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The Influence of Environmental, Social, And Governance (ESG) Performance on Company Value with Financial Performance as an Intervening Variable (A Case Study of Commercial Banks Listed on the Indonesian Stock Exchange)

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ABSTRACT: This study aims to analyze the effect of Environmental, Social, and Governance (ESG) performance on company value, with financial performance as an intervening variable. The population in this study were commercial banks listed on the Indonesia Stock Exchange (IDX) during the period of 2019–2023, with a sample of 10 companies selected using purposive sampling. The variables used in this study are Environmental Performance, Social Performance, Governance Performance, Financial Performance proxied by ROA, and Company Value proxied by PBV. The data were analyzed using Panel Data Regression Analysis processed using Eviews9 software. The results indicate that Environmental Performance has a significant negative effect on Company Value but a significant positive effect on Financial Performance. Social Performance has a significant positive effect on Firm Value but a negative effect on Financial Performance. Meanwhile, Governance Performance does not have a significant effect on either Firm Value or Financial Performance. Financial Performance has a significant positive impact on Firm Value and is able to mediate the influence of Environmental Performance and Social Performance on Firm Value, but it is unable to mediate the influence of Governance Performance on Firm Value.

KEYWORDS: Environmental Performance, Social Performance, Governance Performance, Firm Value, Financial Performance

I. INTRODUCTION

Increased attention to *Environmental*, *Social*, and *Governance* (ESG) performance has become an important issue for many companies, especially in the banking sector, in recent years (Jannah & Tjakrawala, 2025; Raya & Anis, 2025). ESG not only reflects corporate social responsibility, but also serves as a determining factor in investors' assessment of company value (Marsuki & Efendi, 2021; Sihombing et al., 2023). In Indonesia, the banking sector has a very vital role in the economy, and therefore, the application of ESG principles is very important (Sihombing et al., 2025). The Financial Services Authority (OJK) has encouraged this sector to implement ESG principles by issuing related regulations, one of which is through the *Sustainable Finance Roadmap Phase I (2015-2019) and Phase II (2021-2025)* (OJK, 2015, 2021). Through this policy, OJK encourages banks to not only focus on achieving short-term profits, but also integrate sustainability aspects in each of their strategies and operations (Sihombing, Pranata, et al., 2024).

This research focuses on the influence of ESG performance on company value, by highlighting the role of financial performance as an intervening variable. Although ESG has gained increasing attention, especially after the Covid-19 pandemic which led to an increased reliance on sustainability, the relationship between ESG performance and corporate value is still debated in the literature. Good ESG performance is believed to improve a company's reputation and attract more investments, which in turn can increase the company's value. However, the direct influence of ESG performance on corporate value in Indonesia's banking sector is still not fully revealed, especially in the context of banking listed on the Indonesia Stock Exchange. Therefore, this study aims to analyze these relationships in more depth, including considering the role of financial performance as a factor that can influence this relationship.

Various previous studies have investigated the relationship between ESG performance and company value. Previous research has shown a positive relationship between ESG disclosure and company value, reflecting that companies with better ESG performance will have higher corporate value (Bashatweh et al., 2023; Melinda & Wardhani, 2020; Qureshi et al., 2020). This is in line with research that has found that transparency in ESG disclosures can increase investor confidence and reduce investment risk, ultimately impacting increased company value (Wang, 2024). However, research shows that in some cases, gradual disclosures related to ESG can be seen as an attempt by companies to justify over-investing in these ESG aspects, which can instead lower the value of the company (Fatemi et al., 2018; Sri Eka Noviyanti & Adi Wiratno, 2023).

While many studies have revealed a link between ESG performance and company value, there is a gap in understanding how financial performance, as an intervening variable, affects this relationship. Previous research has generally not considered the direct influence of financial performance on company value through ESG aspects in Indonesia's banking sector. In the Indonesian context, the banking sector also has different characteristics from other countries, so the results of research conducted abroad cannot necessarily be applied directly. Therefore, this study aims to fill this gap by analyzing more deeply how ESG performance affects the value of companies with financial performance as an intervening variable in commercial banks listed on the Indonesia Stock Exchange.

This research has a high urgency because it can make an important contribution to the Indonesian banking sector in understanding how ESG performance can affect company value. Moreover, with global pressure to adopt sustainability principles, this study also provides relevant perspectives in investment decision-making, both for investors and for bank managers (Sihombing, 2025a). This research can also provide insight into how the application of ESG principles can improve financial performance and company value in the long run. Based on this background, the hypotheses proposed in this study are: (1) Environmental, *Social*, and *Governance Performance* has a positive effect on the company's value in Commercial Banks listed on the Indonesia Stock Exchange, (2) Financial Performance plays an intervening variable in the relationship between ESG and company value.

The purpose of this study is to analyze the influence of *Environmental*, *Social*, and *Governance* performance on the value of companies with financial performance as an intervening variable in commercial banks listed on the Indonesia Stock Exchange. This research is expected to make a significant contribution to stakeholders, including bank managers, investors, and regulators, by providing a clearer understanding of the impact of the application of ESG principles on company value. The expected benefit is to be able to provide recommendations for banks in Indonesia to pay more attention to ESG aspects in their strategies and operations. The hope of this study is to support the shift towards more sustainable business practices in Indonesia's banking sector.

II. LITERATURE REVIEW

2.1 Signaling Theory

Signal Theory was first proposed by Michael Spence in 1973 in his research entitled Job Market Signaling. By providing a signal, the owner of the information tries to provide information that can be used by the receiving party (Spence, 1973) The receiver then adjusts his behavior based on his understanding of the signal. In the context of a company, the signals given to external parties (such as investors) are considered very important, as they can influence the assessment of investment decisions made by external parties (Yanti, 2020) These signals can be in the form of financial or non-financial information, such as Environmental, Social, and Governance (ESG) disclosures, which are considered positive signals that can influence decision-making by other parties (Mohammad & Wasiuzzaman, 2021)

2.2 Agency Theory

Agency Theory, according to Jensen and Meckling (1976), describes the contractual relationship between the principle (shareholders) and the agent (manager) who performs services on behalf of the principle (Jensen & Meckling, 1976). In this case, the manager acts as an authorized agent to make the best decision for the shareholders. This theory shows that there is a separation between stock management and company management, where the manager is responsible for running the company effectively in order to achieve the desired profits by shareholders. However, shareholders continue to act as supervisors to ensure that decisions taken are in their best interests (Ningwati et al., 2022).

