

Sustainability Reporting and Green Banking Effect on Company Value: The Moderating Role of Company Size in Indonesian Banking

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Abstract

The Indonesian banking sector is undergoing significant digital transformation and adopting green banking practices to promote both economic growth and environmental sustainability, aligning with the Sustainable Development Goals (SDGs). This study examines the impact of Sustainability Reporting, Green Banking, and Company Performance—proxied by profitability (ROA), capital structure (DER), and liquidity (CR)—on Company Value in Indonesian conventional banks, while also investigating the moderating role of Company Size. This study provides one of the first comprehensive panel data analyses that simultaneously examines these variables, offering a more integrated analytical framework within the context of an emerging market banking sector. Using purposive sampling, 41 conventional banks were selected for the 2020-2023 period. Data were analyzed using panel data regression with EViews 13. The findings reveal that all independent variables positively and significantly influence Company Value, with Company Size strengthening these relationships. These results offer valuable insights for policymakers and banking institutions to advance sustainability initiatives through targeted policies and collaborative strategies practices

Keywords: company performance, company size, company value, green banking, and sustainability report

JEL Classification: G21, G32, M14, Q56, M41

Received: January 3, 2026 / Revised: February 26, 2026 / Accepted: March 10, 2026 / Available Online: June 06, 2026 / Publish: June 06, 2026

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INTRODUCTION

The banking industry in Indonesia is undergoing significant expansion, driven by the rise of digital banks and fintech. These advancements enhance accessibility and intensify competition among traditional banks (Tarigan & Paulus, 2019). This digital transformation, supported by good governance, contributes to stock price stability and investor confidence. (Sutrisno et al., 2023). With supportive regulations and technological innovation, the banking sector has the potential to continue to grow and adapt to market needs. (Khumairok, 2023).

High profits and stable revenue growth provide positive signals to investors, reduce information asymmetry, and increase company value.(Vinh et al., 2022). Additionally, maximizing company value remains a primary goal for every issuer. Effective resource management is frequently assessed through stock prices, which also mirror the company's overall worth (Situmorang et al., 2021). The increase in company value is often correlated with informative profit growth, which describes transparent and accurate financial performance. Informative profit not only provides a clear picture of the company's financial health, but also serves as a positive signal for investors.(Malau, 2020).

Sustainability reporting is a continuous reporting mechanism that is important for increasing accountability so that companies can better understand how their operational systems can have an impact on various stakeholders.(Alghamdi & Agag, 2023). This practice has gained global traction, underscoring the significance of transparency and responsibility in business activities. High-quality sustainability reports can contribute positively to a company's market value (Swarnapali, 2020). Issuers must be able to carry out financial evaluations consistently and correctly in order to realize the optimization of company value and income.(Hersugondo et al., 2025)

Banks in Indonesia are starting to implement environmentally friendly practices by increasing sustainability reporting, in line with the SDG's related to environmental degradation and climate change (Hersugondo et al., 2025). The "First Movers on Sustainable Banking" initiative since 2015 shows the increasing relevance of green banking in Indonesia.(Steuer & Tröger, 2022; Gilchrist et al., 2021). Pressure from shareholders and external organizations encourages companies to disclose environmental information, which has a positive impact on brand image and business value.(Lee & Cho, 2021). High profitability also strengthens the company's position in innovating and investing sustainably in accordance with SDG 9 which includes infrastructure, innovation, and industry (Hersugondo et al., 2025).

Despite growing literature on sustainability reporting and green banking, limited studies have comprehensively examined their simultaneous effects on company value in the Indonesian banking sector, particularly with company size as a moderating variable. Most prior studies focus on individual sustainability dimensions or direct effects only (Khan et al., 2021; Linh et al., 2022). This study addresses this gap by providing an integrated analytical framework that examines multiple dimensions of company performance and the moderating role of company size.

Accordingly, this study aims to:

1. Examine the effects of Sustainability Reporting, Green Banking, and Company Performance on Company Value
2. Investigate the moderating role of Company Size in these relationships

Based on these objectives, the study addresses the following research questions:

1. Do Sustainability Reporting and Green Banking practices significantly influence company value in the Indonesian banking sector?
2. How do profitability, capital structure, and liquidity affect company value?
3. Does Company Size moderate the relationships between sustainability initiatives, financial performance, and company value?

LITERATURE REVIEW AND HYPOTHESES

Stakeholder Theory

Freeman (1984)) argues that a company's survival hinges on its capacity to address the needs and interests of all stakeholders—including customers, employees, suppliers, communities, and shareholders—rather than focusing exclusively on shareholder wealth maximization. This theoretical perspective challenges the traditional shareholder primacy model by positing that long-term corporate success depends on creating and distributing value equitably across multiple stakeholder groups. To ensure long-term viability, companies must foster positive stakeholder relationships, distribute profits fairly, and actively incorporate societal and environmental concerns

into their strategic planning (Jensen, 2002).

In the context of sustainability reporting and green banking, stakeholder theory provides a compelling rationale for why banks voluntarily disclose non-financial information and adopt environmentally responsible practices. Banks operate under intense scrutiny from diverse stakeholders, including regulators (e.g., OJK), environmentally conscious investors, non-governmental organizations, and the general public, all of whom increasingly demand transparency regarding environmental and social impacts. By engaging in sustainability reporting and green banking initiatives, banks signal their commitment to addressing stakeholder expectations, thereby building legitimacy, trust, and reputational capital that ultimately translate into enhanced company value. Furthermore, stakeholder theory suggests that failure to respond to stakeholder demands may result in regulatory sanctions, customer boycotts, or loss of investor confidence, all of which negatively affect market valuation. Thus, this study draws on stakeholder theory to hypothesize that sustainability reporting and green banking practices positively influence company value by strengthening stakeholder relationships and enhancing corporate legitimacy in the Indonesian banking sector.

Signaling Theory

Signaling theory is a helpful framework for thinking about communication between firms and investors, when the information between the two parties is not perfectly symmetrical (Brigham & Houston, 2019). This theory suggests that companies communicate to investors about their likely future performance, and the quality of that communication can either draw in or drive away investors (Brigham & Houston, 2019). When the signals are "good" (such as strong and stable profits, transparent sustainability reporting and green banking initiatives), they usually increase investor trust, stock prices and company value (Connelly et al., 2011; Spence, 1973). In banking, sustainability signals are even more important than they might be in other industries because they demonstrate a bank's ability to manage risk, comply with regulations and be forward-thinking about environmental issues (Zhou, Liu, & Luo, 2022). However, the theory isn't flawless. It does not easily fit with the complex interaction between profitability, leverage, and financing decisions of high growth firms, where different signals could be conflicting or misinterpreted (Himawan, 2019; Myers & Majluf, 1984). Nonetheless, signaling theory still adds to stakeholder theory by demonstrating how a bank's sustainability actions influence investor perceptions, in turn impacting value

