

## THE INFLUENCE OF SUSTAINABILITY PERFORMANCE ON THE VALUE OF BANKING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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### ABSTRACT

In order to increase your company's value and entice investors, you must ensure that your sustainability performance is maintained by adhering to criteria for environmental performance, social performance, and governance performance. The impact of ESG performance indicators on a company's value is examined in this study using Tobin's q. This study takes a look at one banking firm that is listed on the Indonesia Stock Exchange. It uses a 5-year purposive selection technique. This study analyzed the data utilizing multiple regression analysis using a panel data strategy. Findings indicate that ESG (environmental, social, and governance) performance influences company value. The existing literature on the potential effects of ESG data on investment choices and the optimization of company value is expanded upon by this study. In order for investors to make well-informed choices on which companies to put their money into, this study emphasizes the importance of ESG performance in company operations.

Keywords : Sustainability performance; Firm Value

### ABSTRAK

*Bahasa Indonesia: Untuk meningkatkan nilai perusahaan Anda dan menarik investor, Anda harus memastikan bahwa kinerja keberlanjutan Anda dipertahankan dengan mematuhi kriteria untuk kinerja lingkungan, kinerja sosial, dan kinerja tata kelola. Dampak indikator kinerja ESG pada nilai perusahaan diperiksa dalam studi ini menggunakan Tobin's q. Studi ini mengamati satu perusahaan perbankan yang terdaftar di Bursa Efek Indonesia. Ini menggunakan teknik seleksi purposive 5 tahun. Studi ini menganalisis data dengan menggunakan analisis regresi berganda menggunakan strategi data panel. Temuan menunjukkan bahwa kinerja ESG (lingkungan, sosial, dan tata kelola) memengaruhi nilai perusahaan. Literatur yang ada tentang potensi efek data ESG pada pilihan investasi dan optimalisasi nilai perusahaan diperluas oleh studi ini. Agar investor dapat membuat pilihan yang tepat tentang perusahaan mana yang akan mereka investasikan, studi ini menekankan pentingnya kinerja ESG dalam operasi perusahaan.*

*Kata Kunci : Kinerja keberlanjutan; Nilai Perusahaan*

## INTRODUCTION

The company is able to produce higher performance if it is able to influence the situation in its operational activities in utilizing existing resources. The company can achieve higher performance if it can use existing resources to influence the conditions of business activities (Farida & Setiawan, 2022)(Ulfa, 2017)(Aydoğmuş et al., 2022)(Kraus et al., 2022). The company's primary objective is to raise its value in order to enhance shareholder welfare. Aryaza (2022) emphasizes that the value of a company (Kraus et al., 2022)(Bataha et al., 2023)(Nsps & Climate, n.d.) can be determined by tracing the movement of its stock price which is stable and increasing over time.(Novitasari, 2017),(Shiller, 1981)

The phenomenon that occurred. The value of the company decreased in 2020, as evidenced by the annual financial report. This happened to a number of banks that are widely recognized by the public, especially state-owned banks or State-Owned Enterprises (BUMN). There has been a general downturn in corporate activity since the start of the COVID-19 epidemic, with the financial sector being particularly hit hard. Stock prices in Indonesia fell precipitously because of the COVID-19 pandemic's effect on the European capital market, said Hans Kwe, director of investments at Saran Mandiri. The financial statements of several state-owned banks show this difficulty (Ummah, 2021)(Sari & Dwitayanti, 2023)(Zuhri, 2024).

Investors and managers alike may benefit from this study's examination of financial metrics like Tobin's Q, which provides a snapshot of a company's past performance and a glimpse into its future prospects (Zarefar & Armadani, 2024)(Fairuz et al., 2023)(Fitriana et al., 2024).

The Quran QS. Al-Jumu'ah Verse 10: Meaning has a topic on performance "After the prayer is over, distribute yourself across the world and seek Allah's blessing. Remember Allah as much as you can to be fortunate."(Siregar & Sulidar, 2026) And add, "Work, and Allah, His Messenger, and the believers will witness what you have done. That is another performance-related utterance of Allah SWT in Surah At-Taubah (verse 105). When you return to Allah, who is aware of the real and the invisible, He will tell you what you have done".(Amsari et al., 2023)

Successful business management in the banking sector cannot be divorced from the painful reality that Indonesia's national banking performance declined in 1997 due

to a lack of effective corporate governance.(Pangestu, 2003) So, as we can see from the company's sustainability report, there is a growing focus on ESG problems in this digital and globalized day (Primawati & Andajani, 2023),(Warouw et al., 2024),(Chen et al., 2024).