2.3 Stakeholder Theory

Stakeholder Theory was first initiated by R. Edward Freeman in 1984 and focuses on the importance of companies to manage relationships with all stakeholders, not just shareholders (Freeman, 1984). Companies should pay attention to various stakeholders because their existence can be influenced or influenced by company policies (Freeman et al., 2021). Companies are expected to meet the expectations and demands of stakeholders in order to maintain the support that is essential for their survival (Barney & Harrison, 2020).

2.4 Legitimacy Theory

Legitimacy Theory according to Suchman (1995) states that the legitimacy of an entity depends on whether their actions are in accordance with the prevailing norms and values in society (Rendtorff, 2020; Suchman, 1995). Companies, as part of society, must maintain legitimacy to ensure support from stakeholders. Management has a key role in this legitimacy process, choosing the right methods to influence external perceptions of the company. The difference between company value and community value can affect the company's legitimacy and the sustainability of its operations, so companies must make adjustments to remain accepted by the community (Harymawan et al., 2020; Permatasari & Setyastrini, 2019).

2.5 Firm Value

A company's value reflects the market's valuation of the company as a whole, and is usually measured by Price to Book Value (PBV). A high PBV indicates that the company is well valued by the market, while a low PBV can indicate financial problems or poor valuation of the company (Pujarini, 2020). PBV is calculated by the formula:

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

With the Book Value formula as follows:

$$Book\ Value = \frac{Total\ Equity}{Number\ of\ outstanding\ shares}$$

Companies with lower PBVs (< 1) are considered undervalued and may experience financial difficulties, while higher PBVs (> 1) indicate that the company is better rated in the market (Sihombing, 2018; Wardiyah, 2017).

2.6 Environmental, Social, and Governance (ESG) Performance

ESG performance refers to how companies integrate environmental, social, and governance issues into their business operations. The ESG Score is used by markets and academics to assess a company's sustainability (Gillan et al., 2021). ESG disclosures can include a variety of indicators, such as energy consumption, waste management, and diversity policies. In Environmental disclosures, companies can refer to the Global Reporting Initiative (GRI), which provides standards for reporting on environmental, social, and corporate governance impacts (Ghazali & Zulmaita, 2020). This disclosure is measured using the formula:

$$ENV = \frac{\sum Item\ ENV}{\text{Total ENV}}\ X\ 100\%$$

2.7 Financial Performance

Financial Performance can be measured using financial ratios, one of which is Return on Assets (ROA), which shows how efficiently a company uses its assets to generate profits. ROA is calculated by the formula:

$$Return\ on\ Asssets\ (ROA) = \frac{Earning\ After\ Tax}{Total\ Asset}$$

ROA is an important indicator in assessing a company's financial performance, especially in the banking sector (Jensen & Jones, 2019). This ratio provides insight into the effectiveness of bank managers in using bank assets to generate profits.

2.8 Commercial Banks

Commercial banks, according to Law Number 10 of 1998, are institutions that collect funds from the public and distribute them to the public in the form of credit. This bank also carries out business activities both conventionally and based on sharia principles. The Financial Services Authority (OJK) regulation groups banks based on Core Capital (KBMI), which is divided into four groups according to the amount of core capital owned: KBMI 1, KBMI 2, KBMI 3, and KBMI 4, with different provisions for each group (OJK, 2020).

2.9 Research Framework

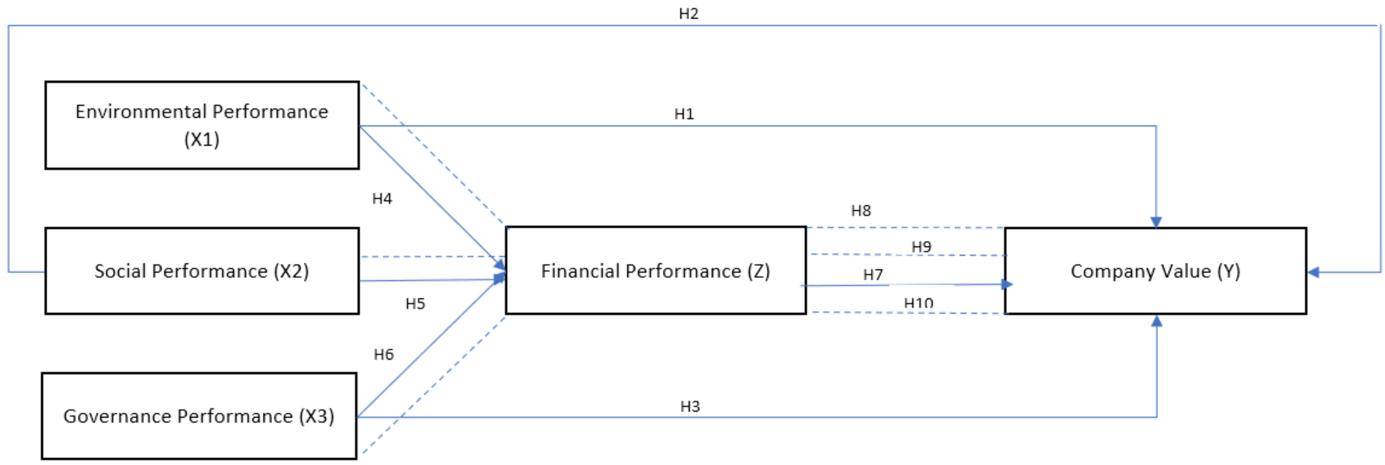

Figure 1. Research Framework

The research framework illustrates the relationship between Environmental Performance (X1), Social Performance (X2), and Governance Performance (X3) on Company Value (Y), with Financial Performance (Z) as a mediating variable. This relationship can be seen more clearly in the following figure as an illustration of the proposed research model.