Trade-off Theory

Trade-off theory offers a simple way to view corporate capital structure decisions (Brigham & Houston, 2019). The basic concept is that companies look for the best combination of borrowing funds to take advantage of tax deductions and not taking on too much debt that might risk bankruptcy (Brigham & Houston, 2019). It's tempting to take on more debt as interest payments lower the tax bill, boosting the value of the firm. But borrowing too much increases the likelihood of bankruptcy and will lead to conflicts of interests between owners and creditors. This theory suggests that firms continue to borrow as long as the additional value of an extra unit of debt is offset by the additional cost of possible bankruptcy, resulting in an optimal capital structure for value maximisation of the company (Ichsani & Susanti, 2019). As for banks, this theory needs to consider stringent capital regulations and banking specifics. More profitable banks might prefer to use debt to get the tax benefits, but also need to maintain capital to meet regulations and remain stable (Hersugondo et al., 2021). In all, achieving an optimum capital structure (seen in the debt-to-equity ratio) can increase the value of a company by lowering the cost of capital and signalling to investors that the company is managing its finances properly (Jannah & Sartika, 2022; Malau & Murwaningsari, 2018). It's one of the reasons why capital structure is important for banks.

Pecking Order Theory

Pecking order theory offers an alternative perspective on corporate financing decisions by proposing that companies follow a hierarchical preference when selecting funding sources. According to this theory, companies prioritize internal funds (retained earnings) first, then debt, and finally equity as a last resort due to information asymmetry between managers and external investors (Brigham & Houston, 2019). Managers possess superior information about company value and will avoid issuing undervalued equity, making internal financing and debt more attractive options. Consequently, profitable companies with strong cash flows tend to use less debt, while less profitable companies may accumulate debt over time as internal funds prove insufficient for investment opportunities (Malau, 2020).

In the banking context, pecking order theory helps explain the relationship between profitability, capital structure, and company value. Banks with higher profitability, as measured by Return on Assets (ROA), often maintain lower leverage ratios because they prefer to fund operations and growth through retained earnings rather than external financing (Hersugondo et al., 2025). This behavior aligns with the theory's prediction that information asymmetry influences financing choices. However, banking-specific factors such as deposit insurance, regulatory capital requirements, and liquidity considerations may modify traditional pecking order behavior (Widarjono, 2020). Recent studies examining Indonesian banks have observed that profitability negatively correlates with leverage, supporting the pecking order perspective that profitable companies rely more on internal funds (Linawati & Aisjah, 2022; Oktavia & Ramadhan, 2024).

Company Values

Corporate value simply refers to the value that would be placed on the company if it were sold (Brigham & Houston, 2019). It is dynamic and is affected by stock market factors brought about by the interaction of supply and demand and is therefore an instantaneous indicator of both present performance and future growth (Brealey et al., 2023). For financial managers, the ultimate objective for any corporation is to increase value. This increases its ability to access the capital markets, enhances its negotiating position and demonstrates to shareholders that it is a sustainable investment (Malau, 2020; Situmorang et al., 2021). In particular, value in the banking sector is particularly sensitive to operational issues such as regulatory and risk management and stakeholders' trust in the bank. So company value is an important measure of management performance and also of the bank's strategy being consistent with achieving long-term, sustainable development (Hersugondo et al., 2025; Sutrisno et al., 2023)

Sustainability Reporting

Sustainability reporting is a continuous disclosure process which ensures that companies are accountable for the impact of their operations on various stakeholders (Alghamdi & Agag, 2023). It helps companies see how their operations affect groups of people (such as customers, employees, and communities) and the environment. Managers consider voluntary ESG disclosure to be beneficial for their financial performance because transparency helps eliminate information asymmetries, enhance firm reputation, and prevent regulatory risks (Delevingne et al., 2020; Sanusi & Johl, 2022). For Indonesia's banks, sustainability reporting matters more than ever since the Financial Services Authority (OJK) began to require listed banks to disclose non-financial performance information. When well prepared, such reports do more than demonstrate a bank's social responsibility; they also enhance the value of the bank by increasing the trust and legitimacy with environmentally sustainable investors (Zhou et al., 2022).

Green Banking

Green banking has become a big concept in financial services circles due to its ability to promote environmental sustainability and socially-responsible business practices (Aslam & Jawaid, 2023). Its growth has been driven by increasing awareness of environmental issues, regulatory

changes, and a shift in customer preferences towards green financial institutions (Ziolo et al., 2019). Green banking encompasses many activities: investing in environmentally sustainable initiatives, refusing to lend to environmentally damaging industries, reducing their use of paper and incorporating environmental risk assessments into their portfolio management (He et al., 2019; Qi, 2021). Studies indicate that banks that adopt green practices are more profitable, have a better reputation and higher market capitalisation. One of the key factors is that they more closely align with stakeholder expectations and with policies such as the OJK Sustainable Finance Roadmap (Gilchrist et al., 2021; Khan et al., 2021; Rahman et al., 2024).

Profitability

Profitability reflects a company's ability to translate its activities, investments and revenue into profits, using its resources effectively (Brigham & Houston, 2019). Higher profits are a positive signal that the company is likely to produce good earnings, which helps increase investor trust and reduce the information asymmetry between management and external parties (Hasidi et al., 2024; Vinh et al., 2022). In banks, profits derived from activities such as lending and fees on services and products increase the amount of capital available to be reinvested, to pay dividends, and to meet regulatory requirements, all of which are necessary for sustainable growth (Hersugondo et al., 2021). From a signaling theory perspective, profitability is a credible signal of efficient managers and operations. These are the very things that institutional investors look for, and what stabilises stock prices, both of which contribute to bank value (Obiero et al., 2022; Sarah & Athanase, 2023; Trejo-Pech et al., 2023).

Capital Structure

A good capital structure can increase the firm's value, particularly to shareholders, by using an optimum mix of debt and equity (Brigham & Houston, 2019). Capital structure just refers to how a company's operations are financed, using long-term liabilities and shareholders' equity. To operate more efficiently, reduce the cost of capital and expand profits, firms must get this balance right (Hersugondo et al., 2025). Trade-off theory sees debt as having tax benefits that, when managed wisely, can outweigh the costs and risks of default (Kraus & Litzenberger, 1973; Modigliani & Miller, 1963). In the banking sector, some debt is viewed favorably as an indicator of growth prospects and prudent use of capital. It enables banks to make more loans while maintaining a cushion to meet regulatory reserves (Ichsani & Susanti, 2019; Jannah & Sartika, 2022; Linawati & Aisjah, 2022).