Corporate sustainability is defined by Intan Pertiwi, Polamolo, (2022) as a non-financial criterion used as a way to satisfy stakeholders' demands without compromising long-term objectives (Hermundsdottir & Aspelund, 2021). And according to Pavlákóv Dočekalová, Kocmanová, and Kolečák (2015) stated in their study that corporate sustainability performance is a multifaceted term that stems from the original notion of sustainability and replaces the conventional view of firm performance, which just appreciation to capital owners.(Pavlákóv Dočekalová et al., 2015).

Companies that focus on profit will maximize the use of existing natural resources to gain profits for the survival of the company without realizing the impact that will be caused (Iswara, 2023) Business actors must start paying attention to the surrounding environment and not fixate on profits (Das Prena, 2021). Polamolo, (2022), Suaiba et al., (2021) Ishak et al., (2024) One concept that can be done in solving problems that are often implemented by companies is the concept of eco-efficiency and disclosure of sustainability performance. Companies have responsibilities for all aspects related to their operations such as employees, suppliers, shareholders, consumers, communities, and the environment in operational aspects such as pollution, waste, product safety, employee welfare and so on (Vuong & Bui, 2023).

According to the findings of the Tobin's q calculation, the value of various enterprises has fluctuated over the course of five periods. As a result, it might be claimed that banking firms still have low corporate values. Additionally, the banking industry's implementation of sustainability performance is still subpar; this is due to variations in individual banking companies and will affect stakeholders.(Chen et al., 2024),(Saha et al., 2024),(Arhinful & Radmehr, 2023).

So the importance of coordinating and transmitting sustainability that has an impact on future business value is again the main focus in ESG. Some previous studies, such as research conducted(Mohy-ud-Din, 2024),(Liu et al., 2024),(Gonzaga et al., 2024), (Ningwati et al., 2022) When it comes to Tobin's Q, their study shows that the ESG factors become relevant. Having the backing of (Qin, 2023) Study analysis

confirms value-enhancing influence of sustainable practices by showing a substantial positive association between ESG performance and Tobin's Q; yet, research shows the inverse to be true on Adha, (2024), According to Mahfuzhah (2021), Research indicates that Tobin's Q is unaffected by ESG, also supported by Fachrezi et al., (2024) Consequently, ESG data has not been able to sway investor choices in Indonesia's capital market as it has little effect on firm value. Inconsistent findings on the impact of Environmental Social Governance (ESG) on company value are shown by referring to the empirical studies that have been conducted.

The purpose of this research is to shed light on the relevant facts about business value by analyzing the relationship between sustainability performance as measured by three indicators (environmental performance score, social performance score, and governance performance score) and the value of a company. All of this rests on the previously established phenomena and the fact that research results might vary (GAP).

#### **LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

According to stakeholder theory, businesses have broad obligations to various groups with an interest in their operations, including communities, suppliers, employees, shareholders, and the environment. Freeman (1984) asserts that for businesses to be successful in the long term, they must consider the interests of all stakeholders. Good ESG implementation and disclosure can strengthen relationships with stakeholders, increase their loyalty and support, and reduce the risk of conflict. Research conducted by Prasetyo and Damayanti (2020) demonstrates that businesses that include ESG principles have stronger linkages to their surrounding communities and consumers, leading to enhanced brand equity and financial success. Studies have shown that organizations that do well in ESG metrics have less risk and more access to resources, lending credence to stakeholder theory's claim that ESG has a beneficial effect on company value. Companies that actively engage stakeholders in their ESG policies tend to experience an increase in their stock market value. This is because stakeholder trust and loyalty can increase operational stability and reduce costs associated with social and environmental issues.

The hypothesis is a short-term solution to the challenges raised by the research question, which has been expressed as a question phrase. Because the solutions provided are only realized in pertinent theories, it is said to as transitory, not yet

supported by data collection-derived empirical truths. Therefore, not yet an empirical answer, the hypothesis may alternatively be expressed as a theoretical response to the phrasing of research topics.(Sugiono, 2018).

H1 = The value of a company in the banking industry is influenced by its environmental performance score.

H2 = The value of a company in the banking industry is influenced by its Social performance score.

H3 = The value of a company in the banking industry is influenced by its governance performance score.

### **Research methods**

Data for this study were collected and analyzed quantitatively. Through the entire research process, the quantitative research methods used are descriptive methods, organized research methods, and planned research methods.

### **Population and sample**

Companies listed on the IDX that publish Sustainability Reporting through their official websites and the IDX website, [www.idx.co.id](http://www.idx.co.id), and Esgi Dataset participated in this study. A total of 46 companies from the banking sector were selected by the researcher to serve as the population for this study. By setting clear criteria, this technique is applied to non-probability sampling (Sugiyono, 2019). For the years 2018–2022, a total of 34 banking businesses listed on the Indonesia Stock Exchange were surveyed using sampling techniques, also known as sampling purposive. The sample size was 170.