2.10 Research Hyphothesis

1. H1: Environmental Performance has a positive effect on Company Value.
2. H2: Social Performance has a positive effect on Company Value.
3. H3: Governance Performance has a positive effect on Company Value.
4. H4: Environmental Performance has a positive effect on Financial Performance.
5. H5: Social Performance has a positive effect on Financial Performance.
6. H6: Governance Performance has a positive effect on Financial Performance.
7. H7: Financial Performance has a positive effect on the Company's Value.
8. H8: Environmental Performance has a positive effect on Company Value which is influenced by Financial Performance.
9. H9: Social Performance has a positive effect on Company Value which is influenced by Financial Performance.
10. H10: Governance Performance has a positive effect on Company Value which is influenced by Financial Performance.

III. METHOD

3.1 Research Design

This study uses a quantitative design with a causality approach to determine the cause-and-effect relationship between independent (ESG Performance) and dependent (Company Value) variables, as well as the role of Financial Performance as an intervening variable (Hardani et al., 2020; Rukajat, 2018; Sugiyono, 2022).

3.2 Definition and Operationalization of Variables

The research variables were grouped into independent (X), dependent (Y), and intervening (Z). The following is the definition and operationalization of the variables used:

Table 1. Operational and Variable Definitions

No.	Variable	Definition	Indicator	Scale
1	Environmental Performance (X1)	An assessment score for environmental performance aspects.	$ENV = \frac{\sum Item\ ENV}{\text{Total ENV}} X\ 100\%$	Ratio
2	Social Performance (X2)	An assessment score for social performance aspects.	$SOC = \frac{\sum Item\ SOC}{\text{Total SOC}} X\ 100\%$	
3	Governance Performance (X3)	An assessment score for corporate governance performance aspects.	$GOV = \frac{\sum Item\ GOV}{\text{Total GOV}} X\ 100\%$	

4	Company Value (Y)	A ratio that is quite significant in predicting future stock returns.	$\mathrm{PBV} = \frac{Price\ of\ Share}{Book\ Value\ per\ Share}$	
5	Financial Performance (Z)	Profitability ratio measured using the relationship between net income and assets.	$\mathrm{ROA} = \frac{Earning\ After\ Tax}{Total\ Asset}$	

3.3 Research Population

The population of this study is 47 commercial banks listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period.

3.4 Research Sample

The sample was selected using purposive sampling based on the criteria of Commercial Banks that issued financial statements and sustainability reports for 2019–2023. The sample that met the criteria was 10 banks.

Table 2. Research Sample

No.	Code	Company Name
1	BBCA	Bank Central Asia Tbk.
2	BBNI	Bank Negara Indonesia (Persero)
3	BBRI	Bank Rakyat Indonesia (Persero)
4	BBTN	Bank Tabungan Negara (Persero)
5	BDMN	Bank Danamon Indonesia Tbk.
6	BMRI	Bank Mandiri (Persero) Tbk.
7	BNGA	Bank CIMB Niaga Tbk.
8	BNII	Bank Maybank Indonesia Tbk.
9	BNLI	Bank Permata Tbk.
10	NISP	Bank OCBC NISP Tbk.

3.5 Data Collection Methods

Secondary data was obtained from financial statements and sustainability reports published by commercial banks listed on the IDX, the Financial Services Authority, and the bank's official website during the 2019–2023 period.

3.6 Data Analysis Methods

1. Data analysis used descriptive statistics, panel data regression, and Sobel tests. The tool used is EViews 9.
2. Descriptive Statistical Analysis
3. Present mean values, standard deviations, variances, kurtosis, skewness, and more to describe the data used.

3.7 Panel Data Regression Analysis

Using cross-section and time series data to determine the relationship between independent (ESG) and dependent variables (Company Value) as well as the influence of Financial Performance as an intervening variable. Regression models used:

$$\mathrm{PBV} = \alpha 1 + b1\mathrm{ENV} + c1\mathrm{SOC} + d1\mathrm{GOV} + \varepsilon 1$$
$$\mathrm{ROA} = \alpha 2 + b2\mathrm{ENV} + c2\mathrm{SOC} + d2\mathrm{GOV} + \varepsilon 2$$
$$\mathrm{PBV} = \alpha 3 + b3\mathrm{ENV} + c3\mathrm{SOC} + d3\mathrm{GOV} + e3\mathrm{ROA} + \varepsilon 3$$

3.8 Panel Data Regression Model

The three regression models used are:

1. Common Effect Model (CEM)
2. Fixed Effect Model (FEM)
3. Random Effect Model (REM)

3.9 Regression Model Testing

The tests were carried out with the Chow test, the Hausman test, the Lagrange Multiplier test, the determination coefficient test (R^2), the simultaneous test (F), the partial test (t), and the Sobel test (Pambuko & Masrini, 2023; Sihombing, 2018, 2025b).

IV. RESULT

4.1 Descriptive Statistical Analysis Results

Descriptive statistical tests are used to analyze data characteristics, such as the number of observations, average, minimum, maximum, and standard deviation. The analysis includes five variables: ESG Performance, Financial Performance, and Company Value.