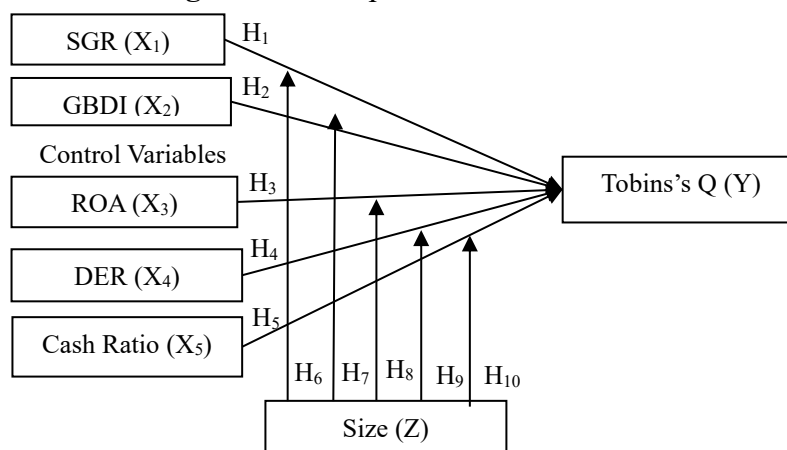
Liquidity

Liquidity represents a company's ability to meet its short-term financial commitments using available current assets. Both creditors and investors place significant importance on liquidity ratios as these metrics indicate the likelihood of prompt debt settlement (Brigham & Houston, 2019). Maintaining optimal liquidity levels is essential for business continuity, ensuring the organization can fulfill its immediate financial obligations (Seth et al., 2024). Effective liquidity management plays a vital role in sustaining uninterrupted business operations, thereby enabling the company to achieve peak profitability (Boisjoly et al., 2020)

Conceptual Model

Integrating insights from the literature review and the proposed hypotheses, the study's conceptual model is presented below:

Figure 1. Conceptual Model



Sources: Linh et al., (2022), Rahman et al., (2024), Khan et al., (2021), Linawati & Aisjah (2022), Dang & Do (2021), Ahmad, et al., (2021), Chia et al., (2020), Pham et al., (2020)

Hypothesis Study

The Influence of Sustainability Reporting on Company Value

Stakeholder theory posits that corporations bear responsibilities extending beyond shareholders to include environmental and social stakeholders. Within this framework, sustainability reports serve as primary instruments for communicating organizational impacts across the Triple Bottom Line dimensions - economic, social, and environmental (Sanusi & Johl, 2022). Investors specializing in sustainable ventures particularly value transparent SR disclosures, as these reduce investment risks, enhance security, and bolster competitive advantage by mitigating regulatory uncertainties (Saha, 2024; Zhou et al., 2022). Multiple empirical studies, including those by Ammer et al., (2020) and El-Deeb et al., (2023), demonstrate that comprehensive sustainability reporting correlates with enhanced market valuation, as reflected in rising stock prices and improved company worth. This leads to our first hypothesis:

H1: Sustainability Reporting has a positive effect on Company Value

The Influence of Green Banking on Company Value

Environmentally conscious banking practices deliver dual benefits by facilitating eco-friendly business financing while restricting support for polluting industries, thereby promoting sustainable economic development (He et al., 2019; Xie et al., 2020; Qi, 2021). Growing ecological awareness has made green practices a significant factor in investor and customer decision-making, complemented by increasing regulatory pressure for sustainable operations (Steuer & Troger, 2022). Research confirms that green banking initiatives enhance corporate valuation, improve financial metrics, and strengthen brand perception (Khan et al., 2021). Furthermore, sustainable marketing collaborations and green lending programs have demonstrated positive effects on shareholder returns and banking sector performance indicators like return on assets and net interest margins (Gilchrist et al., 2021; Rahman et al., 2024). The hypothesis is:

H2: Green Banking has a positive effect on Company Value

The Influence of Profitability on Company Value

Profitability serves as a crucial financial metric that demonstrates an organization's capacity to generate earnings, representing a primary consideration for investors when assessing a company's fiscal health (Obiero et al., 2022). Strong profitability signals effective resource allocation and

competent management, factors that enhance earnings potential and market appeal (Hasidi et al., 2024). Furthermore, profitability significantly contributes to enhancing corporate worth, as robust earnings demonstrate the company's capability to deliver shareholder returns and maintain sustainable operations (Sarah & Athanase, 2023; Trejo-Pech et al., 2023). Consequently, profitability functions not merely as a performance indicator but also as an encouraging signal to investors about the organization's growth potential. This leads to our third hypothesis:

H3: Profitability has a positive effect on Company Value

The Influence of Capital Structure on Company Value

Capital structure represents the mix of long-term financing sources, including debt and equity, that a company utilizes to support its operations. Leverage serves as a key metric to evaluate the proportion of debt relative to total assets. Elevated leverage levels may potentially shift asset ownership from shareholders to creditors (Malau & Murwaningsari, 2018). Higher leverage ratios typically result in increased interest obligations, which can diminish profitability and ultimately affect the organization's market valuation (Ichsani & Susanti, 2019). This leads to our fourth hypothesis:

H4: Capital structure has a positive effect on company value.

The Influence of Liquidity on Company Value

Liquidity serves as a critical indicator of financial health, measuring an organization's capacity to fulfill short-term financial commitments. Strong liquidity positions significantly enhance financial stability and contribute to sustained operational performance (Zadorozhnyy et al., 2023). Research by Lileikiene & Martinkiene (2023) demonstrates that companies with robust liquidity profiles generate greater investor confidence, resulting in enhanced market valuation. Effective liquidity management enables organizations to optimize operational efficiency, reduce expenses, stabilize cash flows, and ultimately support value creation (Widarjono, 2020). This forms our fifth hypothesis:

H5: Liquidity has a positive effect on company value

Moderation of Company Size on the Influence of Sustainability Report on Company Value

Company size significantly moderates the relationship between sustainability reporting and corporate valuation. Larger organizations typically possess greater resources to implement impactful sustainability initiatives, which enhances stakeholder confidence and strengthens market reputation. Studies by Corvino et al. (2019) and Meshack et al. (2020) confirm that company size significantly moderates performance outcomes, indicating that sustainability disclosures have a more pronounced effect on value optimization in larger enterprises. Additional research by Leal-Rodríguez et al.'s (2015) demonstrates that organizational scale influences the relationship between learning processes and innovation outcomes, particularly relevant for sustainability strategies in major corporations. This supports our sixth hypothesis:

H6: Company size can strengthen the influence of Sustainability Reports on Company Value.

Moderation of Company Size on the Influence of Green Banking on Company Value

Organizational scale serves as a significant moderating factor in the relationship between green banking practices and company value. Larger corporations typically possess greater financial and operational capacity to implement comprehensive environmental initiatives, including carbon reduction programs and energy optimization strategies. These sustainability efforts enhance corporate reputation among stakeholders, thereby contributing to increased market valuation. Research by Corvino et al., (2019) and Hernández et al., (2020) demonstrates that company size plays a crucial moderating role in the connection between sustainable practices (such as corporate social responsibility) and financial performance. Their findings indicate that larger organizations tend to realize greater economic benefits from their environmental initiatives. This leads to our

seventh hypothesis:

H7: Company Size Can Strengthen the Influence of Green Banking on Company Value

Moderation of Company Size on the Effect of Profitability on Company Value

Empirical research presents nuanced findings regarding how company size moderates the profitability-value relationship. Larger enterprises may capitalize on economies of scale to magnify the positive impact of profitability on market valuation (Zahrani et al., 2023). Supporting this view, Octavia & Ramadhan (2024) demonstrated that organizational scale enhances profitability's effect on corporate worth, suggesting superior value-creation capabilities among sizable companies with profitable operations. This leads to our eighth proposition:

H8: Company size can strengthen the influence of profitability on company value.