### **Research Instrument**

This data is referred to as secondary data. Review, evaluation, and reorganization of financial ratio information gathered from corporations via different sources is known as secondary data. ESG performance score are based on data obtained from sustainability reports and financial statements.

### **Data Collection Procedures**

This calculation technique makes use of a fake variable that, when the item is exposed, produces 1 and, otherwise, returns 0. It compares the amount of indicators that the firm has disclosed with the total number of indicators for each ESG item in each GRI module. The Tobin's Q variable is evaluated using a ratio scale that divides the

market value of stock plus total debt by the total assets of the firm. At its ideal value of 1.0, Tobin's Q, the market correctly values the enterprise. When the Tobin's Q value is below 1, we say that the company is cheap, or undervalued. To the contrary, if the Tobin's Q value is higher than 1, the company is considered expensive, or overpriced (CFI, n.d.).

### **Data Collection Procedures**

Figure 1 below shows the connection between the independent and dependent variables, and the research data was analyzed using the SPSS 22 program.

## **RESEARCH RESULTS AND DISCUSSION**

### **Descriptive Statistics**

The first stage of data testing is to conduct a descriptive statistical analysis of all study variables. The goal of descriptive statistics is to provide a detailed account of the data without drawing any broad inferences or generalizations from it. Table 1 below shows the findings of a descriptive statistical analysis using Spss 22.

### **Normality Test**

The One Sample Kolmogorov Smirnov significant value is 0.172, according to the output findings in table 2 below.  $H_0$  may be accepted because the significant value is greater than 0.05, suggesting that the study is normally distributed.

### **Multicollinearity Test**

According to table 3 below, there is no evidence of multicollinearity between the independent variables, since the VIF value is less than 10, which means that  $H_0$  is acceptable. The results of the calculations were obtained using the following technique.

### **Heteroscedasticity Test**

To determine whether there is heteroscedasticity in the data, the Glejser test is used. None of the variables showcase heteroscedasticity issues, according to Table 4 of the heteroscedasticity test findings, as the sig. value of the ESG Score variable surpasses the significance threshold of  $\alpha = 0.05$ .

### **Multiple Regression-Test**

After finishing the classical assumption test and selecting a panel data regression model, we ran multiple regressions to determine the relationship between our independent variables (social score, governance, and environmental performance) and our dependent variable (firm value). The results are shown in Table 5.

### **T-test**

but the variable's significance level is below its probability level, which is around 0.05. Table 6 shows that there is a relationship between environmental, social, and governance performance and business value (Tobin'Q) in Indonesia Stock Exchange-listed banks from 2018 to 2022.

### **Determinant Coefficient Test R**

You may find the Adjusted R square value, which is also called the Coefficient of Determination (KD), in Table 7 below. How well the dependent and independent variables work together to construct the regression model is shown by it. A KD score of 0.789 indicates that X is the independent variable that accounts for 78.9% of the variation in Y.

### **The Influence of Environmental Performance on Banking Company Value**

A hypothesis test was conducted to determine if environmental performance impacts business value. The findings indicated that, with a 95% confidence level (alpha 0.05), environmental performance positively affected firm value. A significant level of 0.00 for environmental performance, lower than the probability value of 0.05, lends credence to the predicted t-value of 3.557 for this variable, which exceeds the t-table value of 1.97436. A one-way link between environmental performance and company value is shown by the presence of a positive t value. If the t-value is positive, then the link between company value and environmental performance is unidirectional. Consequently, it may be said that H1 is approved. given that the environmental performance value indicates that a value result around number 1 (excellent) will have an effect on raising the value of the business. According to Weni, Monica Pratiwi, and Susi Setyoningsih's (2014) research, a company's worth will increase if it performs well in its environmental performance.

The environmental performance variable has a regression coefficient of 1.248, or 124.8%, meaning that it influences the value of the firm by 124.8% for every 1% change noted with (+). A positive regression coefficient shows that a company's worth rises in direct proportion to the amount of information disclosed about its environmental performance.

Because of this, the sustainability report's environmental performance metric in this research fluctuates from year to year. This demonstrates that a bank needs place

some effort on strengthening the proxies in a particular duty in order to optimize the bank's implementation of environmental performance itself.