Table 3. Descriptive Statistical Analysis Results

	ENV	SOC	GOV	ROA	PBV
Mean	0.296915	0.357000	0.556783	1.516424	1.473759
Median	0.254032	0.325000	0.795455	1.375247	0.927911
Maximum	0.903226	0.750000	1.000000	3.455561	4.777748
Minimum	0.000000	0.075000	0.000000	0.067119	0.475549
Std. Dev.	0.207631	0.182740	0.461880	0.838146	1.233067
Skewness	1.129435	0.622848	-0.127480	0.512047	1.676341
Kurtosis	4.031347	2.584365	1.086983	2.378543	4.788362
Jarque-Bera	12.84618	3.592733	7.759663	2.989539	30.08065
Probability	0.001624	0.165901	0.020654	0.224300	0.000000
Sum	14.84577	17.85000	27.83916	75.82118	73.68796
Sum Sq. Dev.	2.112416	1.636300	10.45334	34.42199	74.50221
Observations	50	50	50	50	50

Based on Table 3. It can be noted that *the Environmental* Performance in this study showed an average value of 0.296915, with a maximum value of 0.903226 by BBNI in 2023, which reflects better sustainability strategies, such as renewable energy investments. In contrast, the 2019 BDMN has a minimum value of 0.000000, which indicates a lack of environmentally-related initiatives. The standard deviation of 0.207631 shows a small variation between companies, but there is still a significant difference. Social Performance has an average value of 0.357000, with a maximum value of 0.750000 by BBNI in 2023, indicating an improvement in social programs and employee welfare. The minimum value of 0.075000 in 2019 by BBNI reflects the lack of CSR initiatives in that year. A standard deviation of 0.182740 indicates that most companies have scores that are not much different from the average, for Governance Performance, an average value of 0.556783 indicates good governance. BBCA in 2022 reached a maximum value of 1.00000, which signifies high compliance with regulations and good business practices, while the BDMN in 2019 had the lowest value of 0.000000, indicating weak governance at that time. The standard deviation of 0.461880 indicates considerable variation between companies. Financial Performance, proxied by ROA, has an average of 1.516424, indicating excellent financial performance. BBCA in 2023 recorded the highest ROA of 3.455561, demonstrating outstanding efficiency in managing assets. The minimum value of 0.067119 by BBTN in 2019 indicates a less than optimal financial performance. The standard deviation of 0.838146 shows a large difference between companies in the level of profitability. The Company's value, measured by PBV, has an average of 1.473759. BBCA for 2023 had the highest PBV of 4.777748, reflecting a stock traded at a high premium, while the NISP for 2021 had the lowest PBV of 0.475549, indicating a cheaper valuation. The standard deviation of 1.233067 shows large variations in the company's value between the study samples.

4.2 Panel Data Regression Analysis Results

This study uses three panel data regression models. The first model analyzes the influence of *Environmental* (X1), *Social* (X2), and *Governance* (X3) Performance on Company Value (Y). The second model examines the influence of ESG on Financial Performance (Z), while the third model analyzes the influence of ESG on Company Value (Y) with Financial Performance (Z) as an intervening variable. The regression equations used are:

PBV = $\alpha 1 + b1$ENV + $c1$SOC + d1GOV + $\varepsilon 1$
ROA = $\alpha 2 + b2$ENV + $c2$SOC + d2GOV + $\varepsilon 2$
PBV = $\alpha 3 + b3$ENV + $c3$SOC + d3GOV + e3ROA + $\varepsilon 3$

4.3 First Regression Model

The determination of the panel data regression model in analyzing the influence of *Environmental* Performance (X1), *Social Performance* (X2), Governance Performance (X3) on Company Value (Y) (the first regression equation model) was carried out, namely:

Table 4. Results of the First Regression Model

Test	Criteria	Statistic	Test Result	Conclusion
Chow	*Cross-section Chi-Square*	177.642663	0.0000	FEM is better than CEM
Hausman	*Cross-section Random*	2.576395	0.4616	REM is better than FEM
Lagrange-Multiplier	*Cross-Section Breuch Pagan*	76.73498	0.0000	REM is better than CEM

The results of the first equation panel data regression were selected using several statistical tests. Chow's test showed that the Fixed Effect model was better than *the Common Effect Model*, with a Chi-square probability value of 0.000, which is smaller than 0.05. Hausman's test showed that the Random Effect model was better than the Fixed Effect Model, with a random cross-section probability value of 0.4616, which is greater than 0.05. Meanwhile, the Lagrange Multiplier test states that the best model is the Random Effect Model, because the Obs*R-squared probability value is 0.000, which is smaller than 0.05.

Through the results of the selection of the model where it has been implemented, it can be known that the data regression model of the first equation panel, namely the Random Effect Model, can then be presented as a random effect regression model, namely:

Table 5. Output of the First Equation Regression Model

Variable	Coefficient	t-Statistics	Probability	Conclusion
ENV	-0.756661	-2.047761	0.0463	Significant Negatives
SOC	1.256097	3.681710	0.0006	Significant Positives
GOV	-0.123925	-1.223889	0.2272	Not Influential
C	1.318997	3.188170	0.0026	
R-Square	0.132656			
Adjusted R-Square	0.076090			
F-Statistics	6.127103			
Prob. (F-Statistics)	0.001353			Significant Simultaneity

The results of the Random Effect Model (REM) modeling for the first regression show the following equations:

PBV = 1.318997 -0.756661 ENV + 1.256097 SOC -0.123925 GOV

The regression coefficient for Environmental Performance (ENV) is -0.756661 with a probability value of 0.0463, which is smaller than 0.05, indicating that Environmental Performance has an effect on the Company's Value. However, the negative coefficient value shows that the improvement in *Environmental Performance* actually has a negative impact on the Company's Value. This means that every one unit increase in Environmental Performance will cause a 0.756661 unit decrease in Company Value. Meanwhile, the regression coefficient for Social Performance (SOC) of 1.256097 with a probability value of 0.0006, which is smaller than 0.05, shows that Social Performance has a significant effect on Company Value. This positive coefficient indicates that an increase in *Social Performance* will lead to an increase in Company Value by 1.256097 units. However, the coefficient for Governance Performance (GOV) of -0.123925 with a probability value of 0.2272, which is greater than 0.05, indicates that Governance Performance has no significant effect on the Company's Value.

