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The Effect of Environmental, Social, and Governance (ESG) Disclosure on Market Value With Company Financial Performance As A Mediating Variable (Case Study of Banking Sector Companies Listed on The Indonesia Stock Exchange for the Period 2019-2023)

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ABSTRACT

The increase in awareness of environmental, social, and governance (ESG) factors is prompting companies to incorporate ESG principles into their business practices, especially in the banking industry, which plays a crucial role in the financial system. This research seeks to explore how ESG disclosure affects a company's market worth, with financial performance acting as a key mediator. The inspiration for this study arises from contradictory results regarding the relationship between ESG and market value in the Indonesian banking sector. In this research, a quantitative method was employed to examine data from the annual and sustainability reports of banking institutions listed on the Indonesia Stock Exchange (IDX) between 2019 and 2023. The researchers carefully selected their sample using a specific technique and ended up with 44 data points to analyse after removing any outliers. They utilised the Global Reporting Initiative (GRI) guidelines to evaluate ESG disclosure, Tobin's Q to estimate market value, and Return on Assets (ROA) to measure financial performance. The study included the use of simple linear regression and the Sobel test for mediation analysis. The results of their study indicated that ESG disclosure has a significant, positive effect on both market value and financial performance. Moreover, financial performance was found to positively influence market value and act as a mediator in the link between ESG disclosure and market value. These findings suggest that effective ESG disclosure can boost investor confidence by improving financial performance, ultimately leading to a positive impact on the company's market value.

Keywords: Environmental, Social and Governance (ESG) Disclosure, Market Value, Financial Performance.

1. Introduction

Sustainability is now a significant concern in the international business arena, fuelled by demands from the global community, stakeholders, and regulatory authorities. Businesses in various industries are being urged to integrate sustainability values into their activities. Assessing a company's commitment to environmental protection, community welfare, and strong leadership is essential for corporate sustainability, according to the concept of Environmental, Social, and Governance (ESG). Instead of just concentrating on profits, businesses are now judged on their societal and environmental contributions, as well as the openness and ethical standards of their management procedures.

The financial industry plays a crucial role in promoting sustainability by directing funds and handling risks. Consequently, it is vital for banks to adopt ESG disclosure practices in order to not only adhere to rules but also to uphold the confidence of shareholders and other parties involved. The focus on ESG in Indonesia has grown since the introduction of Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017, mandating banks and financial institutions to integrate sustainable finance through ESG reporting. Despite this, there are numerous obstacles hindering the implementation of ESG practices, and its influence on corporate value remains uncertain.

An intriguing area of study is the potential impact of ESG disclosure on a company's market worth. In this research, ESG disclosure is considered as the variable that is independent (X), denoting the level to which companies openly share details concerning their environmental footprint, social obligations, and corporate management. Such disclosure signals to the market that the company is dedicated to sustainability in the long run, thereby creating a favourable impression. Investors and stakeholders could utilise this data when assessing the company's chances and risks.

This study investigates how a company's perception and growth potential are reflected in its market value. Tobin's Q ratio is utilised to evaluate market value, comparing a company's market capitalisation to the value of its assets. This ratio can reveal if a company is considered more valuable than its assets, indicating confidence in its future prospects. Companies that have transparent ESG disclosure are more likely to attract investors and increase their market value by showcasing effective risk management and sustainable opportunities for long-term growth.

The link between ESG disclosure and market value can vary, with some research indicating a positive correlation and others suggesting a negligible or adverse impact, depending on the industry and location. This study examines the company's financial performance as a mediator. Evaluating financial performance is key to understanding a company's profitability and efficiency. The evaluation includes metrics like Return on Assets (ROA) to gauge how well a company utilises its assets to generate revenue.

Financial results can act as a link connecting ESG reporting and market worth. Businesses that openly share their ESG practices and achieve good financial results are more likely to earn investors' trust, leading to a positive impact on their market value. On the other hand, if a company has high ESG transparency but poor financial results, the sustainability message alone may not be sufficient to boost market value. Therefore, it is crucial to examine the potential role of financial performance in this correlation.

Empirically, the Indonesian banking sector faced the challenge of market value fluctuations during the 2019-2023 period. For example, the data shows that even though some large banks such as Bank Permata and Bank Maybank Indonesia made ESG disclosures, they still experienced a decline in market value during the period. This suggests that ESG disclosure alone is not enough without being supported by solid financial performance. However, banks like Bank Mandiri and BRI, which show robust financial performance, often sustain greater market worth even when their levels of ESG disclosure are comparable. This discovery reinforces the belief that the impact of ESG disclosure on market value is not direct, but rather affected by the company's internal financial health.

In addition, global trends show that companies with high ESG scores are better able to withstand crisis situations and have better access to long-term funding. Bloomberg (2023) reports that sustainability funds under management have reached more than \$40 trillion globally, reflecting increased investor interest in companies with strong ESG principles. This shows that ESG is no longer just a supplement, but has become a core strategy in building corporate competitiveness and resilience.

With these factors in mind, the goal of this research is to investigate the impact of ESG reporting on the market worth of banking firms in Indonesia and how financial performance plays a part in this connection. The aim is to broaden the existing knowledge on ESG and corporate value, offering guidance to stakeholders in comprehending the potential synergy between sustainability and financial success in boosting a company's market value.

2. Literature Review

2.1. Signaling Theory

Signaling theory was introduced by Akerlof (2002), he mentioned that in any deal, the people involved may not have equal levels of information, with information being valuable. Companies' signals are seen as crucial in shaping outsiders' views on investment choices. This is in accordance with what Safriani and Utomo (2020). A signal can be seen as a message sent to investors by the company's management. These signals are designed to convey a message that could potentially alter how the company is perceived by the market or external entities. Therefore, it is crucial for the signals released by the company to be sufficiently impactful in order to influence external opinions regarding the company's valuation.

Akerlof (2002) introduced the concept of signalling theory, highlighting the disparity in information levels between parties involved in a transaction, where information holds value. Company signals play a crucial role in influencing the investment decisions of external parties, as noted by Safriani and Utomo (2020). These signals are essentially messages conveyed by the company to outsiders (investors), with the aim of altering external perceptions and assessments of the company in the market. Hence, it is crucial for the company to send out powerful signals that can influence how outsiders perceive the company's value. Brigham and Houston (2019) suggest that signaling theory plays a role in shaping management's outlook on the company's future growth, ultimately impacting how potential investors react. The signal, in the form of information, communicates the management's dedication to achieving the owner's objectives. This data is seen as a vital factor for investors and entrepreneurs when making investment choices.

