. Based on the analysis results in Table 4.4, the centered VIF valued for all independent variables were below 10, which means **there was no multicollinearity** problem in the regression model. This was indicated by the centered VIF values for all independent variables being below the threshold value of < 10.

#### 4.3.3 Heteroscedasticity Test

The heteroscedasticity test was conducted to examine whether the variance of residuals remained constant across all observations in the regression model. This test aimed to detect the presence of heteroscedasticity, which occurred when the variance of error terms differed from one observation to another, thereby violating the homoscedasticity assumption of classical linear regression.

Table 4.5 Heteroscedasticity Test

Model	Unstandardized coefficients		Standardized Coefficients Beta	T	Significant
	B	Std. Error			
Constant	0.068	0.115		0.591	0.558
ESG	-0.013	0.020	-1.619	-0.673	0.504
E	0.002	0.004	0.276	0.480	0.633

S	0.008	0.009	1.340	0.885	0.381
G	0.005	0.008	0.630	0.648	0.521
ROA	1.749	0.385	0.904	4.538	0.059
ROE	-5.023	2.849	-0.355	-1.763	0.085
DER	-0.015	0.046	-0.044	-0.330	0.743

By using the significance values of all variables if the significance value was greater than 0.05, there is no heteroscedasticity. Based on the analysis results in Table 4.5, the significance values for all independent variables were greater than 0.05 which means that **there was no heteroscedasticity** problem in the regression model.

#### 4.3.4 Autocorrelation Test

Table 4.6 Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	0.792	0.627	0.564	0.18620	1.809

The autocorrelation test using the Durbin-Watson Two-Step Method produced a Durbin-Watson statistic value of 1.809. Based on Table 4.6 with the specified number of observations and independent variables, the lower bound (dL) and upper bound (dU) critical values were 1.692 and 2.308 (4-dU), respectively. Since the calculated Durbin-Watson value fell within the no-autocorrelation region ( $1.692 < 1.809 < 2.308$ ), it can be concluded that the regression model was

free from autocorrelation problems, thereby satisfying the classical assumption of independence of error terms.

#### 4.4 Multiple Linear Regression Analysis

Regression analysis aimed to determine whether or not there is an effect of the independent variable.

##### 4.4.1 Coefficient of Determination

Table 4.7 Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.846	0.716	0.670	0.21319

Based on Table 4.7, the adjusted R-squared value obtained was 0.21319 or 21.3%.

This means that the independent variables in the model were able to explain 21.3% of the variation in the dependent variable while the remaining 78.7% was influenced by other variables not included in this research model.

##### 4.4.2 F Test

Table 4.8 F Test

Model	Sum of Squares	df	Mean Square	F	Significant	
1	Regression	4.931	7	0.704	15.498	0.000
	Residual	1.954	43	0.045		
	Total	6.885	50			

A regression model is considered FIT if the Sig. value is ( $<0.05$ ). Based on Table 4.8, the test results showed a significance value of 0.000 which was less than the significance level  $\alpha = 0.05$  ( $0.000 < 0.05$ ). Thus, it can be concluded that all independent variables simultaneously or collectively had a significant effect on the dependent variable, and the regression model used in this research was deemed appropriate (fit).

#### 4.4.3 T Test

Table 4.9 T Test ( Hipotesis Testing)

Model	Unstandardized Coefficient		Standardized Coefficient	t	Significant
	B	Std. Error			
1 (Constant)	0.613	0.233		2.629	0.012
ESG	-0.070	0.040	-3.182	-1.757	0.086
E	0.018	0.007	1.024	2.362	0.023
S	0.031	0.019	1.847	1.620	0.113
G	0.023	0.016	1.063	1.450	0.154

ROA	5.944	0.781	1.142	7.607	0.000
ROE	-1.090	0.406	-0.375	- 2.683	0.010
DER	0.265	0.094	0.285	2.818	0.007

$$\mathbf{TBQ} = 0.613 - 0.070\mathbf{ESG} + 0.018\mathbf{E} + 0.031\mathbf{S} + 0.023\mathbf{G} + 0.265\mathbf{DER} + 5.944\mathbf{ROA} + -1.090\mathbf{ROE} + \varepsilon$$