This regression formula yields an *Adjusted R-Squared* value of 0.0761, indicating that *Environmental Performance,* Social *Performance,* and *Governance* Performance can only explain 7.61% of the variability of the Company's Value, while the remaining 92.39% is influenced by other factors not included in the model. The F-statistical test yielded an F-statistical value of 6.127103 with a Prob (F-Statistics) of 0.001353, which is smaller than 0.05, showing that simultaneously, the variables of *Environmental* Performance, *Social Performance*, and Governance Performance have a significant influence on the Company's Value.

4.4 Second Regression Model

The second regression model analyzes the influence of *Environmental* Performance (X1), *Social Performance* (X2), and Governance Performance (X3) on Financial Performance (Z) with regression equations:

Table 6. Results of the Second Regression Model

Test	Criteria	Statistic	Test Result	Conclusion
Chow	*Cross-section Chi-Square*	57.699049	0.0000	FEM is better than CEM
Hausman	*Cross-section Random*	13.851379	0.0031	FEM is better than REM

The results of the data regression selection of the second equation panel showed that the Chow Test produced a Chi-square probability value of 0.000, which is smaller than 0.05, so that the Fixed Effect Model (FEM) was better than the Common Effect Model. The Hausman test shows a random cross-section probability value of 0.0031, which is also smaller than 0.05, so the best model is the Fixed Effect Model. The Lagrange Multiplier test was not performed because the Chow Test and the Hausman Test already showed that the Fixed Effect Model was a better model.

Based on the results of the model selection that has been carried out, it can be known that the data regression model of the second equation panel, namely the Fixed Effect Model, can be presented as follows:

Table 7. Output of the Second Equation Regression Model

Variable	Coefficient	t-Statistics	Probability	Conclusion
ENV	3.025909	3.350301	0.0019	Significant Positive
SOC	-0.500175	-2.729654	0.0096	Significant Negative
GOV	0.005699	0.019310	0.9847	No effect
C	-1.117197	-3.028033	0.0045	
R-Square	0.727780			
Adjusted R-Square	0.639493			
F-Statistics	8.243310			
Prob. (F-Statistics)	0.000000			Significant Simultaneity

The results of the Fixed Effect Model modeling for the second regression show the regression equation as follows:

$$ROA = -1.117197 + 3.025909 \cdot ENV - 0.500175 \cdot SOC + 0.005699 \cdot GOV$$

The regression coefficient for Environmental Performance (ENV) is 3.025909 with a probability value of 0.0019, which is smaller than 0.05, indicating that *Environmental* Performance has a significant effect on Financial Performance. This positive coefficient indicates that an increase *in Environmental Performance* will improve Financial Performance. Every one unit increase in Environmental Performance will increase Financial Performance by 3.025909 units. Meanwhile, the regression coefficient for Social Performance (SOC) of -0.500175 with a probability value of 0.0096, which is smaller than 0.05, shows that Social Performance also has a significant effect on Financial Performance. However, this negative coefficient indicates that the increase in *Social Performance is* actually correlated with the decrease in Financial Performance, which may be due to the additional costs associated with social initiatives. Meanwhile, the coefficient for Governance Performance (GOV) of 0.005699 with a probability value of 0.9847, which is greater than 0.05, shows that Governance Performance does not have a significant effect on Financial Performance.

The Adjusted R-Squared value of 0.639493 shows that the variables of Environmental Performance, *Social Performance*, and Governance Performance are able to explain 63.94% of the variability of Financial Performance, while the remaining 36.06% is influenced by other factors not included in the model. The F-statistical test yielded an F-statistical value of 8.243310 with a Prob (F-Statistics) of 0.000000, which is smaller than 0.05, indicating that simultaneously, the variables of Environmental Performance*,* Social *Performance,* and Governance Performance have a significant impact on Financial Performance.

4.5 Third Regression Model

Based on the results of the model selection that has been carried out, it can be known that the data regression model of the third equation panel, namely the *Fixed Effect Model*, can be further presented as follows:

Table 8. Results of the 3rd Regression Model

Test	Criteria	Statistic	Test Result	Conclusion
Chow	*Cross-section Chi-Square*	151.141820	0.0000	FEM is better than CEM
Hausman	*Cross-section Random*	10.705408	0.0301	FEM is better than REM

The results of the *Fixed Effect Model* modeling for the third regression show the following equations:

PBV = 1.004490−1.012022·ENV+1.452445·SOC−0.158270·GOV+0.223785·ROA

The regression coefficient for Environmental Performance (ENV) of -1.012022 with a probability value of 0.0019, which is smaller than 0.05, indicates that Environmental Performance has a significant impact on the Company's Value. This negative coefficient indicates that an increase in *Environmental Performance* will actually decrease the Company's Value. Meanwhile, the coefficient for Social Performance (SOC) of 1.452445 with a probability value of 0.0096, which is smaller than 0.05, shows a significant influence of *Social* Performance on Company Value. This positive coefficient indicates that improving *Social* Performance will increase Company Value. Meanwhile, *Governance Performance* (GOV) with a coefficient of -0.158270 and a probability value of 0.9847 shows that Governance Performance does not have a significant effect on Company Value.

The Adjusted R-Squared value of 0.973983 shows that the variables of Environmental Performance, *Social Performance*, and Governance Performance are able to explain 97.39% of the variability of the Company's Value, while the remaining 2.61% is influenced by other factors not included in the model. The F-statistical test yielded an F-statistical value of 8.243310 with *a Prob* (*F-Statistics*) of 0.000000, which is smaller than 0.05, showing that simultaneously, the variables of *Environmental* Performance, *Social Performance*, and Governance Performance have a significant impact on the Company's Value.