The company's environmental disclosure is rooted in signaling theory, where companies strategically release information for investors to analyse and make decisions. Positive signals about a company's performance can result in a higher stock price as investors react accordingly (Jones & Murrell, 2001). There are three main concepts in signal theory. First, there are signalers who are people within the company, such as managers or directors, who have specific information about products, individuals, or organizations that are unknown to external parties.

This information includes particulars such as services offered, company activities, news about early sales, outstanding legal proceedings, and union negotiations. This information provides a unique perspective on the quality of the company for those who know about it. Furthermore, there are signals which are positive or negative information provided by the company as a signaler. For example, the issuance of new shares by a company is generally considered a positive signal, as it indicates an investment opportunity for the public and an increase in capital for the company. Finally, there are signal receivers, which are external parties that receive information about the company through various signals. For example, a shareholder who receives a signal that the company will pay a dividend will benefit from buying shares of the company that provides a high quality signal (Arrow, 1974).

Sharing non-monetary information such as ESG disclosure is considered a positive indication that is expected to be recognised by other stakeholders who impact decision-making. Disclosing non-monetary corporate details on environmental, social issues, and corporate governance can act as a favourable signal for potential investors. Investors capturing positive signs will lead to the company receiving a favourable evaluation from investors, resulting in increased demand for stocks and subsequently raising stock prices, thereby enhancing the company's overall value. According to Safriani and Utomo (2020), ESG disclosure also indicates that the company upholds good governance and has transparent management practices.

According to Utomo and Maharani (2023), companies that provide information about their positive performance will provide signals that can increase market confidence, encourage an increase in stock prices, and ultimately increase company value. A higher share price reflects better company value in the eyes of shareholders or potential investors (Masruroh, 2019).

Signaling theory also suggests why businesses need to be informed to outsiders, both financial and non-financial, so that there is no asymmetry in company information. Therefore, companies can inform shareholders about changes in business value when funding policies change. This indicates that investors become more confident about the future of the company, and there is an increase in company valuation.

From the description above, it can be concluded that the signal theory aims to reduce information asymmetry by providing a transparent presentation of financial statements and sustainability reports, with the principle of preventing report manipulation. This can affect investment decision making by investors, because financial reports and sustainability reports provide information about company growth, both positive and negative, which can be used as a basis for consideration to invest.

2.2. Previous Research

2.2.1. Environmental, Social, and Governance (ESG) disclosure

Disclosing ESG information involves providing non-financial data that showcases the integration of sustainable methods in aspects like the environment, social responsibility, and corporate governance. ESG is becoming more important in the current business environment, serving as a way to show adherence to rules and as a reflection of a company's dedication to lasting success. Originating in 2006 from the United Nations Principles for Responsible Investment, ESG has developed into a crucial tool for investors and interested parties to evaluate a company's sustainability efforts. Revealing ESG information enhances a company's reputation and communicates to the market its commitment to honesty, openness, and handling of risks.

In Indonesia, the significance of ESG reporting is on the rise due to directives from the Financial Services Authority (OJK), such as POJK No. 51/POJK.03/2017 and SEOJK No. 16/SEOJK.03/2020. These rules focus on promoting sustainable finance in the reporting practices of financial institutions and public companies, urging them to integrate sustainability values in their communication with stakeholders. In terms of operational strategies, ESG disclosure involves three main components. First, the environmental aspect, which assesses how companies manage their impact on nature, such as carbon emissions, renewable energy use, waste management, and resource efficiency. Second, the social aspect, which covers the protection of human rights, treatment of employees, relations with the community, and diversity and inclusion in the work environment. Third, the governance aspect, which includes the structure and independence of the board of directors, business ethics, transparency of decision-making, and anti-corruption and anti-fraud policies.

This research measures ESG disclosure using the widely accepted Global Reporting Initiative (GRI) Standards 2021, which offer indicators for the environmental, social, and governance pillars. The evaluation involves content analysis and a binary scoring system, with a score of 1 given to disclosed items and 0 to undisclosed items in sustainability reports or annual reports. The ESG disclosure score is calculated by dividing disclosed items by the total required by the GRI standard, resulting in a percentage indicating the level of disclosure. This can be expressed mathematically as an ESG formula.

$$\text{ESG} = \frac{\text{number of items disclosed by the company}}{\text{total number of GRI standard disclosure items}}$$

This method enables researchers to impartially evaluate how well a company conveys its dedication to sustainability to both the public and stakeholders. The greater the ESG disclosure rating, the greater the company's transparency and responsibility in sustainability practices. Strong ESG disclosure doesn't just boost investor trust, it can also enhance firm value, improve access to funding, and ensure long-term competitiveness. Within the banking industry, the use of ESG criteria is especially important due to the market's demand for stability and trustworthiness in financial institutions, as well as their crucial role in channelling funds towards sustainable industries.

2.2.2. Market Value

The concept of market value reflects the perception of investors regarding a company's economic value, which is indicated by its share price on the stock exchange. This value is shaped by the interplay of supply and demand, revealing the degree of confidence in the company's current and future performance. Assessing market value is commonly used to evaluate how well company management is generating value for shareholders and is a key factor in judging a company's attractiveness as an investment. A strong market value suggests that the company is effectively increasing shareholder wealth, demonstrating the effectiveness of its business strategy.

Various elements, both internal and external, have the potential to impact the market value. These elements encompass aspects such as a company's financial accomplishments and profitability, its scale, the condition of the overall economy, and the level of transparency in its communication of information. Research by Nuradawiyah and Susilawati (2020) shows that profitability has a positive effect on market value, while company size can actually have a negative impact if it is not balanced with efficiency in asset management. Therefore, companies with high profitability and effective asset management tend to be more valued by investors because they are considered capable of creating added value efficiently. In the banking sector, market value not only reflects financial performance, but also illustrates investor confidence in the stability and risk management applied by the financial institution.

In the context of sustainability, market value is also influenced by the quality of ESG (Environmental, Social, and Governance) information disclosure. Research by Liu and Park (2022) shows that banks that are active and transparent in reporting ESG initiatives tend to have a more stable market value. This indicates that investors increasingly value socially and environmentally responsible business practices. Strong ESG disclosure is a positive signal to the market that the company has a sustainable long-term strategy, is able to manage external risks, and maintain a good reputation. In addition to internal factors, external dynamics such as government policies, inflation, interest rates and global uncertainty can also affect market value fluctuations. Therefore, a company's ability to adapt and strategically respond to external changes is also an important determinant in maintaining market value.