Moderation of Company Size on the Effect of Capital Structure on Company Value

When assessing company size through total assets, research indicates that accrual policies may contribute to asset value appreciation (Malau, 2020). Corporations with substantial asset bases demonstrate enhanced capacity to optimize shareholder-derived resources (Ichsani & Susanti, 2019). Furthermore, larger entities typically enjoy greater access to capital market financing (Jannah & Sartika, 2022). These factors collectively suggest our ninth hypothesis:

H9: Company Size Can Strengthen the Influence of Capital Structure on Company Value

Moderation of Company Size on the Effect of Liquidity on Company Value

The interplay between organizational size, liquidity, and corporate value manifests complex dynamics influenced by multiple factors. Company scale significantly affects how liquidity impacts both business continuity and market valuation (Dörr et al., 2022). Within company-specific investor sentiment (FSIS) frameworks, larger corporations with robust growth prospects and liquid equities demonstrate stronger FSIS effects on cash valuations, indicating that size enhances liquidity's valuation impact through heightened investor attention (Guo et al., 2023). Additionally, scaled organizations typically possess superior non-financial resource access that bolsters liquidity management and value creation (Worku et al., 2024). These observations support our final hypothesis:

H10: Company Size Can Strengthen the Influence of Liquidity on Company Value

METHODS

This investigation employs a quantitative research design with an explanatory approach to examine causal relationships among variables. The research sample was carefully selected using purposive sampling techniques, focusing on conventional banking institutions that met three key criteria: (1) continuous operation throughout the 2020-2023 period, (2) availability of complete annual reports, and (3) accessibility of comprehensive financial data. These selection parameters yielded a final sample of 41 banks. The analytical framework incorporates three key components: descriptive statistical analysis, classical assumption testing, and panel data regression modeling. All statistical processing was conducted using EViews 13 software to ensure analytical precision and facilitate thorough interpretation of research findings.

The selection of panel data regression with Common Effect Model (CEM) was based on a comprehensive model selection process involving Chow Test, Hausman Test, and Lagrange Multiplier Test. Although the Chow Test initially suggested Fixed Effect Model (FEM), subsequent tests indicated that CEM was the most appropriate specification for this study. Purposive sampling was employed to ensure data completeness and consistency across the observation period (2020-2023). While this non-probability sampling technique may limit generalizability, it was necessary to maintain data quality given the specific focus on conventional banks with complete sustainability disclosures.

RESULT AND DISCUSSION

Research results

Descriptive Statistics Results

Table 1. Descriptive Statistics Results

	TOBINSQ	SGR	GBDI	ROA	DER	CR	SIZE
Mean	1.068129	0.056162	0.541575	0.012691	0.775633	0.924390	31.55249
Median	0.988800	0.016250	0.523800	0.008800	0.814850	0.665000	30.89710
Maximum	1.847200	1.280700	0.809500	0.189700	0.918900	3.340000	39.02980
Minimum	0.658800	-1.818100	0.428600	-0.103500	0.275600	0.170000	26.64250
Std. Dev.	0.224836	0.416174	0.086998	0.039766	0.119895	0.697016	1.963648

Source: Secondary data processed by the author

Based on table 1, the Company Value variable (Tobin's Q) has an average of 1.0681 with low dispersion (standard deviation 0.2248), indicating the homogeneity of the company's market value. Sustainability Report (SGR) has an average of 0.0562 and high variation (std. dev. 0.4162), with some companies showing very high or negative levels of sustainability disclosure. Green Banking (GBDI) has an average of 0.5416 with low variation (std. dev. 0.0870), indicating the consistency of green banking implementation. Profitability (ROA) has an average of 0.0127 with quite large variability (std. dev. 0.0398). Capital Structure (DER) has an average of 0.7756 with small variation (std. dev. 0.1199), while Liquidity (CR) has an average of 0.9244 and large variation (std. dev. 0.6970). Company Size (SIZE) has an average of 31.5525 with significant variation (std. dev. 1.9636).

Results of Moderated Regression Analysis Data Panel

Table 2. Panel Data Regression Results

Variable	Coefficient		
	CEM	FEM	REM
C	5.151260	1.925749	4.065799
SGR	0.707728	0.440858	0.623627
GBDI	5.059484	2.006375	4.423114
ROA	3.847397	1.071255	3.100178
DER	0.404274	0.838997	0.363086
CR	0.000519	0.001906	0.001182
SIZE	0.144505	0.047245	0.109418
SGR*SIZE	0.026178	0.015675	0.022662
GBDI*SIZE	0.182823	0.073223	0.156507
ROA*SIZE	0.102422	0.024294	0.086861
DER*SIZE	0.016210	0.007854	0.004713
CR*SIZE	0.023829	0.006105	0.004130

Source: Secondary data processed by the author

The regression models include:

Common Effect Model (CEM):

$$Y = 5.151260 + 0.707728(\text{SGR}) + 5.059484(\text{GBDI}) + 3.847397(\text{ROA}) + 0.404274(\text{DER}) + 0.000519(\text{CR}) + 0.144505(\text{SIZE}) + 0.026178(\text{SGR}*\text{SIZE}) + 0.182823(\text{GBDI}*\text{SIZE}) + 0.102422(\text{ROA}*\text{SIZE}) + 0.016210(\text{DER}*\text{SIZE}) + 0.003829(\text{CR}*\text{SIZE}) + \varepsilon \quad (1)$$

Fixed Effect Model (FEM):

$$Y = 1.925749 + 0.440858(\text{SGR}) + 2.006375(\text{GBDI}) + 1.071255(\text{ROA}) + 0.838997(\text{DER}) + 0.001906(\text{CR}) + 0.047245(\text{SIZE}) + 0.015675(\text{SGR}*\text{SIZE}) + 0.073223(\text{GBDI}*\text{SIZE}) + 0.024294(\text{ROA}*\text{SIZE}) + 0.007854(\text{DER}*\text{SIZE}) + 0.006105(\text{CR}*\text{SIZE}) + \varepsilon \quad (2)$$

Random Effect Model (REM) namely:

$$Y = 4.065799 + 0.623627(\text{SGR}) + 4.423114(\text{GBDI}) + 3.100178(\text{ROA}) + 0.363086(\text{DER}) + 0.001182(\text{CR}) + 0.109418(\text{SIZE}) + 0.022662(\text{SGR}*\text{SIZE}) + 0.156507(\text{GBDI}*\text{SIZE}) + 0.086861(\text{ROA}*\text{SIZE}) + 0.004713(\text{DER}*\text{SIZE}) + 0.004130(\text{CR}*\text{SIZE}) + \varepsilon \quad (3)$$

Election Results Panel Data Regression Estimation Model

Before determining the most appropriate panel data regression estimation model, a series of model selection tests were conducted to compare three main approaches, namely CEM, FEM, and REM.