Table 9. Output of the Third Equation Regression Model

Variable	Coefficient	t-Statistics	Probability	Conclusion
ENV	-1.012022	-2.970919	0.0053	Significant Negative
SOC	1.452445	4.679997	0.0000	Significant Positive
GOV	-0.158270	-1.748195	0.0890	No Effect
ROA	0.223785	3.284748	0.0023	Significant Positive
C	1.004490	8.379227	0.0000	
R-Square	0.980886			
Adjusted R-Square	0.973983			
F-Statistics	142.1075			
Prob. (F-Statistics)	0.000000			Significant Simultaneity

4.6 Sobel Test Results

Table 10. Sobel Test Results

Model	Z Sobel	Z Table
ENV -> ROA -> PBV	2.34549	1.96
SOC -> ROA -> PBV	-2.09937	1.96
GOV -> ROA -> PBV	0.01931	1.96

In this study, the Sobel Test was used to test whether Corporate Performance plays a significant mediator in the relationship between *Environmental* Performance, *Social* Performance, and *Governance Performance* to Company Value. The results of the Sobel test showed that the Company's Performance mediated the relationship between Environmental Performance and Company Value, with Sobel's Z value of 2.34549 which was greater than the Z of the table 1.96, so there was a significant mediating influence. In addition, Corporate Performance also mediates the relationship between *Social* Performance and Corporate Value, with a Sobel Z value of -2.09937, which in absolute comparison is also greater than the Z of table 1.96, indicating a significant mediating influence.However, for Governance Performance, the results of the Sobel test show that Sobel's Z value for the relationship between Governance Performance and Corporate Value through Corporate Performance is 0.01931, which is smaller than the Z of table 1.96. Therefore, it can be concluded that Corporate Performance does not significantly mediate the relationship between Governance Performance and Corporate Value. The results of this test provide an idea that although *Environmental* Performance and *Social Performance* can affect Company Value through the role of Corporate Performance, Governance Performance does not show a significant mediation impact.

4.7 Results of Hypothesis Test Analysis

Table 11. Direct Impact Test Results

Independent Variable	Dependent Variable	Direction of Coefficient	Results of t-test
ENV	PBV	Negative (-)	Significant
SOC		Positive (+)	Significant
GOV		Negative (-)	Not significant
ROA		Positive (+)	Significant
ENV	ROA	Positive (+)	Significant
SOC		Negative (-)	Significant
GOV		Positive (+)	Not significant

Table 11 shows the results of the direct influence test between independent and dependent variables. Environmental Performance (ENV) has a significant negative influence on Company Value (PBV), which means an increase in *Environmental Performance* can lead to a decrease in Company Value. Social Performance (SOC) shows a significant positive influence on Company Value, which indicates that the better the *Social* Performance, the higher the Company Value. Performance *Governance* (GOV) has a negative effect on Company Value, but the effect is not significant, which shows that Governance Performance is not strong enough to affect Company Value. In addition, *Environmental* Performance (ENV) and *Social Performance* (SOC) both have a significant positive influence on Financial Performance (ROA), but Governance Performance (GOV) does not have a significant influence on Financial Performance.

Table 12. Indirect Influence Test Results

Independent Variable	Mediation Variables	Dependent Variable	Sobel Test Results
ENV	ROA	PBV	Can mediate
SOC			Can mediate
GOV			Cannot mediate

Table 12 illustrates the results of the indirect influence test through the role of Company Performance as a mediator. The results of the Sobel Test show that Environmental Performance (ENV) and Social Performance (SOC) can mediate the relationship between independent variables and Company Value through Financial Performance (ROA). This means that these two variables have a significant impact on the Company's Value through an increase in Financial Performance. However, Performance *Governance* (GOV) cannot mediate the relationship between independent variables and Company Value, as the results of the Sobel Test show that the impact is not significant, indicating that Performance *Governance* does not affect Company Value directly or through Financial Performance.

V. DISCUSSION

5.1 The Influence of *Environmental* Performance on Company Value

Based on the results of testing the research data, it can be concluded that Environmental Performance has a significant impact on the Company's Value, even though the direction of the relationship found is negative. The negative coefficient in the Environmental Performance variable indicates that an increase in *the Environmental Performance score* tends to reduce the Company's Value. This means that the higher the Environmental Performance score that a company has, the lower the Company Value recorded. This finding can be explained by the fact that the implementation of environmental initiatives often requires large investments that can cost companies in the short term. Examples of environmental initiatives such as waste management, the use of renewable energy, and obtaining environmental certification can require high costs that ultimately reduce the company's profitability and value.

This phenomenon suggests that while good environmental management is important for long-term sustainability, its immediate impact on profitability and company value can be felt in the short term. Therefore, the hypothesis that Environmental Performance has a positive effect on Company Value is rejected in this study. These findings are consistent with previous research which also found that Environmental Performance has a significant negative impact on Company Value (Luthfiyah & Mardiana, 2024; Sihombing, Bonowati, et al., 2024; Sihombing & Zakchona, 2024). These studies show that although environmental aspects are important, financial challenges in their implementation are factors that can reduce the value of a company in a given period.

5.2 The Influence of *Social* Performance on Company Value

Based on the results of testing research data, it was found that Social Performance has a positive and significant impact on Company Value. The positive coefficient in the Social Performance variable shows that the higher the Social Performance score that the company has, the higher the Company's Value. These findings indicate that the implementation of *Social Performance*, such as *Corporate Social Responsibility* (CSR) and employee welfare, has a positive relationship with Corporate Value. By establishing harmonious relationships with stakeholders and participating in social activities, companies can improve the reputation and trust of investors. This ultimately has a positive impact on the increase in Company Value.

The implementation of good Social Performance can improve the company's image in the eyes of the public and investors. In addition, by improving employee well-being and contributing to society, companies can strengthen relationships with various stakeholders. Involvement in social activities serves not only as a form of social responsibility, but also as a strategy that can bring financial benefits to the company. Along with this, the hypothesis that Social Performance has a positive effect on Company Value is accepted in this study.