This research evaluates market value by utilising Tobin's Q ratio, which is viewed as a more thorough indicator than metrics such as Price to Book Value (PBV) or Price to Earnings Ratio (PER). James Tobin first introduced Tobin's Q, which entails comparing a company's market worth (equity market value) to the book value of its assets. The calculation formula is as shown below:

$$\text{Tobin's Q} = \frac{\text{Stock Price}}{\text{Book Value}}$$

If Tobin's Q exceeds 1, it suggests that investors are optimistic about the company's future and are willing to pay more than its net assets. On the other hand, a value below 1 indicates that the market is undervaluing the company in comparison to its assets, which could indicate a lack of trust from investors. Moreover, Tobin's Q takes into account both immediate outcomes and the company's potential for long-term growth. This makes it a suitable measure to evaluate the impact of ESG disclosure on market value, as ESG focuses on sustainability over time, not just immediate performance.

In addition, Tobin's Q is also used as a tool to assess managerial effectiveness and market signals to the company's investment strategy. Research by Fu et al. (2016) stated that Tobin's Q is more effective at reflecting market sentiment towards future value compared to traditional financial ratios. In the banking sector, using Tobin's Q can be advantageous as it considers how the market reacts to both internal and external influences like sustainability practices. Hence, in this research, Tobin's Q is utilised as the primary measure of market value to assess the impact of ESG reporting and financial performance on the market valuation of banks listed on the IDX.

2.2.3. Company Financial Performance

The primary way to evaluate a company's well-being and financial status is through its financial performance. This allows companies to measure how well they are utilizing resources to achieve their strategic objectives. According to Efendioglu and Karabulut (2010), financial performance describes the extent to which the company's activities are able to achieve the goals, mission, and vision set out in the strategic plan. In this context, financial performance not only reflects numerical financial results, but also represents management's success in managing the company's overall operations and finances. Therefore, measuring financial performance is an important step in evaluating performance and setting the direction of company policy going forward.

In general, financial performance is the result of managerial decisions in the areas of operations, investment, and funding that are reflected in the company's financial statements. This performance is the basis for assessing the good and bad condition of the company in a certain period. According to Setiyaningrum

(2022), a good understanding of financial management is very important not only for the financial department, but also for all parts involved in company operations, because all company functions are interconnected and influence each other in achieving optimal performance. Thus, financial performance is an important benchmark in ensuring the sustainability and growth of the company in the long term.

The financial well-being of a company is typically assessed by looking at various financial indicators like Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). In this research, the focus is on ROA, which indicates the effectiveness of using assets to make a profit. ROA is calculated by dividing net income by total assets and is an important measure of efficiency in asset management and profit-making. A high ROA signifies effective use of assets and strong profit margins, a positive signal for investors and other stakeholders. In the banking industry, ROA holds particular importance as efficient asset management is crucial for driving revenue.

The reason for choosing ROA as a measure of financial performance in this research is its effectiveness in comparison to other metrics. While ROE may be affected by capital structure and leverage, ROA gives a more unbiased and steady assessment of the company's profitability, unaffected by financial strategies. In addition, ROA better reflects the effectiveness of management in utilizing all company assets, both current and non-current assets, to create value. In the banking sector, which has asset-intensive characteristics, ROA is the most representative indicator to assess the efficiency and effectiveness of bank operations.

This study examines how financial performance acts as a mediator connecting ESG disclosure to market value. It suggests that transparent ESG disclosure can increase trust among investors and stakeholders, resulting in better financial performance for the organisation. Additionally, positive financial outcomes can positively impact market perception of the company's value, ultimately benefiting its market worth. Therefore, ROA serves as more than just an indicator of internal performance, as it also plays a vital role in transmitting the impact of ESG disclosure on market value. The formula for determining ROA is as outlined:

$$\text{Return On Assets (ROA)} = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100\%$$

Therefore, by including ROA in this research, it establishes a solid base for investigating how financial performance influences the connection between ESG disclosure and market value. The effectiveness in managing assets as shown by ROA demonstrates the adoption of sustainable business strategies, resulting in a favourable impression on the company's value by investors and the financial market.

2.3. Hypothesis Development

2.3.1. Effect of Environmental, Social, and Governance (ESG) Disclosure on Market Value

Investors consider ESG reporting to be a critical factor in assessing the value of a company in the market. Fakhriansyah et al. (2025) argued that good ESG disclosure reflects the company's ability to manage sustainability risks, such as environmental, social, and governance risks, which ultimately strengthens investor confidence in the company's long-term prospects. The more transparent the company is in conveying ESG information, the higher the positive perception of the market towards the company.

Octavio et al. (2025) added that open ESG disclosure can attract the attention of investors who care about sustainable business practices. Transparency in conveying ESG policies and achievements shows the company's commitment to responsible practices, which creates a perception of stability and better long-term prospects. This contributes to increased investor interest and has a positive impact on the company's market value.

Furthermore, Nurlatifah et al. (2025) found that comprehensive ESG disclosure can build a stronger corporate reputation in the eyes of the public and investors. This positive reputation boosts market trust and enhances the company's edge in the financial market. Similarly, Zyznarska-Dworczak (2022) emphasize that ESG disclosure serves as a tool to reduce the uncertainty felt by investors. Detailed ESG information provides a clearer picture of risk management strategies, thus creating a sense of security for investors to invest their capital.

Ionescu et al. (2019) highlighted that the positive influence of ESG on market value is stronger in sectors that are highly dependent on sustainability issues, such as renewable energy and the banking sector. In a study conducted by Zhou et al. (2022), found that ESG disclosure has a positive and significant influence on market value, with financial performance as a factor that strengthens the relationship. Similar results were also found by Bătae et al. (2020), which showed that banks with higher levels of ESG disclosure showed better market value and a stronger relationship if supported by high financial performance.

Buallay (2019) investors tend to give more value to banks that actively publish sustainability reports and integrate ESG into their business strategies. Such banks are considered more stable and have brighter long-term prospects. Overall, these findings confirm that transparent and consistent ESG disclosure plays an important role in increasing the company's market value. Based on this description, the proposed hypotheses are:

H1: Environmental, Social, and Governance (ESG) Disclosure has a positive effect on Market Value.

2.3.2. The Effect of Financial Performance in Mediating ESG Disclosure on Market Value

The company's financial performance plays an important role in strengthening or weakening the effect of ESG disclosure on market value. Zhou et al. (2022) states that the positive effect of ESG disclosure on market value will be stronger if supported by good financial performance. Investors tend to assess the company as a whole, not only from the sustainability aspect, but also from its ability to generate profits and maintain financial stability. Therefore, companies with solid financial performance will provide a stronger signal that ESG disclosures are authentic and sustainable.