If sig. <0.05, it can be concluded that there is a significant effect and a significance level of 10% is also used to help researchers provide a more comprehensive picture of the factors that influence ESG and market value, ensuring that potential relationships are still recorded even if their strength is below the strict threshold of 5% or 1% (Orazalin et al., 2023). Based on the regression analysis results in the table above, the following hypothesis tests were then conducted:

### **The Impact of Environmental, Social, and Governance performance on Market Capital**

Based on the regression test results (Table 4.9), the t-statistic value for the combined Environmental, Social, and Governance (ESG) variables on firm value was -1.757 with a P-value of 0.086. This P-value indicated a figure lower than the significance level of  $\alpha = 0.10$  ( $0.086 < 0.10$ ). Therefore, the first hypothesis (H1) stating that ESG combined has a significant effect on the firm value of banking companies listed on the Indonesia Stock Exchange for the years 2022-2024 can be **accepted** (Significant Value <0.10). Meanwhile each 1 unit increase in the overall ESG score reduced TBQ by 0.070, assuming other variables remained constant.

### **The Impact of Environmental Performance on Market Capital**

Based on the regression test results (Table 4.9), the t-statistic value for the Environmental performance variable on company value was 2.362 with a P-value of 0.023. This P-value was smaller than the significance level  $\alpha = 0.05$  ( $0.023 < 0.05$ ). Thus, the second hypothesis (H2), which stated that Environmental performance has a significant effect on company value in banking companies listed on the Indonesia Stock Exchange in 2022-2024, can be **accepted**. Meanwhile each 1 unit increase in environmental score increased TBQ by 0.018.

### **The Impact of Social Performance on Market Capital**

Based on the regression test results (Table 4.9), the t-statistic value for the Social performance variable on company value was 1.620 with a P-value of 0.113. This P-value was greater than the significance level  $\alpha = 0.10$  ( $0.113 > 0.10$ ). Thus, the third hypothesis (H3) which stated that social performance has a significant effect on company value in banking companies listed on the Indonesia Stock Exchange in 2022-2024 cannot be accepted or **rejected**. Meanwhile each 1 unit increase in social score increased TBQ by 0.031.

### **The Impact of Governance Performance on Market Capital**

Based on the regression test results (Table 4.9), the t-statistic value for the Governance variable on company value was 1.450 with a P-value of 0.154. This P-value was greater than the significance level  $\alpha = 0.10$  ( $0.154 > 0.10$ ). Thus, the fourth hypothesis (H4) which stated that Governance has a significant effect on company value in banking companies listed on the

Indonesia Stock Exchange in 2022-2024, cannot be accepted or **rejected**. Meanwhile each 1-unit increase in governance score increased TBQ by 0.023.

## **Discussion**

### **Environmental, Social, and Governance Performance and company market capitalization**

Based on the regression test results, the first hypothesis stating that Environmental, Social, and Governance (ESG) had an effect on market capitalization obtained a p-value of 0.086, which was lower than the significance level of 0.10. Therefore, ESG was statistically significant at the 10% level, and the research hypothesis can be accepted. However, the negative coefficient and t-statistic indicated that the direction of the relationship between ESG and market capitalization was negative in the observed sample. This finding suggested that increases in ESG scores are not necessarily responded to positively by the market in the short term, particularly for banking companies in Indonesia during the 2022–2024 period. Consequently, although ESG showed statistical significance, the relatively loose significance level and negative coefficient require the results to be interpreted with caution.

From a theoretical perspective, ESG implementation and disclosure reflected a company's commitment to sustainability and responsibility towards stakeholders, which in the long term can increase investor confidence and strengthen market value. Aydoğmuş et al. (2022) argued that companies that consistently disclose ESG practices send positive signals about their long-term sustainability orientation and responsible corporate governance which in favorable market conditions can increase investor interest and improve access to capital. However, the negative relationship found in this research can be explained by several factors, including the relatively high

initial costs of ESG implementation, which can suppress short-term financial performance and be perceived negatively by investors. According to Nanda & Yandari (2025), ESG disclosure as a whole has a negative effect on Return on Assets (ROA). This is thought to be due to the high short-term costs of ESG implementation. Furthermore, in emerging markets such as Indonesia, investors still tend to focus on short-term financial metrics such as net profit margin and gross profit margin, while ESG implementation requires a long adaptation period (Oktrivina et al. 202). This is in line with research of Kurniawan and Rokhim (2021) which stated that the ESG Combined Score has a negative effect on a company's market capitalization. These conditions may cause ESG factors not yet to be fully reflected as value-enhancing elements in market capitalization in the short term.