These findings are consistent with previous research that also concluded that Social Performance has a positive and significant impact on Company Value (Aydoğmuş et al., 2022; Melinda & Wardhani, 2020; Riski & Prasetiono, 2023) These studies underscore the importance of Social Performance in increasing the attractiveness of a company in the eyes of stakeholders and investors, which in turn increases the Company's Value.

5.3 The Influence of *Governance* Performance on Company Value

Based on the results of the research data test, it was found that Governance Performance did not have a significant impact on the Company's Value. The negative coefficient in the Governance Performance variable indicates a negative relationship with the Company's Value, which means that the higher the Company's *Governance* Performance score , the lower the Company Value recorded. These findings show that the corporate governance aspects measured in this study are not strong enough to directly affect the Company's Value. This may be due to the relatively uniform standards of governance in the banking industry, which do not make a significant difference in influencing the Company's Value.

Although Performance *Governance* is important in creating sustainability and transparency in corporate operations, its influence on Corporate Value in the banking sector is not significant enough. This could be due to the tendency of companies in the sector to follow established governance standards, so that there is no major change in their influence on investors or the market. Therefore, the hypothesis that Governance Performance has a positive effect on Company Value is rejected in this study.

These findings are in line with previous research which also concluded that Governance Performance does not have a significant influence on Company Value (Jeanice & Kim, 2023; Riski & Prasetiono, 2023; Sihombing et al., 2025). These studies show that although Performance *Governance* plays an important role in the sustainability of the company, its influence on Corporate Value, especially in the banking industry, is not so great.

5.4 The Effect of *Environmental* Performance on Financial Performance

Based on the results of testing research data, it was found that *Environmental* Performance has a positive and significant influence on Financial Performance. The positive coefficient in the *Environmental* Performance variable to Financial Performance shows that an increase in *the Environmental Performance score* will be directly related to an increase in the company's Financial Performance. This means that companies that care more about environmental aspects will experience an increase in their financial performance. This can be explained through various mechanisms, such as efficiency in the use of natural resources, reduction of operational costs through environmentally friendly practices, and the acquisition of incentives from environmental policies implemented by the government.

These findings show that companies that implement good environmental initiatives not only have a positive impact on environmental sustainability, but can also increase long-term profitability. Eco-friendly practices such as efficient waste management, the use of renewable energy, and the application of green technology can reduce production costs and improve the company's image in the eyes of consumers and investors. Therefore, the hypothesis that Environmental Performance has a positive effect on Financial Performance is accepted in this study.

These findings are also consistent with previous studies that have also concluded that Environmental Performance has a positive and significant impact on Financial Performance (Alareeni & Hamdan, 2020; Kurniawan et al., 2018; Lee & Isa, 2020; López-Toro et al., 2021; Sihombing & Priambhodo, 2024). These studies reinforce the view that good environmental practices can be a driving factor for companies to achieve better financial performance.

5.5 The Effect of *Social* Performance on Financial Performance

Based on the results of testing research data, it was found that Social Performance has a negative and significant impact on Financial Performance. The negative coefficient on the Social Performance variable shows that the higher the Social Performance score the company has, the lower the company's Financial Performance. These findings indicate that while corporate social engagement can improve a company's image and value in the long run, investments made in social programs or corporate social responsibility (CSR) can increase operational costs in the short term. Spending on social programs, such as employee welfare, community assistance, or social sustainability programs, can reduce profit margins and directly affect a company's profitability.

This suggests that while involvement in social activities is essential to strengthen corporate relationships with society and improve reputation, the short-term impact on a company's financial performance tends to be negative. Therefore, the hypothesis that Social Performance has a positive effect on Financial Performance is rejected in this study.

These findings are also consistent with previous research which also concluded that Social Performance has a negative and significant impact on Financial Performance (Alareeni & Hamdan, 2020; Setiani, 2023). These studies support the opinion that although social programs provide long-term benefits, the costs incurred for such activities can place a considerable financial burden on companies in the short term.

5.6 The Influence of *Governance* Performance on Financial Performance

Based on the results of testing research data, it was found that Governance Performance did not have a significant impact on Financial Performance. The positive coefficient in the Governance Performance variable shows that the implementation of good governance has a positive relationship with Financial Performance. This means that the higher the company's Governance Performance score , the better the company's Financial Performance. However, these findings indicate that while good corporate governance is essential, it does not necessarily have a direct impact on profitability, especially in the banking industry which already has very strict governance regulations. These strict regulations often make the difference in governance practices between companies very small, so that the impact on Financial Performance is not very significant.

In addition, while improvements in Governance Performance can improve transparency and better management, other factors such as market conditions and operational management also affect financial performance. Therefore, the hypothesis that Governance Performance has a significant effect on Financial Performance is rejected in this study.

The results of these findings are in line with previous research which also concluded that Governance Performance does not have a significant impact on Financial Performance (Almeyda & Darmansya, 2019; Harianja & Riyadi, 2023). The studies underline that while good governance is essential for corporate sustainability, its impact on financial performance in an industry that is already tightly regulated is not great.

5.7 The Effect of Financial Performance on Company Value

Based on the results of the research data test, it was found that Financial Performance has a significant and positive impact on the Company's Value. The positive coefficient on the Financial Performance to Company Value variable shows that the better the company's Financial Performance, the higher the Company's Value. This indicates that companies with strong Financial Performance, such as a high *Return on Assets* (ROA), tend to be more attractive to investors. Investor confidence will increase if the company is able to generate stable profits, which can be seen from its good financial performance. Improved Financial Performance, particularly as reflected in the ROA ratio, indicates efficiency in asset management and profit-making, which in turn increases the company's value in the market.