This is supported by Chouaibi et al. (2021), who explain that companies with poor financial performance are likely to be unable to utilize the benefits of ESG disclosure. Despite publicly disclosing ESG information, if the performance is poor, investors still doubt the company's sustainability in the long run. Conversely, if ESG disclosure is accompanied by favorable and stable performance, investor confidence will increase, and the company's market value is likely to increase.

Pramisti and Istiqomah (2024) also found evidence that financial performance has a significant mediating role in the relationship between ESG and market value. In their study, ESG disclosures accompanied by positive financial performance proved to be more able to attract investors and increase market value than companies that only disclose without adequate financial achievements. Investors need not only a sustainability narrative, but also concrete evidence that the company is able to survive and grow financially.

Sunaryo (2025) added that good performance reflects the company's ability to manage ESG risks effectively while still meeting financial targets. This gives investors confidence that the company has high resilience to external challenges and is able to create value in the long run. Therefore, good financial performance strengthens the credibility of ESG disclosures in the eyes of investors.

Putra et al. (2025) also concluded that the effect of ESG on market value will be optimal if supported by adequate performance. Companies that demonstrate good ESG practices while showing high financial performance will be valued more favorably by the market. Conversely, without solid financial performance, ESG disclosure will not be convincing enough for investors.

According to this description, financial performance plays a role as a mediator that enhances the connection between ESG disclosure and market value. The impact of ESG disclosures on market value is dependent on the company's operational efficiency and profitability. As a result, the hypothesis put forward is:

H2: Financial Performance mediates the effect of Environmental, Social, and Governance (ESG) Disclosure on Market Value.

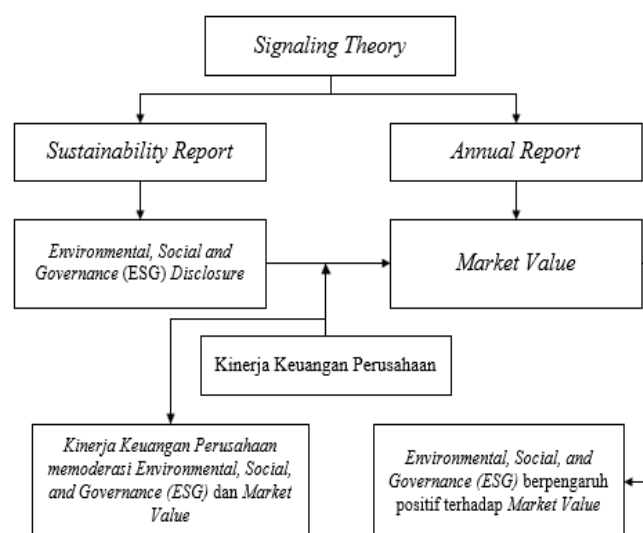


Figure 1. Framework of Thought

Source: Data processed by researchers, 2025

3. Methodology

3.1. Research Design

This study employs a quantitative methodology that focuses on gathering and analysing data in numerical form that can be statistically quantified. The quantitative method is utilised to assess theories, quantify the level of correlation between variables, and identify notable trends based on factual evidence. Quantitative research is considered objective because the results are obtained through a systematic and measurable scientific process. According to Sugiyono (2013), quantitative techniques are often labelled as scientific approaches due to their foundation in positivism and adherence to scientific principles such as being grounded in empirical evidence, maintaining objectivity, being measurable, logical and systematic in their approach.

The research makes use of secondary data sourced from the annual and sustainability reports of banks listed on the Indonesia Stock Exchange between 2019 and 2023. This information is gathered from publicly accessible platforms like the Indonesia Stock Exchange website and the websites of individual companies.

The research methodology employed is a blend of descriptive and associative approaches. Descriptive analysis is utilised to outline the attributes of the variables under scrutiny, such as Environmental, Social, and Governance (ESG) Disclosure, Financial Performance, and Market Value. As per Sugiyono's perspective (2013), descriptive problem formulation pertains to queries regarding the presence of independent variables, whether singular or multiple, without considering their interconnections. .

At the same time, the associative approach is utilised to identify the connection or impact between multiple variables. The study was undertaken to assess how ESG Disclosure affects Market Value, with Financial Performance (in terms of Return of Assets/ROA) acting as a mediating factor. According to Sugiyono (2013), the associative research method is focused on revealing the association between various variables.

3.2. Research Sample

The study concentrated on 47 banking firms listed on the Indonesia Stock Exchange from the years 2019 to 2023. In this research, a non-probability sampling approach known as Purposive Sampling was utilized. The participants were chosen by the researcher based on specific criteria, considering the sampling method used.

1. Banking sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2019 - 2023.
2. Banking sector companies that publish sustainability reports consecutively for the period 2019 - 2023.

Table 1. Sampling Criteria

No.	Description	Number
1	Banking sector companies listed on the Indonesia Stock Exchange (BEI).	47
2	Banking sector companies that do not publish sustainability reports in a row for the period 2019 - 2023.	-35
	Banking sector companies selected as samples for the period 2019 - 2023	12
	Duration of Research	5
	Total Research Sample (12 Companies x 5 Years)	96
	Total outlier data	52
	Number of sample data studied	44

Source: Data processed by researchers, 2025

3.3. Data Collection Tools and Procedure

The research makes use of data obtained from the annual and sustainability reports of banking firms listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. This data can be accessed by the public through the official Indonesia Stock Exchange website or the companies' websites.

3.4. Data Analysis

The data analysis in this study follows a structured quantitative approach based on definitions and methodologies provided by Sugiyono and Ghozali. After all data from respondents is collected, the analysis begins by grouping the data according to variables and respondent types, followed by tabulation, presentation of variable-specific data, and calculations to test the research hypotheses.

The initial stage involves creating hypotheses, including both null (H_0) and alternative (H_a) hypotheses, to analyse the connection between variables. In particular, the research examines the direct effect of Environmental, Social, and Governance (ESG) Disclosure on Market Value and Financial Performance, as well as the intermediary function of Financial Performance in the link between ESG Disclosure and Market Value.

Descriptive statistics are used to describe the characteristics of the collected data without generalizing it to the population. Since the research involves inferential testing, the parametric statistical method is selected, which is suitable for analyzing sample data that represents a population.