### **Environment performance and market capitalization**

Based on the regression test results, the second hypothesis, which stated that environmental performance has a significant effect on firm value in banking companies listed on the Indonesia Stock Exchange during the period of 2022-2024, was supported with a p-value of 0.023. This p-value was lower than the significance level of  $\alpha = 0.05$  ( $0.023 < 0.05$ ) indicating that corporate environmental performance had a significant influence on firm market capitalization.

From a theoretical perspective, the implementation and disclosure of environmental performance reflects a company's commitment to sustainability and responsibility towards the surrounding environment, which ultimately increases investor confidence and strengthens market value. In other words, companies that consistently disclose good environmental performance send positive signals about their long-term sustainability orientation and responsible corporate governance, which in favorable market conditions can increase investor interest and improve access to capital. This is evidenced by a positive t-value, which indicates a significant positive relationship between environmental performance disclosure and company market capitalization.

Companies with superior environmental performance tend to have higher market capitalization, which can be valuable information for investor decision-making. This phenomenon can be attributed to the belief that ESG implementation indicates that investments take sustainability factors into account. These findings were consistent with previous research conducted by Miralles-Quirós et al. (2018), which found that environmental performance positively affects company value.

### **Social performance and market capitalization.**

Based on the regression analysis results, the third hypothesis regarding the influence of social performance on firm market capitalization yielded a t-statistic of 1.620 with a p-value of 0.113, which exceeded the predetermined significance level of  $\alpha = 0.10$ . Consequently, the hypothesis that social performance significantly affected market capitalization was not supported by the empirical evidence. Although social performance had the potential to enhance corporate reputation and attractiveness to investors, its impact on company market value had not been empirically proven in this research. These findings indicated that investors in the Indonesian banking sector continued to prioritize fundamental financial metrics, such as profit ratios and financial risk indicators, when making investment decisions. This was in line with research conducted by Balagobei, (2018), which stated that investors tend to ignore ESG and prioritize financial indicators to measure company performance during post-pandemic economic instability. Furthermore, the regulatory and policy framework related to ESG in Indonesia did not yet comprehensively require companies to adjust their capital structure based on social performance considerations.

The insignificant relationship between social performance and market capitalization can be attributed to the time horizon for realizing the economic benefits of social investment, which

may exceed the period analyzed in this research. According to Azzahra & Puspita (2025), CSR disclosure gradually builds a good image, so that new investors are attracted after consistency is seen in repeated annual reports. Similarly, a research of BEI construction companies (2018-2021) found that the influence of CSR on stakeholder perceptions requires an adaptation period before it affects investment decisions. Therefore, based on these findings, it can be concluded that social performance did not show a statistically significant effect on the market value of companies listed on the Indonesia Stock Exchange during the period of 2022-2024, suggesting that although social responsibility remains important, its transformation into measurable market value may depend on better disclosure practices and greater investor awareness in emerging markets. This aligned with research conducted by Miralles-Quirós et al. (2018), which stated that social performance is not significantly related to market capitalization.

### **Governance performance and market capitalization**

Based on the regression analysis results, the fourth hypothesis regarding the influence of governance performance on firm market capitalization yielded a t-statistic of 1.450 with a p-value of 0.154, which exceeded the predetermined significance level of  $\alpha = 0.10$ . Consequently, the hypothesis that governance performance significantly affects market capitalization was not supported by the empirical evidence. Although good corporate governance was theoretically expected to enhance investor confidence and reduce agency costs, its direct impact on firm market value had not been empirically substantiated in this research. This finding suggested that while governance mechanisms exist within Indonesian banking companies, investors may not yet fully incorporate governance quality into their valuation assessments, or the governance disclosure

practices may lack sufficient transparency and standardization to enable meaningful evaluation by market participants.

The insignificant relationship between governance performance and market capitalization can be attributed to the fact that there may be little difference in governance practices among banking companies in Indonesia. As regulatory compliance requirements set minimum thresholds that reduce variations in governance quality among listed companies. Nurfadilah et, al. (2025) found no significant differences in corporate governance variables between conventional and Islamic banks in Indonesia (2019-2023), indicating homogeneity in governance structures in the banking sector. Furthermore, Aydoğmuş et al. (2022) noted that the impact of governance on company value can vary depending on different institutional contexts and market conditions. Therefore, based on these findings, it can be concluded that governance performance did not show a statistically significant impact on the market value of companies in the banking sector listed on the Indonesia Stock Exchange during the period of 2022-2024, indicating that improved governance disclosure standards and greater market awareness may be necessary for governance quality to translate into measurable market premiums in emerging markets.