Table 3. Panel Data Regression Estimation Model Selection Results

Test	Probability	Selected Models
Chow Test (CEM vs FEM)	Prob. F = 0.000 Prob. Chi-Sq= 0.000	FEM
Hausman test (FEM vs REM)	Prob. Chi-Sq = 0.1454	REM
Lagrange Multipliers Test (CEM vs REM)	Breusch-Pagan Prob. = 0.8096	CEM

Source: Secondary data processed by the author

The model selection process for the panel data regression analysis involved three key statistical tests. The Chow Test results (χ^2 probability = 0.000) initially suggested the Fixed Effects Model (FEM) was more appropriate than the Common Effects Model (CEM). However, subsequent Hausman Test results (χ^2 probability = 0.1454, $p > 0.05$) indicated the Random Effects Model (REM) might be preferable to FEM. Finally, the Lagrange Multiplier Test (Breusch-Pagan probability = 0.8096) revealed that CEM was actually more suitable than REM. After carefully considering these test outcomes, the Common Effects Model (CEM) was ultimately selected as the most appropriate specification for our analysis, as it demonstrated the best overall fit for the data based on this comprehensive evaluation process.

Classical Assumption Test Results

This test is used to ensure that the classical assumption requirements for regression are met, the test results are:

Table 4. Classical Assumption Test Results

Test	Test Results	Information
Normality Test	Jarque-bera =23.01601 Prob. = 0.000663	Abnormal
Multicollinearity Test	Centered VIF SGR =1.177139 GBDI =1.041149 ROA = 1.086444 DER =1.113419 CR =1.183458	Multicollinearity Free
Heteroscedasticity Test	Breusch-Pagan-Godfrey Obs*R-sq =10.96860 Prob. Chi-Sq(5) = 0.0884	Free of Heteroscedasticity
Correlation Test	Cross Correlation =far from ± 1 Autocorrelation (DW) = 1.304426	No Autocorrelation

Source: Secondary data processed by the author

The diagnostic test results confirm that the regression model satisfies all classical assumptions. While the Jarque-Bera test indicated non-normally distributed residuals, the sufficiently large sample size of 164 observations ensures the error terms approximate normality for reliable analysis. Multicollinearity tests showed all centered variance inflation factors (VIF) below the critical threshold of 10, confirming no significant multicollinearity issues. The Breusch-Pagan-Godfrey test for heteroscedasticity yielded a probability value of 0.084, slightly above the 0.05 significance level, indicating constant residual variance. Furthermore, correlation analysis revealed low cross-correlation between independent variables, providing additional evidence against multicollinearity concerns. The Durbin-Watson statistic of 1.304426 falls within the acceptable range of ± 2 , demonstrating no autocorrelation in the residuals. These comprehensive test results collectively validate the regression model, ensuring the parameter estimates are both valid and reliable for drawing substantive conclusions.

Goodness of Fit Test Results

The F-test evaluates the joint significance of all independent variables in explaining variation in the dependent variable, while R^2 (coefficient of determination) quantifies the proportion of variance accounted for by the model. According to Ghazali (2018), R^2 values approaching 1 indicate stronger explanatory power of the regression model. The current study's test results demonstrate:

Table 5. Goodness of Fit Test Results

Test	Test Results	Information
F Test	Prob. F = 0.000001	Simultaneous effect
Determination Test	Adj. R-Sq = 0.222339	Determination = 22.2339%

Source: Secondary data processed by the author

The regression results demonstrate both statistical significance and explanatory power of the model. The extremely low probability value of the F-statistic ($p = 0.000001$) confirms that the independent variables collectively have a highly significant impact on the dependent variable ($p < 0.05$). In terms of explanatory capacity, the adjusted R-squared value of 0.2223 indicates that approximately 22.23% of the variation in the dependent variable is accounted for by the model's independent variables, after adjusting for the number of predictors. This suggests that while the model explains a significant portion of the variance, the majority (77.77%) remains unexplained and is likely influenced by other factors not included in the current analysis. These unexplained factors are discussed in the following section, with particular attention to cultural, economic, and institutional variables that may influence company value in the Indonesian banking context

Hypothesis Test Results

This study employs statistical hypothesis testing to evaluate the individual contribution of each explanatory variable. As outlined by Ghazali (2018), the t-test serves as the primary method for assessing whether each independent variable significantly explains variation in the dependent variable. The analysis specifically examines:

Table 6. Partial Hypothesis Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.151260	2.045032	2.518914	0.0128
SGR	0.707728	0.663699	2.166339	0.0318
GBDI	5.059484	2.828492	2.488757	0.0139
ROA	3.847397	6.099903	2.630731	0.0094

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DER	0.404274	1.872292	2.215924	0.0282
CR	0.000519	0.002092	3.247915	0.0014
SIZE	0.144505	0.065221	2.215611	0.0282
SGR*SIZE	0.026178	0.021224	2.233389	0.0270
GBDI*SIZE	0.182823	0.088984	2.254555	0.0256
ROA*SIZE	0.102422	0.205792	2.497695	0.0136
DER*SIZE	0.016210	0.060197	2.269286	0.0246
CR*SIZE	0.023829	0.066591	2.357842	0.0196

Source: Secondary data processed by the author

The results of the partial hypothesis test are:

1. Sustainability Reporting (SGR) has a coefficient of 0.707728 with a Prob. value of $0.0318 < 0.05$, so H1 is accepted.
2. Green Banking (GBDI) has a coefficient of 5.059484 with a Prob. value of $0.0139 < 0.05$, so H2 is accepted.
3. Profitability (ROA) has a coefficient of 3.847397 with a Prob. value of $0.0094 < 0.05$, so H3 is accepted.
4. Capital Structure (DER) has a coefficient of 0.404274 with a Prob. value of $0.0282 < 0.05$, so H4 is accepted.
5. Liquidity (CR) has a coefficient of 0.000519 with a Prob. value of $0.0014 < 0.05$, so H5 is accepted.
6. H6: The interaction of Sustainability Report (SGR*SIZE) has a coefficient of 0.026178 with a probability value of $0.0270 < 0.05$, so H6 is accepted.
7. H7: Green Banking interaction (GBDI*SIZE) has a coefficient of 0.182823 with a probability value of $0.0256 < 0.05$, so H7 is accepted.
8. H8: Profitability interaction (ROA*SIZE) has a coefficient of 0.102422 with a probability value of $0.0136 < 0.05$, so H8 is accepted.
9. H9: The interaction of Capital Structure (DER*SIZE) has a coefficient of 0.016210 with a probability value of $0.0246 < 0.05$, so H9 is accepted.
10. H10: Liquidity interaction (CR*SIZE) has a coefficient of 0.023829 with a probability value of $0.0196 < 0.05$, so H10 is accepted.