In order to explore the connections between different factors, the research utilises various methods of analysis. The study implements simple linear regression to identify the immediate impact of ESG Disclosure on the outcome variables. The Sobel test is utilised to evaluate the importance of Financial Performance as a mediator, by computing the indirect impact between ESG Disclosure and Market Value. Furthermore, correlation analysis is used to evaluate the intensity and direction of linear associations between the factors, without assuming causation. In addition, the determination coefficient is computed to measure the extent to which the independent factors clarify the variation in the outcome variable.

In order to finalize the hypothesis examination, the research utilises the t-test for assessing the importance of specific variables. This involves evaluating not only the significance level (set at 0.05) but also contrasting the computed t-value with the critical t-value provided in the statistical chart. If the findings align with the necessary conditions, the alternate hypothesis is embraced, signifying a notable impact of the autonomous variable. The investigation sustains a significance level of 5%, which guarantees a 95% assurance level in the outcomes.

3.5. Ethical

The research was carried out following ethical guidelines in scientific studies. Utilizing publicly accessible secondary data, the information was sourced from the annual and sustainability reports of banking firms traded on the Indonesia Stock Exchange. Therefore, there was no direct interaction with human subjects in this study. However, the researchers ensured that all sources were properly cited, data was used responsibly, and confidentiality of information was maintained. During the research process, no plagiarism, falsification, or unethical data manipulation was conducted.

4. Results and Discussion

4.1. Research Results

Researchers use multiple linear regression analysis to assess how different factors influence a particular outcome. According to Sugiyono (2013), the formula for conducting multiple linear regression with two or more independent variables can be expressed as:

$$Y = a + bX + \varepsilon$$

Description:

Y : The value of the dependent variable

a : Y value constant if variable X is zero

X : Environmental, Social and Governance (ESG) Disclosure

ε : Standard error

4.1.1. Descriptive Statistics

Table 2. Descriptive Statistical Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Enivoronmental, Social and Governance Disclosure	44	.17	.95	.4207	.18046
MarketValue	44	.30	4.60	1.5955	1.21960
Company Financial Performance	44	.00	.05	.0191	.01117
Valid N (listwise)	44				

Source: SPSS Output Results

Based on the information provided in Table 2, the analysis shows that the study has a sample size of 44 participants. The ESG Disclosure score has an average of 0.4207, with the lowest score being 0.17 and the highest being 0.95. The standard deviation is calculated to be 0.18046. The average Market Value is 1.5955, with a range from 0.30 to 4.60. The standard deviation for Market Value is 1.21960. In terms of Company Financial Performance, the average score is 0.0191, with a range from 0.00 to 0.05. The standard deviation for Financial Performance is 0.01117.

4.1.2. Classical Assumption Test

4.1.3. Data Normality Test

The outcomes of the normality assessment are presented below.

Table 3. Data Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		44
Normal Parametersa	Mean	.0000000
	Std. Deviation	1.05165293
Most Extreme Differences	Absolute	.117
	Positive	.117
	Negative	-.091
Kolmogorov-Smirnov Z		.776
Asymp. Sig. (2-tailed)		.584

Source: SPSS Output Results

Based on the information provided in Table 3, the findings from the One-Sample Kolmogorov-Smirnov test show that the p-value (Asymp. Sig. 2-tailed) is 0.584. This specific result is obtained from examining

leftover data in the study aimed at investigating how ESG Disclosure affects Market Value with Company Financial Performance serving as a mediator (Research carried out on Banking Sector Companies Listed on the IDX from 2019 to 2023). The regression model will adhere to the assumption of data normality if the Asymp. Sig. (2-tailed) value exceeds the 0.05 significance threshold. It can therefore be inferred that the data collected for this study exhibit normal distribution and fulfil one of the fundamental criteria in regression analysis.

4.1.4. Multicollinearity Test

Table 4. Multicollinearity Test Results
Coefficients^a

	Model	Collinearity Statistics	
		Tolerance	VIF
1	Environmental, Social, and Governance (ESG) Disclosure	.979	1.022
	Company Financial Performance	.979	1.022

Source: SPSS Output Results

Based on the results from Table 4 of the multicollinearity test, the ESG Disclosure variable and Company's Financial Performance both show tolerance values of 0.979. Additionally, the VIF value for these variables is calculated at 1.022. It is evident that all variables have tolerance values above 0.10 and VIF values below 10, indicating the absence of multicollinearity among the independent variables in the regression model used for this study.

4.1.5. Heteroscedasticity Test

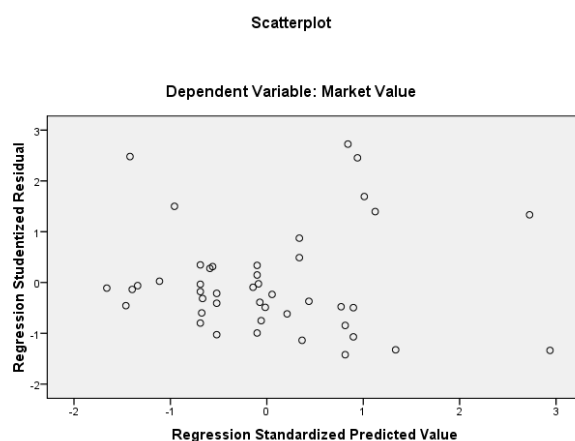


Figure 2. Heteroscedasticity Test Results

Source: SPSS Output Results

Based on the details presented in Figure 2, the heteroscedasticity test results suggest that the scatter plot displays no discernible trend and has irregular variations both above and below the Y axis. Hence, it can be inferred that the regression model does not demonstrate heteroscedasticity.

4.1.6. Autocorrelation Test

Table 5. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.506 ^a	.256	.220	1.07700	1.775

Source: SPSS Output Results

Based on the data shown in table 5, the Durbin-Watson test indicates a value of 1.775. This figure is compared against the Durbin-Watson table for a 5% significance level, considering a sample size of 96 (n) and 2 (k) independent variables. The Durbin-Watson result is then analysed as follows:

$$dU < d < 4 - dU$$

$$1,6651 < 1,775 < 4 - 1,6651$$

$$1,6651 < 1,775 < 2,3349$$

Based on the findings of the calculations, it is evident that there is no correlation present in this research, whether it be positive or negative. Therefore, the chosen course of action is upheld, implying that the regression model in this investigation is unaffected by autocorrelation indicators.