## CHAPTER V

### CONCLUSION AND RECOMMENDATIONS

#### 5.1 Conclusion

Based on the research findings and data analysis, several key conclusions emerged regarding ESG factors and market capitalization of Indonesian banking companies from 2022 to 2024. Overall, ESG performance showed a significant negative relationship with market capitalization, which might be explained by the high short-term costs companies faced when implementing ESG initiatives, as previous research found that ESG disclosure negatively affects Return on Assets due to these implementation expenses. However, when looking at individual components, the picture became more nuanced. Environmental performance alone actually had a significant positive impact on market capitalization, suggesting investors value banks' environmental efforts. In contrast, both social and governance performance showed positive but statistically insignificant effects on market capitalization. For social performance, this weak relationship could be because stakeholders needed time to adjust their perceptions of corporate social responsibility before these efforts influence their investment decisions. Similarly, governance performance's insignificant impact aligned with findings that governance structures were quite similar across both conventional and Islamic banks in Indonesia, meaning governance practices did not vary enough between banks to create a noticeable difference in market valuation.

#### 5.2 Limitations and Recommendations for Future Research

This research had some limitations that readers should keep in mind when interpreting the results. The main challenge encountered during the research process was related to data availability and consistency across the sample companies. Specifically, not all banking companies listed on

the Indonesia Stock Exchange between 2022 and 2024 consistently published their ESG scores on Refinitiv Eikon. This inconsistency in reporting meant that some banks had to be excluded from the analysis, which directly affected the research scope. As a result of this data limitation, the final sample size was relatively small. A smaller sample could potentially limit the generalizability of the findings and may not fully capture the diversity of ESG practices across the entire banking sector. To address these limitations and strengthen future research in this area, scholars could consider extending the research period beyond the current three-year timeframe. Additionally, expanding the research to include banking sectors from multiple countries would significantly increase the sample size and provide a more comprehensive understanding of how ESG factors influence market performance across different markets and regulatory environments. Future researchers might also want to explore additional variables that could provide deeper insights into the ESG market capitalization relationship. For example, incorporating ESG risk ratings alongside ESG performance scores could reveal how investors perceive and respond to different levels of ESG related risks in the banking industry.

### **5.3 Implications**

Based on the research findings, several important implications emerged for different stakeholders. From a theoretical perspective, this research confirmed both stakeholder theory and signaling theory by demonstrating that strong ESG disclosure could enhance company value, while also opening doors for future research to explore what factors might strengthen this relationship even further. On the practical side, the implications vary depending on the stakeholder group. For companies, maintaining transparent ESG practices could significantly improve their reputation and build investor confidence, ultimately leading to higher company value. Investors, on the other

hand, should view ESG performance as a crucial factor when making sustainable investment decisions, as it provides valuable insights into a company's long-term viability. Management teams were encouraged to integrate ESG principles into their core business strategies, as doing so could enhance their competitive position in the market. From a policy standpoint, regulators should consider implementing stricter ESG disclosure requirements to ensure greater transparency and accountability across the banking sector. Additionally, ESG standards organizations showed a vital role in strengthening reporting frameworks and guidelines, which will help create a more efficient, transparent, and sustainable market environment for all participants.