Discussion

The Influence of Sustainability Reporting on Company Value

The results indicate that Sustainability Reporting exerts a statistically significant positive influence on Company Value ($\beta = 0.7077$, $p < 0.05$). This finding aligns with stakeholder theory (Freeman, 1984), which posits that organizations bear responsibilities extending beyond shareholders to include environmental and social stakeholders. Through the lens of signaling theory, sustainability reports serve as credible signals of company quality, reducing information asymmetry and enhancing investor confidence (Spence, 1973; Brigham & Houston, 2019). Within the Triple Bottom Line framework, sustainability reporting functions as a primary mechanism for disclosing a company's economic, social, and environmental performance, thereby building legitimacy and trust among stakeholders (Sanusi & Johl, 2022).

This finding is consistent with recent studies by Ammer et al. (2020) in Saudi Arabia and El-Deeb et al. (2023) in Egypt, who found that robust socio-environmental disclosures correlate with higher equity valuations in emerging markets. However, it contrasts with Swarnapali (2020), who found non-significant effects in Sri Lankan companies, suggesting that the effectiveness of sustainability reporting may depend on regulatory enforcement and market maturity. The positive effect in the Indonesian context may be attributed to increasing regulatory pressure from the

Financial Services Authority (OJK), which has mandated sustainability disclosures for listed banks since 2019. This regulatory framework enhances the credibility, comparability, and decision-usefulness of sustainability reports, enabling investors to incorporate non-financial information into their valuation assessments. Furthermore, Indonesian banks with comprehensive sustainability disclosures benefit from enhanced reputation, reduced regulatory uncertainty, and improved access to green financing, all of which contribute to increased company value.

The Influence of Green Banking on Company Value

The analysis reveals that Green Banking practices significantly and positively influence Company Value ($\beta = 5.0595$, $p < 0.05$). This finding supports stakeholder theory, which suggests that environmentally conscious banking practices address the expectations of diverse stakeholders including environmentally conscious investors, regulators, and customers (Freeman, 1984). From a signaling theory perspective, green banking initiatives function as credible signals of long-term strategic orientation and risk management capability, distinguishing banks that are prepared for the transition to a low-carbon economy (Steuer & Tröger, 2022).

This result aligns with international evidence from Khan et al. (2021), who demonstrated that green banking disclosure enhances company value in Bangladesh, and Rahman et al. (2024), who found that green banking practices improve financial performance through enhanced reputation and operational efficiency. The finding also corroborates Gilchrist et al. (2021), who documented that environmentally focused lending improves banking sector profitability metrics including ROA and net interest margins. In the Indonesian context, the positive effect of green banking on company value reflects the growing relevance of sustainable finance since the "First Movers on Sustainable Banking" initiative launched in 2015. Banks that proactively implement green banking practices—such as financing eco-friendly projects, restricting loans to polluting industries, and adopting paperless operations—position themselves favorably among increasingly environmentally conscious investors. Moreover, compliance with OJK's Sustainable Finance Roadmap demonstrates institutional commitment to environmental sustainability, which enhances stakeholder trust and supports long-term value creation.

The Influence of Profitability on Company Value

The analysis demonstrates that profitability, measured by Return on Assets (ROA), exerts a significant positive influence on Company Value ($\beta = 3.8474$, $p < 0.05$). This finding is consistent with fundamental financial theory, which identifies profitability as a primary driver of company valuation (Brigham & Houston, 2019). From a signaling theory perspective, strong profitability signals efficient resource allocation, competent management, and sustainable earnings potential, all of which enhance investor confidence and market valuation (Connelly et al., 2011; Spence, 1973).

This result supports previous empirical studies by Obiero et al., (2022) and Sarah & Athanase (2023), who found that profitability significantly influences investment decisions and corporate worth in emerging markets. It also aligns with Trejo-Pech et al., (2023), who demonstrated that profitable companies generate superior shareholder returns through consistent earnings performance. In the Indonesian banking context, profitability serves as a crucial indicator of financial health and operational efficiency. Banks with higher ROA demonstrate superior capacity to generate earnings from their asset base, which enables them to reinvest in growth opportunities, maintain adequate capital buffers, and distribute dividends to shareholders. Furthermore, profitable banks attract greater investor interest because they represent lower risk and higher potential returns. The positive relationship between profitability and company value observed in this study confirms that investors in the Indonesian banking sector reward financial performance and view profitability as a reliable indicator of long-term value creation.

The Influence of Capital Structure on Company Value

The results confirm that capital structure, proxied by Debt to Equity Ratio (DER), has a significant positive influence on Company Value ($\beta = 0.4043$, $p < 0.05$). This finding can be explained through trade-off theory, which suggests that an optimal capital structure balances the tax benefits of debt against the costs of financial distress, ultimately enhancing company value (Kraus & Litzenberger, 1973; Modigliani & Miller, 1963). Although high leverage may increase interest expenses and potentially reduce short-term profitability, an optimal capital structure can lower the overall cost of capital and signal effective financial management to investors (Brigham & Houston, 2019).

This result aligns with Ahmad et al., (2021) and Dang & Do (2021), who found that capital structure positively influences company value in emerging markets when maintained within optimal ranges. It also supports (Ichsani & Susanti, 2019), who demonstrated that properly managed leverage contributes to value creation despite increased interest obligations. However, this finding requires nuanced interpretation in the banking context. Unlike non-financial companies, banks operate with inherently high leverage due to their intermediation function, and moderate leverage is often perceived as an indicator of growth capacity and disciplined capital allocation (Hersugondo et al., 2021). In Indonesia, banks with well-managed capital structures benefit from investor confidence because they demonstrate ability to meet regulatory capital adequacy requirements while pursuing profitable lending opportunities. The positive relationship observed suggests that investors view moderate leverage as a signal of financial flexibility and growth potential, rather than excessive risk.

The Influence of Liquidity on Company Value

The findings reveal that liquidity, measured by Cash Ratio (CR), positively and significantly influences Company Value ($\beta = 0.0005$, $p < 0.05$). This result supports the theoretical perspective that strong liquidity positions enhance financial stability and contribute to sustained operational performance (Brigham & Houston, 2019). From a risk management perspective, adequate liquidity ensures that banks can meet short-term obligations, withstand unexpected withdrawals, and maintain uninterrupted operations, all of which are essential for preserving stakeholder confidence (Zadorozhnyy et al., 2023).

This finding is consistent with Lileikiene & Martinkiene (2023), who demonstrated that companies with robust liquidity profiles generate greater investor confidence and enhanced market valuation. It also aligns with Widarjono (2020), who found that effective liquidity management enables organizations to optimize operational efficiency, reduce financing costs, and stabilize cash flows. In the Indonesian banking context, liquidity management has gained particular importance following the COVID-19 pandemic, which highlighted the need for adequate liquidity buffers to absorb economic shocks. Banks maintaining higher cash ratios demonstrate prudent risk management and operational resilience, which reassures investors about their ability to navigate uncertain economic conditions. Furthermore, strong liquidity positions enable banks to capitalize on lending opportunities during economic recoveries, supporting both short-term profitability and long-term value creation. The positive effect observed confirms that investors value liquidity as a safeguard against financial distress and a foundation for sustainable growth.