The results presented above show that corporate value decisions can be carried out effectively to address environmental issues, and disclosure of environmental performance listed in the sustainability report will improve and create a healthy environment effectively. This is in accordance with the verse of the Qur'an that discusses corporate environmental performance, namely Q.S. Al-A'raf: 56. Meaning: "After the earth is well organized, do not cause damage to it. Fear and hope in praying to Him. Indeed, those who do good are very close to the mercy of Allah".

The content of the above verse explains that the performance of the environment is a prohibition on destroying the environment, the obligation to maintain and preserve the environment, the suggestion to do ihsan, the command to pray with fear and hope. (Publisherjabal.com)

Research that is in line with the above statement is research by Yoo, Sunbin & Managi, Shunsuke, (2022) & (Wiratno & Yustrianthe, 2022) that environmental performance has a significant effect on company value, as well as research by Ningwati et al., (2022) which states that ESG disclosure affects company value.

### **The Influence of Social Performance on Banking Firm Value**

According to descriptive statistics, all of the company's social performance data is adequately described by an average value of 0.46, which is higher than the standard deviation of 0.23.

A company's value will increase significantly if there is social performance that can monitor and provide suggestions on labor standards with regional variety. The social performance variable has a regression coefficient of 1.241, or 124.1%, meaning that it influences each one percent change in the company's value shown with (+). A positive regression coefficient shows that a company's worth rises in direct proportion to the amount of information disclosed about its social performance.

The t-count value of 4.518 for the social performance variable exceeds the t-table value of 1.97436, as determined by hypothesis testing. The p-value for Social Performance is less than 0.05, with a significance level of 0.00. That social performance affects firm value means that H1 is correct. Figure 4.2 shows that the value of social performance may increase a company's worth if the value results are

close to 1 (good). This is consistent with the research of Ghazali & Zulmaita, (2020), which found that good corporate social performance will boost a company's reputation, which in turn affects stakeholder loyalty and raises the company's value.

The results presented above show that the disclosure of social performance contained in the sustainability report will create a good assessment, increase customer and investor confidence and increase compliance, product and service innovation and reduce social risk. This is in accordance with verses from the Koran relating to social performance in a company, namely QS. Al-Hujurat : Meaning: "Reconcile your two brothers who are at odds and fear Allah so you may obtain compassion, for the believers are really brothers".

The content of the verse above explains that the importance of disclosing social performance to require unity and integrity so that the rights of the community, customers and even investors can be fulfilled by the company so as to avoid disputes over the company's obligations to the community, customers and investors. (Publisherjabal.com)

There is the same research, namely Yoo, Sunbin & Managi, Shunsuke, (2022) & (Safitri, 2021) research which states that social performance variables have a significant positive effect on firm value proxied by Tobins'Q.

### **The Influence of Governance Performance on Banking Company Value**

The high percentage of governance words is not surprising. Firstly, the topic of governance is a broadly defined term that relates to issues of corporate leadership and considers stakeholder interests and sustainability. Certain issues are even part of mandatory 10-K report headings such as: corporate governance, board structure, director independence, control, and executive compensation. Governance aspects are not evenly distributed. The group focuses on the interests of shareholders, among others. Therefore, public companies pay greater attention to its shareholders compared to other stakeholder groups, and an organization must implement corporate governance rules. This is primarily intended to hold the public accountable for operational operations that must adhere exactly to the rules set forth in positive law. The average value of 0.6198, which is higher than the standard deviation of 0.23184, is a good representation of all corporate data on governance performance, according to the results of descriptive statistics.

The variable governance performance has a regression coefficient of 0.325, or 32.5%, meaning that it influences the business value by 32.5% for every 1% change denoted with (+). As more information on governance performance is made public, the regression coefficient, which is clearly positive, will increase. This research found that the t-count value of 2.109 for the governance performance variable was more than the t-table value of 1.97436, and that the significance value was 0.036 lower than the probability value of 0.05. Now that we know that H1 is true, we can say that governance performance affects firm value. Consistent with the findings of Edriansyah, Adhi, and Cahyonowati (2023), a company's strong ESG performance will attract more shareholders, who will then be able to use this information to make investment decisions based on their expectations of the company's future financial success, ultimately leading to a rise in the firm's value.