4.1.7. Simple Linear Regression Analysis

Table 6. Test Results of Simple Linear Regression Analysis

Model	Coefficients ^a			t	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
1 (Constant)	1.996	.472		4.231	.000
ESG	-.953	1.032	-.141	-.923	.361

a. Dependent Variable: Market Value

Source: SPSS Output Results

According to the data in table 6, the results of the simple linear regression analysis show the regression equation and test results as outlined below:

$$Y = 1.996 - 0.953X + e$$

The explanation of the above equation is as follows:

1. The unchanged figure of 1.996 suggests that even if the ESG value is zero, the company's Market Value will remain constant at 1.996. This implies that factors beyond ESG also play a role in determining the company's market worth, even when ESG is not taken into account.
2. With a regression coefficient of -0.953 for the ESG variable, an increase of one unit in ESG disclosure is linked to a decrease of 0.953 in the company's market value, assuming all other factors remain constant. However, the insignificance level (Sig.) of 0.361, which exceeds 0.05, implies that the impact of ESG on Market Value is statistically negligible. Therefore, based on this regression model, ESG does not appear to significantly explain fluctuations in the company's market value.

After conducting a simple linear regression test of ESG variables on Market Value as shown in Table 6, a simple linear regression test of ESG variables on Corporate Financial Performance was then conducted. The results of the analysis are presented in Table 7, below:

Table 7. Test Results of Simple Linear Regression Analysis

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.015	.004		3.543	.001
ESG	.009	.009	.146	.954	.345

a. Dependent Variable: Company Financial Performance

Source: SPSS Output Results

Based on Table 7, after a simple linear regression analysis test, the regression equation is obtained as follows:

$$Z = 0.015 + 0.009X + e$$

The explanation of the previous regression equation is as follows:

1. The constant value of 0.015 indicates that if the value of ESG is assumed to be 0, then the company's Financial Performance is constantly worth 0.015. This indicates that even though there are no ESG

activities carried out or reported by the company, there is still a basic value of financial performance that can be obtained by the company from other activities.

2. The ESG variable's regression coefficient value of 0.009 suggests that a rise of one unit in ESG disclosure will only marginally boost the company's financial performance by 0.009, with all other factors staying the same. Nevertheless, the significance value of 0.345 exceeding 0.05 signifies that the connection between ESG and financial performance is not statistically significant, leading to the conclusion that ESG does not appear to strongly impact the company's financial performance in this particular model.

Following the initial analysis using simple linear regression to explore the relationship between ESG factors and Corporate Financial Performance, a more comprehensive multiple linear regression test was carried out to assess the combined impact of ESG and Corporate Financial Performance on Market Value. The findings from this analysis are summarised in Table 8 provided.

Table 8. Simple Linear Regression Analysis Test Results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.635	.330		1.926	.061
1 Company Financial Performance	50.305	14.955	.461	3.364	.002

a. Dependent Variable: Market Value

Source: SPSS Output Results

Based on Table 8 above, after a simple linear regression analysis test, the regression equation is obtained as follows:

$$Y = 0.635 + 50.305X + e$$

The explanation of the regression equation above is as follows:

1. The constant value of 0.635 indicates that if the value of Financial Performance is assumed to be 0, then the company's Market Value is constantly worth 0.635. This indicates that even if the company does not show positive financial performance, there is still a basic value of Market Value that can be formed from other factors outside this variable.
2. The regression coefficient value of the Financial Performance variable of 50.305 indicates that each one unit increase in financial performance will increase Market Value by 50.305, assuming other factors remain. The significance value of 0.002 < 0.05 indicates that the relationship between Financial Performance and Market Value is statistically significant, so it can be concluded that Financial Performance has a positive and significant effect on the company's Market Value.

4.1.8. Sobel Test

To test the significance of the mediation effect, the following is a mathematical calculation of the Sobel test:

$$z = \frac{a \times b}{\sqrt{(b^2 \times Sa^2) + (a^2 \times Sb^2)}}$$

$$z = \frac{0,009 \times 53,687}{\sqrt{(53,687^2 \times 0,009^2) + (0,009^2 \times 14,864^2)}}$$

$$z = \frac{0,483}{\sqrt{(2883,54 \times 0,00081) + (0,00081 \times 221,01)}}$$

$$z = \frac{0,483}{\sqrt{(0,2335 + 0,179)}}$$

$$z = \frac{0,483}{\sqrt{0,2514}} = \frac{0,483}{0,51} \approx 0,963$$

The calculations reveal that the Z value is 0.963. This value is then cross-referenced with the Z-table value at a significance level of 5% ($\alpha = 0.05$), which is 1.96. Since the calculated Z value is less than the Z-table value, it can be inferred that the indirect impact of ESG on Market Value via Corporate Financial Performance is not substantial. Therefore, it cannot be statistically proven that the mediating variable mediates the connection between the independent and dependent variables in this research.

4.1.9. Hypothesis Test

The purpose of conducting hypothesis testing is to assess the impact of the independent variable, which is Environmental, Social, and Governance (ESG) Disclosure, on the dependent variable Market Value, either through a direct or indirect pathway involving Corporate Financial Performance. The t-test is used to analyse the individual effects of each variable, while the Sobel test is employed to assess the mediating effect. Significance is indicated if the p-value is less than 0.05.

A. Partial Hypothesis Test (T-test)

After carrying out descriptive statistical examinations, traditional assumption assessments, and regression analysis evaluations, the subsequent stage involves conducting partial hypothesis testing using the t-test. The t table values can be observed in the t table distribution with a significance level of 0.05. By applying the formula $t(\alpha/2; n-k-1)$, where there are 96 research samples (n) and 2 independent variables (k) in the study, the t table value is found to be 1.984. The outcomes of the partial testing (t test) are outlined below:

1) Test results on the variable Environmental, Social and Governance (ESG) Disclosure on the Dependent variable Market Value

Table 9. Partial Hypothesis Test Results (T-Test)

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.996	.472		4.231	.000
ESG	-.953	1.032	-.141	-.923	.361

a. Dependent Variable: Market Value

Source: SPSS Output Results

According to the data in table 9, with a significance value of $0.361 > 0.05$, it can be inferred that the ESG Disclosure variable does not have a substantial impact on Market Value. The computed t value of $-0.923 < 2.024$ supports the idea that ESG Disclosure only partially affects Market Value.

2) The test results on the Independent Environmental, Social and Governance (ESG) Disclosure variable on the Financial Performance variable

Table 10. Partial Hypothesis Test Results (t-test)

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.015	.004		3.543	.001
ESG	.009	.009	.146	.954	.345

a. Dependent Variable: Company Financial Performance

Source: SPSS Output Results

According to the data in table 10, with a significance value of 0.345 being higher than 0.05, it is apparent that the variable of ESG Disclosure does not have a significant impact on the Company's Financial Performance. The t value of 0.954, which is less than 2.024, suggests that to some extent, ESG Disclosure does not play a significant role in influencing the Company's Financial Performance.