The Moderating Role of Company Size on Sustainability Reporting-Company Value Relationship

The analysis reveals that Company Size significantly strengthens the relationship between Sustainability Reporting and Company Value ($\beta = 0.0262$, $p < 0.05$). This finding supports the theoretical argument that larger organizations possess greater resources and capabilities to implement impactful sustainability initiatives, thereby enhancing stakeholder confidence and market reputation (Corvino et al., 2019). From a signaling theory perspective, sustainability disclosures by larger banks carry greater credibility due to their higher visibility, stronger stakeholder scrutiny, and more established reporting infrastructure (Spence, 1973).

This result aligns with Meshack et al., (2020), who found that company size significantly moderates the relationship between capital structure and financial performance, and (Leal-Rodríguez et al., 2015), who demonstrated that organizational scale influences the effectiveness of strategic initiatives. In the Indonesian banking context, larger banks benefit from economies of scale in sustainability reporting, including dedicated sustainability teams, established data collection systems, and greater capacity to comply with evolving regulatory requirements. However, it is important to acknowledge that organizational rigidity and bureaucratic complexity in larger banks may, under certain conditions, reduce the effectiveness of sustainability implementation. Nevertheless, in the Indonesian banking sector, where regulatory compliance, capital adequacy, and reputational considerations are strongly emphasized, larger banks tend to benefit more from sustainability disclosure due to higher visibility and stronger stakeholder expectations. Investors perceive sustainability reports from large, well-established banks as more reliable and decision-useful, amplifying their positive impact on company value.

The Moderating Role of Company Size on Green Banking-Company Value Relationship

The results demonstrate that Company Size enhances the positive relationship between Green Banking practices and Company Value ($\beta = 0.1828$, $p < 0.05$). This finding supports the theoretical perspective that larger organizations possess greater financial and operational capacity to implement comprehensive environmental initiatives, including carbon reduction programs, green product development, and sustainable lending frameworks (Hernández et al., 2020), 2020). From a stakeholder theory perspective, larger banks face greater pressure from diverse stakeholders to demonstrate environmental responsibility, making green banking investments both more necessary and more visible.

This finding corroborates Corvino et al., (2019) and Hernández et al., (2020), who demonstrated that company size plays a crucial moderating role in the connection between sustainable practices and financial performance, with larger organizations tending to realize greater economic benefits from their environmental initiatives. In the Indonesian context, larger banks such as state-owned enterprises and major private banks have been at the forefront of green banking adoption, participating in international sustainable finance initiatives and developing specialized green loan products. Their substantial resource base enables them to invest in green technology, train staff in environmental risk assessment, and develop comprehensive sustainability strategies that smaller banks cannot easily replicate. Consequently, investors perceive green banking practices by larger banks as more credible and impactful, translating into greater valuation premiums. This finding suggests that size-related advantages in resources, expertise, and visibility enable larger banks to more effectively convert green banking investments into enhanced market value.

The Moderating Role of Company Size on Profitability-Company Value Relationship

The analysis indicates that Company Size strengthens the positive relationship between Profitability and Company Value ($\beta = 0.1024$, $p < 0.05$). This finding supports the theoretical argument that larger enterprises can capitalize on economies of scale to magnify the positive impact of profitability on market valuation (Zahrani et al., 2023). From an operational perspective, larger banks can leverage their extensive branch networks, customer bases, and technological infrastructure to generate higher returns from profitable operations, translating earnings into sustainable value creation.

This result aligns with Oktavia & Ramadhan (2024), who demonstrated that organizational scale enhances profitability's effect on corporate worth, suggesting superior value-creation capabilities among sizable companies with profitable operations. In the Indonesian banking sector, larger banks benefit from diversification advantages that enable them to maintain stable profitability across economic cycles. Their scale allows them to absorb operational costs more efficiently, invest in technology-driven efficiency improvements, and cross-sell products to existing customers, all of

which amplify the valuation impact of profitability. Furthermore, profitable large banks attract greater analyst coverage and institutional investor attention, which enhances market efficiency in incorporating earnings information into stock prices. However, it is worth noting that very large banks may face diminishing returns if bureaucratic inefficiencies erode profitability gains. Nevertheless, within the range observed in this study, size appears to facilitate more effective conversion of profitability into enhanced company value, confirming the moderating role of organizational scale.

The Moderating Role of Company Size on Capital Structure-Company Value Relationship

The findings confirm that Company Size positively moderates the relationship between Capital Structure and Company Value ($\beta = 0.0162$, $p < 0.05$). This result supports the theoretical perspective that larger corporations possess enhanced capabilities to optimize shareholder-derived resources and enjoy greater access to capital market financing opportunities (Ichsani & Susanti, 2019). From a trade-off theory perspective, larger banks can better manage the risks associated with higher leverage due to their diversified operations, stable cash flows, and stronger relationships with creditors.

This finding aligns with Jannah & Sartika (2022), who demonstrated that larger companies benefit from improved financial flexibility and enhanced market valuation through optimal capital structure management. In the Indonesian banking context, larger banks typically maintain stronger capital positions and better access to both domestic and international funding sources. Their size enables them to negotiate more favorable borrowing terms, maintain higher credit ratings, and access capital markets more efficiently than smaller competitors. Consequently, when larger banks employ leverage within prudent limits, investors interpret this as a signal of growth capacity and financial sophistication rather than excessive risk. The positive moderating effect suggests that size provides a credibility enhancement that amplifies the valuation benefits of an optimal capital structure. Larger banks can leverage their scale to achieve the tax benefits of debt while maintaining sufficient capital buffers to satisfy regulatory requirements and investor expectations.

The Moderating Role of Company Size on Liquidity-Company Value Relationship

The analysis reveals that Company Size strengthens the positive relationship between Liquidity and Company Value ($\beta = 0.0238$, $p < 0.05$). This finding supports the theoretical argument that larger organizations possess superior non-financial resource access that bolsters liquidity management and value creation (Worku et al., 2024). From a company-specific investor sentiment perspective, larger corporations with robust growth prospects and liquid equities demonstrate stronger valuation effects from liquidity, indicating that size enhances liquidity's impact through heightened investor attention (Guo et al., 2023).

