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Determinants of Green Finance and Good Corporate Governance on Company Value and Profitability in the Banking Industry Listed on the Indonesia Stock Exchange

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ABSTRACT

As the transition towards a sustainable economy continues, this study examines the influence of green finance and good corporate governance (GCG) on Indonesian banking valuation (PBV), with profitability (ROA) as a mediating variable. Based on panel data from 15 commercial banks listed on the Indonesia Stock Exchange (IDX) (2021–2025) and a random effects model (EViews) analysis, the results show that green finance, good corporate governance, and profitability have no significant effect on the valuation of Indonesian banks. company value, both partially and simultaneously. The low adjusted R-squared indicates the dominance of external factors outside the model, while the mediation test confirms that ROA does not act as an intermediary. This reflect that integration aspect sustainability in assessment investors Still limited, so that required harmonization ESG reporting standards and fiscal incentives so that green practices can contribute significantly to market valuation premiums.

INTRODUCTION

Amid the escalating issue of climate change and growing international demands for more responsible business practices, the financial services industry is experiencing a fundamental paradigm shift. Furthermore, banks are viewed as strategic institutions with the capacity to drive sustainable development. Throughout the 2021–2025 period, commitment to the sustainability agenda has shown increasing intensity. This is driven by a growing understanding among investors and stakeholders that company value is influenced by various factors (Umbing et al., 2024). In fact, ESG information disclosure has been shown to positively contribute to increased investor confidence in making investment decisions (Marpaung et al., 2025).

Green finance is a financing concept aimed at economic activities that support

environmental sustainability while providing social benefits. In the development of the modern banking industry, this concept has become an integral part of long-term corporate strategy. In Indonesia, the implementation of green finance not only serves to strengthen the reputation of financial institutions but also expands access to innovative funding sources, such as green bonds and various other sustainable financing schemes. Empirical findings indicate that the implementation of both green finance and green banking tends to have a positive impact on company value. However, available research results still show varying findings that are not entirely consistent (Barry et al., 2025). Some studies even indicate that this effect may be insignificant if not supported by internal company conditions, particularly the ability to generate optimal profits (Puspitasari & Firmansyah, 2025).

Banks are required to meet public and regulatory expectations regarding the implementation of sustainable business practices. Meanwhile, companies must maintain their ability to generate profits to remain competitive amidst increasingly fierce industry competition. Therefore, profitability is a crucial variable to consider in explaining the relationship between *green finance* , corporate governance, and firm value. Several studies have shown that profitability, as measured by *Return on Assets* (ROA), can strengthen the influence of both ESG and green finance on increasing firm value (DDI Sari & Valdiansyah, 2025).

Following the end of the COVID-19 pandemic, regulatory developments prioritizing ESG principles, both globally and nationally, have increasingly encouraged institutional investors to prioritize sustainable finance as a key consideration in long-term investment decisions. This shift means that banking companies are no longer judged solely by conventional financial indicators. Instead, the integration of sustainability principles into corporate strategy and transparent ESG disclosure are increasingly determining factors in market perceptions of company quality (Marpaung et al., 2025).

In the following research, financial performance is represented through *Return on Assets* (ROA), a ratio that illustrates a company's ability to utilize total assets to generate net profit. ROA is considered appropriate for the banking sector, given that banks' operational characteristics are highly dependent on the effective management of productive assets. This ratio not only demonstrates a company's operational efficiency but also reflects management's capacity to optimize its resources. Several previous studies have confirmed that ROA can act as a reinforcing factor, magnifying the influence of sustainability variables on company value (DDI Sari & Valdiansyah, 2025). Firm value essentially reflects the market's perception of a company's overall prospects and performance. This concept is generally measured using market-based indicators, such as *Price to Book Value* (PBV), which shows how much the market values a company compared to its book value. A high firm value reflects investor confidence in the company's ability to generate growth, maintain profit stability, and manage risk effectively. Companies that demonstrate solid financial performance, along with a good reputation for governance and sustainability, generally receive higher market valuations because investors are willing to place a premium on the company's prospects (Sudiyatno et al., 2021).

Thus, the formation of corporate value in the banking industry today is essentially determined by three main determinants: the implementation of *green finance* , the effectiveness of *Good Corporate Governance* (GCG), and the company's ability to generate profits. These three aspects are seen as strategic factors that influence market perceptions of a company's prospects and sustainability. Recent empirical findings support this argument. Research conducted by WI Sari et

al. (2025) proves that *green finance* , *Environmental, Social, and Governance* (ESG), and financial performance contribute to increasing the stability and value of banking companies. Similarly, *Pressure and GCG* (2025) show that sustainability disclosure and corporate governance mechanisms can drive increased company value, although the strength of their influence varies according to the characteristics of each entity. Furthermore, Ifadhoh and Purnamasari (2025) confirm that *green finance* , profitability as proxied by *Return on Assets* (ROA), and GCG simultaneously and partially influence company value, including through a moderating role. The research results of DDI Sari and Valdiansyah (2025) also show that ROA not only reflects the company's operational success, but also strengthens the relationship between ESG implementation and increased company value.