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## APPENDIX

### Appendix 1 Raw Data

NO.	Company	Year	Tobin Q	ESG	E	S	G	ROA	ROE	DER
1	Bank	2024	0.89	59.61	52.40	55.29	77.33	0.08	0.38	0.44
	Damon	2023	0.90	56.70	33.43	52.66	77.86	0.09	0.38	0.31
	Indonesia Tbk	2022	0.89	60.56	32.40	57.48	83.05	0.09	0.37	0.21
2	Bank	2024	0.92	64.69	57.04	65.54	75.47	0.05	0.30	1.07
	Maybank	2023	0.93	50.01	61.23	61.82	39.38	0.05	0.30	0.47
	Indonesia Tbk	2022	0.92	48.93	34.84	52.03	57.26	0.05	0.30	0.55
3	Bank	2024	0.99	77.01	68.16	88.20	71.33	0.05	0.33	0.54
	Negara	2023	1.04	79.23	67.86	86.67	80.18	0.05	0.36	0.39
	Indonesia (Persero) Tbk	2022	1.03	79.25	71.15	86.88	78.89	0.05	0.40	0.44
4	PT Bank	2024	0.97	66.46	78.07	64.10	68.88	0.04	0.27	0.35
	Permata	2023	0.97	51.84	51.57	57.79	53.88	0.04	0.29	0.34
	Tbk	2022	1.00	45.51	54.02	54.37	41.00	0.04	0.27	0.27
5	PT Bank	2024	0.97	65.42	86.68	58.15	70.77	0.05	0.36	0.41
	CIMB	2023	0.98	58.37	88.51	46.64	66.38	0.06	0.38	0.59
	Niaga Tbk	2022	0.95	51.54	80.47	49.13	47.68	0.06	0.42	0.26

6	PT Bank	2024	0.87	68.08	73.73	52.35	87.61	0.04	0.29	0.50
	OCBC	2023	0.87	66.13	72.83	48.08	88.46	0.05	0.30	0.53
	NISP Tbk	2022	0.87	64.15	73.86	43.03	89.49	0.04	0.31	0.46
7	PT Bank	2024	0.95	83.06	76.91	92.71	78.42	0.07	0.39	0.02
	Central	2023	0.98	86.19	79.75	93.64	85.18	0.07	0.39	0.01
	Asia Tbk	2022	0.85	87.12	78.77	93.77	88.23	0.06	0.37	0.01
8	PT Bank	2024	0.87	82.71	82.26	80.03	86.70	0.06	0.47	0.90
	Mandiri	2023	0.87	82.82	81.83	78.83	88.88	0.06	0.48	0.64
	(Persero) Tbk	2022	0.88	82.76	71.89	85.64	90.07	0.06	0.50	0.53
9	PT Bank	2024	0.84	81.56	84.83	81.08	84.07	0.09	0.53	0.58
	Rakyat	2023	0.84	81.69	86.66	84.43	79.82	0.08	0.51	0.53
	Indonesia (Persero) Tbk	2022	0.84	73.17	85.87	84.67	55.70	0.08	0.49	0.51
10	PT Bank	2024	0.94	74.88	58.56	89.09	70.70	0.03	0.42	1.50
	Tabungan	2023	0.94	68.49	58.10	82.34	63.70	0.03	0.49	1.68
	Negara (Persero) Tbk	2022	0.95	70.43	60.51	81.97	69.59	0.04	0.60	1.65
11		2024	0.87	49.52	44.47	36.65	78.14	0.06	0.39	0.18
	PT Bank	2023	0.87	44.42	50.88	34.95	64.96	0.06	0.40	0.21
	Sirmas Tbk	2022	0.88	42.71	53.03	31.95	64.53	0.07	0.43	0.08

12	PT Bank	2024	0.88	57.66	45.90	73.49	49.44	0.05	0.41	0.72
	Pembangun	2023	0.89	62.82	48.26	83.25	50.62	0.05	0.44	0.70
	Daerah Jawa Timur									
	Tbk	2022	0.89	57.41	48.20	70.72	53.87	0.05	0.45	0.40
13	PT Bank	2024	0.87	29.20	16.95	22.96	48.32	0.03	0.15	0.14
	Panin	2023	0.87	38.16	18.98	26.39	68.41	0.03	0.17	0.50
	Dubai Syariah									
	Tbk	2022	0.86	27.59	20.60	8.48	63.69	0.04	0.22	0.18
14	PT Bank	2024	0.89	49.71	54.08	72.14	25.93	0.04	0.40	0.03
	Syariah	2023	0.89	49.64	50.83	69.46	34.09	0.05	0.43	0.02
	Indonesia									
	Tbk	2022	0.89	50.50	51.39	68.40	38.89	0.05	0.47	0.03
15	PT Bank	2024	0.99	50.44	30.96	47.55	67.82	0.23	0.53	0.02
	BTPN	2023	0.99	51.82	32.53	50.67	67.46	0.25	0.60	0.01
	Syariah									
	Tbk	2022	1.12	56.18	31.87	62.04	64.84	0.24	0.60	0.02
16	PT Bank	2024	2.29	24.83	21.67	22.02	35.58	0.34	0.50	0.00
	Amar	2023	2.77	29.29	24.46	20.62	49.46	0.30	0.40	0.00
	Indonesia	2022	2.03	27.90	25.83	25.31	39.27	0.20	0.29	0.00
17	PT Bank	2024	0.70	58.65	56.85	64.94	59.58	0.04	0.10	0.20
	Aladin	2023	0.61	42.87	25.18	52.07	43.59	0.03	0.07	0.01