This result aligns with Pham et al., (2020) and Chia et al., (2020), who found that liquidity positively influences company value, with the effect being more pronounced for larger companies due to greater market visibility and investor confidence. In the Indonesian banking context, larger banks benefit from more sophisticated treasury management capabilities, enabling them to optimize liquidity positions while maintaining operational flexibility. Their size allows them to maintain diversified funding sources, including retail deposits, institutional funding, and capital market instruments, which enhances liquidity stability. Investors recognize that larger banks can better manage liquidity risks due to their market power, regulatory relationships, and systemic importance. Consequently, when large banks maintain strong liquidity positions, investors interpret this as both prudent risk management and capacity to fund growth opportunities. The positive moderating effect confirms that size amplifies the valuation benefits of liquidity, as larger banks can more effectively convert liquid resources into sustainable competitive advantages and enhanced shareholder value.

Theoretically Unexplained Variance: Why 77.77% Remains Unexplained

The adjusted R-squared value of 22.23 indicates that while the independent variables in the model (Sustainability Reporting, Green Banking, Profitability, Capital Structure, Liquidity, and Company Size) explain a significant portion of the variation in Company Value, the majority (about 77.77%) doesn't. This is normal and there's nothing wrong with the model. Rather, this is a testament to the complexity of company value and the banking industry in an emerging market in particular, such as Indonesia. There are a number of theoretical factors that could explain the remaining variance.

First, there are macroeconomic factors. Factors such as interest rates, inflation, exchange rate fluctuations, and other Bank Indonesia monetary policy decisions affect how profitable banks are, how much they can lend, and the composition of their assets (Widarjono, 2020).. Generally, when the economy expands, there are more loan opportunities and fewer defaults, so banks tend to be more valuable regardless of each bank's sustainability practices. But during a recession or economic shocks - such as in the COVID-19 pandemic between 2020 and 2023 - external factors can push down the value of all companies and create variation that can't be explained by bank factors.

Second, Indonesia-specific regulatory and institutional factors may influence company value. The Financial Services Authority (OJK) frequently issues regulations on issues such as bank capital adequacy, loan-to-value ratios and stress testing. All banks feel these rules, but some feel them more than others, depending on size and riskiness (Khumairok, 2023). Similarly, banking policy shocks, such as state-owned bank recapitalisation, deposit insurance limits, or bank consolidation directives, can also affect market value beyond what the bank is doing in terms of sustainability.

Third, socio-cultural dynamics in Indonesia. Business culture in Indonesia often involves "kekeluargaan" (relational governance). This means personal relationships between bankers, corporate consumers and regulators might affect credit granting and risk management (Tarigan & Paulus, 2019). This relational approach could have either a positive or negative impact on the impact of formal environmental reporting and green banking, in ways that are difficult for a simple quantitative model to capture. Second, environmental awareness differs between Indonesia's regions which impacts how stakeholders in a bank's local community - such as ordinary depositors, small business, and community leaders - respond to the bank's sustainability initiatives.

Fourth, other aspects of corporate governance not included in the study can be important. A bank's board composition, director independence, the existence of a sustainability committee, executive compensation schemes, and large shareholders are some of the factors mentioned in previous studies that affect a bank's level of concern about sustainability and the bank's value (Jannah & Sartika, 2022; Sutrisno et al., 2023). Good governance helps banks benefit more from similar sustainability investments, while poor governance can dilute or even fully offset the benefits.

Fifth, qualitative strategic factors simply cannot be captured by looking at secondary financial data. The quality of management, the culture, innovations, employee engagement, customer loyalty and brand equity are all important, tangible factors that are hard to quantify but heavily influence value (Delevingne et al., 2020). None of this appears in annual sustainability reports or traditional financial reports. Two banks could have the same sustainability rating and look just the same on the face of their financials, but one could be worth a lot more just because it has a better reputation with customers, better management, or has been more innovative.

Sixth, market sentiment and behavioural biases are also a factor. Herding, overreaction to events and speculation all add volatility to the stock price that are unrelated to the fundamental traits of banks (Guo et al., 2023). In emerging markets such as Indonesia, where many small investors are involved, these biases may lead stock prices to be mispriced relative to bank fundamentals, thus contributing to unexplained variance.

Seventh, there are likely other bank-specific characteristics, not considered here, that affect its value (omitted variable bias). This includes age of the bank, ownership (family, state, or foreign), diversification of the bank across regions/business products, IT quality and digital transformation. Given the rapid pace of digital transformation in Indonesian banking over the period studied, digital

capability likely varied and influenced the effectiveness of the banks' sustainability programs, and how they were able to convey value to shareholders.

In summary, the relatively low adjusted R-squared value does not diminish the significance or validity of the significant relationships found in this study. Rather, it simply underscores the complexity of company value in the Indonesian banking industry. It also suggests that future studies need to include more macroeconomic and institutional, cultural, governance, behavioural and strategic variables. The unexplained variance is not a shortcoming of the study; it is a call for more research.

CONCLUSION AND SUGGESTION

Conclusion

This study concludes that Sustainability Reporting, Green Banking, Profitability, Capital Structure, and Liquidity each exert a statistically significant positive influence on corporate valuation. Furthermore, Company Size serves as an amplifying factor, with larger organizations demonstrating more pronounced value enhancement from these variables. These findings suggest that current banking practices in Indonesia align with and support the United Nations' Sustainable Development Goals (SDGs), particularly those addressing environmental sustainability and climate action

While this investigation offers meaningful insights into how the examined factors affect company value, with Company Size as a moderating variable, several limitations should be acknowledged. First, the exclusive focus on Indonesia's banking sector may restrict the applicability of results to other industries or regions with distinct regulatory environments and economic conditions. Second, the reliance on secondary data sources may overlook qualitative aspects such as management strategies or stakeholder perspectives that could further explain value creation. Third, data availability constraints may have excluded relevant variables or long-term effects.

Theoretical Implications

This study contributes to stakeholder theory by demonstrating that sustainability practices enhance company value through stakeholder trust and legitimacy. It extends signaling theory by showing that sustainability reporting and green banking function as credible signals of firm quality in the banking sector. Furthermore, the findings support trade-off theory by confirming that optimal capital structure can enhance value despite increased leverage.

Practical Implications

For banking practitioners, these findings suggest that investments in sustainability reporting and green banking initiatives yield positive returns through enhanced market valuation. For policymakers, results support the continued implementation of mandatory sustainability disclosure regulations and the development of fiscal incentives for green banking practices. For investors, sustainability performance serves as a valuable indicator of long-term value creation potential.

Limitations and Future Research Directions

While this study offers meaningful insights, several limitations should be acknowledged:

1. The exclusive focus on Indonesia's banking sector may limit generalizability to other industries or regions
2. The reliance on secondary data may overlook qualitative aspects such as management strategies
3. The relatively short observation period (2020-2023) may not capture long-term effects
4. The purposive sampling technique may introduce selection bias
5. The adjusted R-squared of 22.23% suggests many other factors influence company value

Future research could:

1. Expand to cross-industry and cross-country comparisons

2. Incorporate qualitative methods to capture managerial insights
3. Employ longitudinal designs to assess enduring impacts
4. Investigate additional moderating or mediating variables such as corporate governance, board composition, or macroeconomic conditions
5. Explore sector-specific variations in sustainability practices

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