3) The test results on the Company's Financial Performance variable on Market Value

Table 11. Partial Hypothesis Test Results (t-test)

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.635	.330		1.926	.061
1 Company Financial Performance	50.305	14.955	.461	3.364	.002

a. Dependent Variable: Market Value

Source: SPSS Output Results

According to the findings in table 11, with a significance value of 0.002 being less than 0.05, it can be inferred that the Corporate Financial Performance variable greatly impacts Market Value. The t value, calculated at 3.364 and higher than 2.024, suggests that the Company's Financial Performance plays a positive and important role in influencing Market Value.

4.2. Discussion

4.2.1. The Effect of Environmental, Social, and Governance (ESG) Disclosure on Market Value

ESG Disclosure is a way for companies to share their environmental, social, and governance responsibilities openly. By following signal theory, this disclosure can send positive messages to investors, enhance the company's reputation, and lessen uncertainty in investment decisions. However, a study has found that ESG Disclosure has not had a significant impact on the Market Value of banking sector companies in Indonesia between 2019 and 2023. Through t test analysis, the significance value was calculated at 0.361, which is greater than 0.05, and the t value at -0.923, which is less than the t table value of 2.024. This suggests that there is no statistically proven direct link between ESG practices and stock market value.

These results suggest that while ESG disclosure plays a role in sustainability, the signals it provides are not strong enough to influence investors' perceptions of a company's market valuation, particularly in the short term. In emerging markets such as Indonesia, ESG has yet to fully inform investment strategies, mainly due to investors' limited understanding of the long-term benefits of ESG practices.

Sectoral factors also play a role. Banking as a financial services sector has intangible operational characteristics and is highly regulated. The main activities of interest-based banking and financial services cause ESG indicators, especially in environmental and social aspects, have not been seen to have a direct impact on financial performance. ESG in this sector tends to act as a complement to compliance with regulations such as POJK No. 51 of 2017, but has not touched strategic business practices and has a significant impact on economic value.

In addition, the quality of ESG disclosure of banks in Indonesia still tends to be administrative and not systematically measured. Many banks have not included quantitative targets, impact metrics, nor ESG linkages with key performance indicators. As a result, the information presented is not enough to convince investors to include it as a determining variable in stock valuation. This is exacerbated by the low ESG literacy among retail investors who dominate the Indonesian capital market, who still focus more on traditional fundamental metrics such as EPS, ROA, and PBV.

This finding is consistent with the research of Mardiana and As'ari (2023), who also found that ESG Disclosure has not had a significant effect on firm value in Indonesia because it is still considered a form of normative compliance, not a business strategy. In contrast, these results differ from research from developed countries such as Junius et al. (2020), which state that ESG disclosure has a positive impact on market value. This reflects that the effectiveness of ESG as a signal is highly dependent on the level of market maturity and investor awareness.

Considering these factors, it can be concluded that the effect of ESG disclosure on market value in the Indonesian banking sector is likely to be long-term, indirect, and influenced by market readiness. ESG will only contribute to increased firm value if accompanied by real strategic integration into the business model, improved reporting quality, and increased investor understanding.

Therefore, companies need to strengthen the quality and substance of ESG disclosure, not only as a compliance obligation, but as part of a sustainable business strategy. Regulators also have an important role in encouraging more relevant, comprehensive and impact-based ESG reporting. On the other hand, increasing ESG literacy among investors needs to be encouraged so that ESG signals can be translated into credible and economically valuable investment considerations.

4.2.2. The Effect of Environmental, Social, and Governance (ESG) Disclosure on Corporate Financial Performance

ESG Disclosure, covering Environmental, Social, and Governance aspects, is now considered a crucial element in sustainable business practices. It is not just about meeting regulations, but also about building a positive reputation, mitigating risks, and increasing the company's value over time. According to signaling theory, ESG disclosure serves as a signal of the company's commitment to environmental conservation, social responsibility, and effective governance, all of which are believed to have a positive impact on the company's financial success.

However, according to the findings of this research, it appears that ESG Disclosure does not have a notable impact on the financial performance of Indonesian banking sector firms between 2019 and 2023. This is supported by the t test results revealing a significance level of 0.345 (> 0.05) and a t count of 0.954 ($< t$ table 2.024), indicating statistically that there is no clear link between the extent of ESG disclosure and the immediate profitability of banks.

The findings suggest that ESG implementation has not directly translated into improved financial performance, particularly in the short term. This could be due to several factors. First, effective ESG implementation requires time, resources, and deep internal restructuring. Investments in sustainability initiatives such as employee training, green policy development, and sustainable governance systems may not necessarily directly impact profitability, especially in a relatively short period such as five years.

Second, the banking sector has unique characteristics that differ from the real sector. As financial service providers, banks' main activities are more intangible and not directly related to environmental issues such as energy consumption or waste management. The Environmental and Social dimensions of ESG are difficult to measure the impact on the bank's main income from interest and financial services. Governance aspects are crucial, but Environmental and Social aspects are not fully integrated into the bank's business model.

Third, the quality of ESG disclosure in the Indonesian banking sector is still relatively low. Many ESG reports are only normative in nature and do not feature measurable quantitative data or standardized performance indicators. ESG is still considered an administrative obligation in accordance with OJK regulations (POJK No. 51/2017), not as a core business strategy that is effectively communicated to stakeholders. It is this low quality and depth of reporting that means ESG signals are not yet strong enough to influence financial indicators.

This research is also in line with conclusions drawn from prior studies conducted by Damayanti and Retnani (2024) which believed that for ESG to impact financial performance, companies must implement it effectively, strategically, and consistently. Contrastingly, the varying outcomes in developed nations highlight the significance of market readiness and understanding of ESG. In Indonesia, investors, particularly those in retail, continue to depend on traditional financial metrics like ROA, ROE, and EPS when making investment choices, overlooking the relevance of ESG.

Thus, although ESG disclosure has not been shown to have a direct impact on bank profitability in the short term, this result does not mean that ESG is not important. On the contrary, more serious efforts are needed to improve the quality of reporting, integration of ESG into corporate strategy, and education for investors so that ESG can be a driving factor for stronger financial performance in the future.

4.2.3. Effect of Financial Performance on Market Value

The company's financial performance is a reflection of its ability to effectively manage resources and generate profits. The Return on Assets (ROA) is a key indicator that demonstrates how efficiently the company's assets are utilised to generate profits. A higher ROA value generally boosts investor confidence in the company's potential for growth, positively impacting its market value.