	Syariah									
	Tbk	2022	0.42	38.60	25.39	46.30	40.28	0.01	0.02	0.23

## Appendix 2 Descriptive Statistics

### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
TOBIN	51	.42	2.77	.9839	.37109
ESG	51	24.83	87.12	58.9861	16.95956
E	51	16.95	88.51	55.3431	21.55069
S	51	8.48	93.77	60.7602	22.10553
G	51	25.93	90.07	64.7986	17.46204
ROA	51	.01	.34	.0771	.07131
ROE	51	.02	.60	.3749	.12757
DER	51	.00	1.68	.3994	.39909
Valid N (listwise)	51				

Appendix 3 Normality Test

**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual	
N		51	
Normal Parameters <sup>a,b</sup>	Mean	.0000000	
	Std. Deviation	.19226811	
Most Extreme Differences	Absolute	.139	
	Positive	.118	
	Negative	-.139	
Test Statistic		.139	
Asymp. Sig. (2-tailed)		.015 <sup>c</sup>	
Monte Carlo Sig. (2-tailed)	Sig.	.251 <sup>d</sup>	
	99% Confidence Interval	Lower Bound	.240
		Upper Bound	.263

a. Test distribution is Normal

## Appendix 4 Multicollinearity Test

### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-892262448	6537659512		-.136	.892		
	G	-11207127.6	63510888.26	-.015	-.176	.860	.905	1.105
	ESG	<b>149 631 918</b>	<b>35294445.38</b>	-.187	-2.265	.000	.715	1.214
	E	429047387.4	81490484.83	.587	5.265	.000	.515	1.942
	S	-135294445	77933389.36	-.185	-1.736	.085	.562	1.781
	ROE	3.932E+10	3.443E+10	.137	1.142	.256	.444	2.254
	ROA	-3.909E+10	1.427E+10	-.295	-2.739	.007	.550	1.818
	DER	1651631918	3201776649	.048	.516	.607	.731	1.368

a. Dependent Variable: TOBIN

Appendix 5 Heteroscedasticity Test

<b>Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.068	.115		.591	.558
	DER	-.015	.046	-.044	-.330	.743
	ESG	-.013	.020	-1.619	-.673	.504
	E	.002	.004	.276	.480	.633
	S	.008	.009	1.340	.885	.381
	G	.005	.008	.630	.648	.521
	ROA	1.749	.385	.904	4.538	.059
	ROE	-5.023	2.849	-.355	-1.763	.085

a. Dependent Variable: ABS\_RES

Appendix 6 Autocorrelation Test

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.792 <sup>a</sup>	.627	.564	.18620	1.809

a. Predictors: (Constant), LAGDER, LAGROE, LAGG, LAGE, LAGS, LAGROA, LAGESG

b. Dependent Variable: LAGTOBIN

Appendix 7 Coefficient of determination

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.846 <sup>a</sup>	.716	.670	.21319

a. Predictors: (Constant), ROE, DER, G, S, E, ROA, ESG

Appendix 8 F Test

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.931	7	.704	15.498	.000 <sup>b</sup>
	Residual	1.954	43	.045		
	Total	6.885	50			

a. Dependent Variable: TOBIN

b. Predictors: (Constant), ROE, DER, G, S, E, ROA, ESG

Appendix 9 T Test (Hypothesis testing)

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.613	.233		2.629	.012
	DER	.265	.094	.285	2.818	.007
	ESG	-.070	.040	-3.182	-1.757	.086
	E	.018	.007	1.024	2.362	.023
	S	.031	.019	1.847	1.620	.113
	G	.023	.016	1.063	1.450	.154
	ROA	5.944	.781	1.142	7.607	.000
	ROE	-1.090	.406	-.375	-2.683	.010

a. Dependent Variable: TOBIN