The presentation of the above results illustrates that the disclosure of good governance performance can be realized by applying basic principles, such as: Accountability, responsibility, independence, equality, justice, and transparency in order to enhance business performance, resilience, and trust from stakeholders. This is in accordance with the Qur'anic verse relating to governance performance in a company, namely QS. Al-Baqarah: 282, Meaning: "O you who think you should keep track of debts you incur for a set period of time. Allow one of you to accurately record it. As Allah has instructed, the recorder should not hesitate to write it down. Let the debtor dictate it and let him record it. Allow him to have a deep and abiding fear of Allah, his Lord. Allow the debtor's guardian to accurately dictate if the debtor is mentally ill or incapable of doing so. Ask two of your male witnesses to testify. It is OK to have one man and two women among the witnesses if there are not two males. This way, if one of them forgets, the other person can remind him. When summoned, do not let the witnesses decline. Regardless matter how big or small the obligation is, do not stop recording it until the deadline. Unless it is a financial exchange between you, it is more equitable in Allah's eyes, more likely to support the testimony, and less likely to cast doubt on you. If you do not record it, then you are sinless. When buying and selling, get witnesses, but do not make things difficult for the recorder or the witnesses themselves. If you do that, you are in fact being unjust. Fear Allah, for He is all-knowing and will instruct you".

The content of the verse above explains that disclosure of governance is very important because good governance is transparency, accountability, responsibility, therefore every transaction that contains an agreement should have written evidence and witnesses so that the principle of mutual trust between the company and shareholders is well maintained.(Mumtahaen, 2023).

here is the same research, namely Ningwati et al., (2022) which states that ESG disclosure affects the value of the company, supported by Qin, (2023) there is a strong positive correlation between ESG performance and Tobins'Q.

### CONCLUSIONS AND SUGGESTION

Environment, social, and governance performance significantly impacts company value for the better, according to the results of the tests. With any luck, this research will shed light on why it's crucial for businesses, especially banks, to consider both monetary and non-monetary aspects while trying to hold on to their worth. Nevertheless, this study has a number of drawbacks, such as the elimination of outlier data due to its failure to satisfy the traditional assumption test. Furthermore, this study only employed a small number of financial ratios. It is advised that future studies broaden the scope by incorporating samples from other industries or use additional financial measures, such as CSR and Green Accounting. Additionally, more study can examine other elements that could influence business value.

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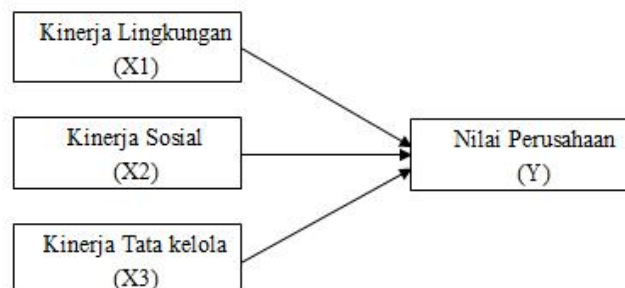
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## PICTURES, GRAPHS AND TABLES



Picture 1 Research Framework  
data processed by researcher (2025)

Table 1 Descriptive Statistics

	ENV SCORE	SOCIAL SCORE	GOV SCORE	TOBINS'Q
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N	Valid	170	170	170	170
	Missing	0	0	0	0
Mean		.3331	.4684	.6198	1.0623
Median		.2819	.4603	.5385	.9876
Std. Deviation		.22427	.23184	.32324	.32383
Minimum		.02	.00	.06	.16
Maximum		1.00	1.00	1.00	3.27

Source: Data Processed by Researcher (SPSS 22)

Table 2 Normality Test Results  
*One-Sample Kolmogorov-Smirnov Test*

		Unstandardized Residual
N		170
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	1.39686729
Most Extreme Differences	Absolute	.093
	Positive	.053
	Negative	-.093
Test Statistic		.093
Asymp. Sig. (2-tailed)		.172 <sup>c</sup>

Source: Data Processed by Researcher (SPSS 22)

Table 3 Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ENV SCORE	.116	8.657
	SOCIAL SCORE	.134	7.443
	GOV SCORE	.372	2.690

Source: Data Processed by Researcher (SPSS 22)

Table 4 Heteroscedasticity Test Results.

Model		Sig.
1	(Constant)	.047
	ENV SCORE	.229
	SOCIAL SCORE	.974
	GOV SCORE	.315

Source: Data Processed by Researcher (SPSS 22)

Table 5 Multiple Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	.094	.040	
	ENV SCORE	1.248	.351	.370
	SOCIAL SCORE	1.241	.275	.436

	GOV SCORE	.325	.154	.122
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Source: Data Processed by Researcher (SPSS 22)

Table 6 T-test Result

Model	Standardized Coefficients	t	Sig.
	Beta		
1 (Constant)		2.374	.019
ENV SCORE	.370	3.557	.000
SOCIAL SCORE	.436	4.518	.000
GOV SCORE	.122	2.109	.036

Source: Data Processed by Researcher (SPSS 22)

Table 7 Determinant Coefficient R Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.890 <sup>a</sup>	.793	.789	.42829

Source: Data Processed by Researcher (SPSS 22)