The findings of this research suggest that financial performance has a notable impact on the market value of banking sector firms in Indonesia during the time frame of 2019-2023. The results of the t test revealed a significance value of 0.002, which is less than 0.05, and a calculated t value of 3.364, which is greater than 2.024. This statistically demonstrates a positive and significant correlation between ROA and the company's market value. Essentially, improving efficiency in profit generation from owned assets can contribute to an increase in stock prices and subsequently boost market value.

Theoretically, these findings support signaling theory, where financial performance is a strong and credible signal that is easily understood by investors. Financial statements, especially earnings and ROA, are a form of public information that is considered objective, measurable, and quickly responded to by the market. In Indonesia's developing capital market, such financial signals are more trusted than non-financial signals such as ESG disclosure.

This finding is consistent with the studies of Hermawan and Mulyawan (2014), and Choi and Jung (2008), which state that ROA and other financial indicators, such as ROE and profit margin, are key indicators in the formation of market value. Investors consider asset efficiency as a reflection of management performance, competitiveness, and long-term prospects of the company.

Especially in the banking sector, ROA is crucial because it is directly related to the effectiveness of lending, risk management, and operational efficiency. Banks with high ROA are perceived as having excellent management in managing public funds and generating stable profits. Therefore, it is not surprising that bank stocks with high ROA such as BCA or Bank Mandiri have a large market capitalization and are the top choice of investors.

In Indonesia, despite the growing focus on sustainability and ESG issues, it is evident that financial statements remain the primary point of reference for the majority of investors. The lack of understanding on ESG matters and the preference for clear-cut and measurable indicators mean that financial performance continues to be the key factor in evaluating the worth of stocks. Even during times of crisis like the COVID-19 pandemic, investors are more inclined to favour companies with consistent financial performance to reduce risks.

This observation aligns with the theory of the Efficient Market Hypothesis (EMH) in its semi-strong form, which suggests that stock prices already incorporate all publicly available information, including financial statements. When a company publishes a report indicating a high return on assets (ROA), the market responds promptly by increasing the stock price, signifying optimism regarding the company's future prospects.

However, it is important to note that financial performance should not stand alone. While it is currently the dominant signal, in the long term global investors are starting to consider sustainability signals. ESG and financial performance should not be opposed, but rather integrated. The combination of operational efficiency and sustainability will be a strong attraction in the eyes of investors, regulators and other stakeholders.

Thus, the results of this study emphasize that ROA not only reflects internal efficiency, but also plays an important role in shaping market perceptions of firm value. The strategy to increase market value must start from strengthening financial fundamentals, because solid financial performance provides a strong foundation for sustainable growth in firm value.

4.2.4. The Mediating Role of Financial Performance in the Relationship between Environmental, Social, and Governance (ESG) Disclosure and Market Value

Financial performance serves as a reflection of managerial efficiency in managing company assets and is an important signal for investors. In the context of the relationship between ESG disclosure and market value, financial performance is expected to act as a mediating channel, where good ESG disclosure leads to improved profitability, and subsequently increases the company's market value.

However, the Sobel test results in this study show that financial performance does not significantly mediate the relationship. The calculated z value of 0.963 is smaller than the critical value of 1.96 at the 5% significance level, so there is no significant mediation effect. This means that the effect of ESG Disclosure on Market Value does not run through financial performance (ROA) as an intermediate variable.

In theory, Signaling Theory considers ESG as a positive signal from companies to investors regarding their commitment to sustainability and governance. However, this signal will only have an impact if it is able to produce tangible results, such as efficiency or increased profits. On the other hand, the Resource-Based View (RBV) considers ESG as an intangible resource that has strategic value only if it is thoroughly integrated into the company's core activities. If ESG is only implemented as a formality or for compliance, then the effect on efficiency or profitability will be very limited.

This finding indicates that in the context of banking in Indonesia, ESG disclosure is not strong enough to change financial performance such as ROA. This could be due to the lack of ESG integration into core operational strategies as well as the limited narrative and administrative nature of ESG reporting. Many banks disclose ESG in sustainability reports, but without including clear quantitative data on its impact on revenue, cost efficiency or financial risk. This makes it difficult for the market to assess the effectiveness of ESG as a signal that impacts performance and valuation.

This phenomenon is in line with the study of Junaidi and Hanggraeni (2024) who emphasize that ESG will only have an impact if it becomes part of the company's strategic management system, not just an image tool or regulatory compliance. Baran et al. (2022) also noted that the impact of ESG is more visible in the manufacturing and energy sectors, compared to the financial sector which is more conservative and focuses on financial risk management.

The absence of ESG reporting standards that are integrated with financial reports also weakens the mediation potential. In many cases, sustainability reports are prepared separately from annual reports, making it difficult for investors to see a direct link between ESG and financial performance. As a result, ESG tends to be perceived as a complementary factor rather than a key driver of firm value.

Oncioiu et al. (2020) emphasize the importance of transparency, consistency and quantification in ESG implementation in order to create economic value. ESG should be able to demonstrate measurable outputs, such as cost reduction, efficiency improvement, or strengthening customer loyalty and market reputation.

Although the mediating role is not statistically significant, this result still holds an important strategic message. ESG remains a potential long-term value signal if companies are able to concretely link its implementation to financial and operational results. Without such linkage, ESG will not be an effective channel to create increased market value through the financial performance channel.

5. Conclusion

The main objective of this study is to examine the impact of disclosing Environmental, Social, and Governance (ESG) information on the market worth of banking institutions listed on the Indonesia Stock Exchange (IDX) between 2019 and 2023, taking into consideration the influence of Corporate Financial Performance as an intermediary element. The findings are derived from the analysis of data and conceptual discussions provided in the earlier segment.

ESG reporting has been on the rise among banking companies in recent years, indicating a growing focus on sustainability reporting, although the level of disclosure varies between companies. On the other hand, the market value of these companies has shown a fluctuating trend, reflecting wider market uncertainties influenced by global and domestic economic factors, including the impact of the COVID-19 pandemic. The financial performance of these companies, as measured by Return on Assets (ROA), has also seen ups and downs over the period. While some companies have improved their efficiency in utilizing assets, others have remained stagnant or experienced declines. The results of hypothesis testing suggest that ESG reporting does not significantly impact market value or financial performance. However, financial performance has a positive and significant effect on market value. Additionally, financial performance does not act as a mediator in the relationship between ESG reporting and market value.

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