These findings support the hypothesis that Financial Performance has a positive effect on Company Value. This research is in line with the results of previous research which also concluded that Financial Performance has a significant impact on Company Value in a positive direction (Aulia et al., 2023; Kartikasari & Sihombing, 2024; Pujarini, 2020; Putra & Budastra, 2024; Sihombing et al., 2023). Therefore, companies that show solid Financial Performance will have greater traction in the stock market, leading to an increase in Company Value.

5.8 Financial Performance in Mediating the Influence of *Environmental* Performance on Company Value

Based on the results of testing research data, it was found that Financial Performance can mediate the influence of *Environmental Performance* on Company Value. These findings show that companies that pay attention to and improve Environmental Performance, such as waste management, energy efficiency, or carbon emission reduction, can improve their Financial Performance. For example, green initiatives can result in operational cost savings or even incentives from government policies, which can ultimately increase profitability. The improvement in Financial Performance further has a positive impact on the Company's Value, as investors tend to give more value to companies that have successfully integrated sustainability aspects into their operations. Therefore, the hypothesis that Financial Performance can mediate the relationship between *Environmental* Performance and Corporate Value was accepted in this study.

These findings are in line with previous research that also concluded that Financial Performance serves as an effective mediator in the relationship between *Environmental* Performance and Corporate Value (Fairus Yumna & Kartika, 2025; Putra & Budastra, 2024; Windianti & Susetyo, 2021) This research confirms the importance of sustainability initiatives for companies that are not only beneficial to the environment but also financially profitable.

5.9 Financial Performance in Mediating the Influence of *Social* Performance on Company Value

The results of the research data test show that Financial Performance can mediate the influence of *Social* Performance on Company Value. These findings indicate that the better the company's Social Performance, such as concern for employee welfare, responsibility to the community, and protection of consumer rights, the higher the company's Financial Performance. Good Financial Performance will contribute to the increase in Company Value. A successful corporate social responsibility (CSR) program can improve a company's reputation, which in turn attracts more investors and increases market confidence. Therefore, the hypothesis that Financial Performance can mediate the relationship between *Social* Performance and Corporate Value was accepted in this study.

These findings are also in line with research that concludes that Financial Performance plays an important role in mediating the influence of *Social* Performance on Company Value (Jao et al., 2024; Putra & Budastra, 2024). Good *Social* performance , while it may add to costs in the short term, will bring long-term benefits through improved reputation and better relationships with stakeholders, which ultimately boosts the value of the company.

5.10 Financial Performance in Mediating the Influence of *Governance* Performance on Company Value

Based on the results of testing research data, it was found that Financial Performance did not mediate the influence of *Governance* Performance on Company Value. Although good corporate governance, which includes a clear board structure, transparency, and strong management ethics, is essential for the long-term viability of a company, this study shows that its direct influence on Financial Performance and Company Value is insignificant. This shows that good governance practices in the banking industry, which are already standardized with strict regulations, are not strong enough to improve the Company's Financial Performance and Value. Thus, the hypothesis that Financial Performance can mediate the relationship between Governance Performance and Corporate Value is rejected.

These findings are in line with previous research which also concluded that Financial Performance does not mediate the influence of *Governance* Performance on Company Value (Ismail et al., 2022; Manurung, 2022; Widiantari & Ratnawati, 2023). This research shows that although good corporate governance is indispensable, its impact on the value of the company is more visible in the long term and not through the intermediary of direct Financial Performance.

5.11 Research Implications and Limitations

This research provides important implications for Indonesia's banking sector, especially for managers and policymakers. It was found that Environmental Performance and *Social* Performance can affect Company Value through Financial Performance, which indicates that banks should pay more attention to sustainability aspects in their strategies and operations. The application of good ESG principles can improve a company's reputation, attract more investors, and ultimately increase the company's value. On the other hand, Governance Performance does not show a significant impact on the company's financial performance or value, which indicates that the well-established governance standards in the banking industry are not sufficiently influential in this context. Therefore, banks need to focus on initiatives that focus more on social and environmental aspects to improve their financial performance and company value.

This study has several limitations, including being limited to banks listed on the Indonesia Stock Exchange during the 2019-2023 period, so the results may not be fully generalizable to other sectors outside of banking. In addition, the data used is secondary and relies on published financial statements and sustainability reports, which may not fully reflect the company's internal activities as a whole. The study also did not consider other external variables that could affect the company's performance, such as macroeconomic conditions or broader government policies.

CONCLUSIONS

Based on the results of this study, the following conclusions can be drawn:

1. Environmental performance has a significant negative effect on company value.
2. Social performance has a significant positive effect on company value.
3. Governance performance does not have a significant effect on company value.
4. Environmental performance has a significant positive effect on financial performance.
5. Social Performance has a significant negative effect on Financial Performance.
6. Governance Performance does not have a significant effect on Financial Performance.
7. Financial Performance has a significant positive effect on Company Value.
8. Financial Performance mediates the effect of Environmental Performance on Company Value.
9. Financial Performance mediates the effect of Social Performance on Company Value.
10. Financial Performance does not mediate the effect of Governance Performance on Company Value.

RECOMMENDATION

Based on the results of the study, here are some recommendations:

1. For Investors

Investors should be more selective in choosing companies with high scores in Environmental and Social Performance, as this has been proven to increase Company Value both directly and through Financial Performance.

2. For Companies
   a. Environmental Performance: Focus on investments that increase efficiency and productivity.
   b. Social Performance: Design social programs that are efficient yet have a positive impact.
   c. Governance Performance: Improve transparency, risk management, and accountability.
   d. Financial Performance: Focus on increasing profitability to attract investors.
3. For Future Researchers
   a. Expansion of Research Sector: Expand to other sectors for consistency of results.
   b. Extended Time Period: Use a longer timeframe to observe long-term impacts.
   c. Additional Variables: Consider control variables such as company size and age.
   d. Methodological Approach: Use alternative approaches like SEM or mixed-methods for a broader perspective.

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