The 2021–2025 research period was chosen because it represents the latest dynamics of the national banking industry. During this period, the banking sector is facing a recovery phase following the COVID-19 pandemic, regulatory adjustments that increasingly emphasize ESG aspects, and a shift in international investor orientation toward prioritizing sustainable investment. These conditions are relevant to the findings of Marpaung et al. (2025), who stated that the paradigm shift toward sustainable finance further strengthens the importance of sustainability and corporate governance factors in influencing investment decisions and market valuations of companies.

The conceptual foundation of this research is built on three main theories: Signaling Theory (Michael, 1973), Agency Theory (Jensen & Meckling, 2019), and Stakeholder Theory (Freeman, 1984). Signaling Theory explains that information published by a company serves as a means of communication to convey actual conditions and future prospects to investors. In this context, the implementation of green finance and effective GCG practices can be perceived as positive signals regarding the company's commitment to sustainability and professional management. These signals play a role in reducing information asymmetry, increasing investor confidence, and ultimately driving increased company value.

Agency theory views a company as a cooperative contract between capital owners and management, who are authorized to manage organizational resources. In this relationship, differences in orientation and economic interests between the principal and agent have the potential to create conflicts that can reduce the effectiveness of achieving company goals. Shareholders generally desire a sustainable increase in company value, while management can be encouraged to make decisions that favor their own interests. This situation necessitates a monitoring system capable of ensuring that all managerial policies remain within the interests of the company's owners. The implementation of *Good Corporate Governance* is a relevant mechanism to suppress this potential deviation through the role of the board of commissioners, audit committee, and the presentation of transparent and accountable financial information. Jensen and Meckling (2019) explain that the implementation of effective corporate governance can reduce agency costs, increase operational efficiency, and ultimately contribute positively to increasing company value.

Meanwhile, Stakeholder Theory emphasizes that corporate responsibility is not limited to maximizing shareholder welfare alone, but also encompasses the obligation to accommodate the interests of all parties directly or indirectly connected to the company. These parties include the government, the community, customers, investors, employees, and various other groups affected by the organization's activities. In this context, the implementation of *green finance* represents a company's commitment to integrating environmental and social considerations into business decisions and financial policies. This practice demonstrates that the company strives to conduct its

business activities responsibly while maintaining social legitimacy in the public eye. The better a company's ability to meet stakeholder expectations, the greater the level of trust that is built in the organization. Freeman (1984) emphasized that a company's success in balancing diverse stakeholder interests is the primary foundation for creating sustainable, long-term corporate value.

Green finance is a financing approach aimed at supporting economic activities that benefit environmental conservation, climate change mitigation, and sustainable development. Instruments included in this concept include green bonds, green-based credit, renewable energy financing, and various other financial facilities specifically aimed at environmentally friendly activities. Thus, green finance is not solely oriented towards achieving economic profit but also integrates ecological value creation into the financial system. In the banking industry, the implementation of green finance reflects a financial institution's commitment to allocating funds to sectors that support sustainability. This commitment has the potential to build a positive reputation, increase investor confidence, and reinforce the perception that the company has more stable growth prospects with a relatively lower level of risk. This condition can ultimately drive share prices up and increase company value (Ifadhoh & Yuliana, 2024).

Conceptually, green finance is an integral part of sustainable finance, a financial system that considers the balance between economic, environmental, and social aspects in the decision-making process. Companies that successfully integrate environmental factors into their financing strategies tend to achieve optimal funding efficiency, a better reputation, and greater adaptability to regulatory changes. In the long term, this will increase the company's attractiveness to investors, especially those increasingly considering non-financial indicators as a basis for investment evaluation.

One indicator commonly used to assess the level of *green finance implementation* is *the green finance ratio* . This ratio reflects the proportion of funding a company allocates to environmentally sustainable activities compared to its total funding. The higher the Green Finance Ratio, the greater the company's commitment to implementing sustainable finance principles. The *Green Finance Ratio measurement formula* refers to the Furqan (nd).

$$\textit{Green Finance} = \frac{\text{Total Green credit}}{\text{Total credit}}$$

Good Corporate Governance (GCG) is understood as a corporate governance system encompassing a set of principles, procedures, and control instruments designed to ensure the organization is managed transparently, accountably, responsibly, independently, and fairly. This concept emphasizes the importance of regulating the relationships between company organs so that all operational activities are carried out in accordance with the company's strategic objectives while still considering the interests of stakeholders. The implementation of GCG is reflected through institutional elements, such as the existence of an independent board of commissioners, an audit committee, a remuneration committee, share ownership composition, and information disclosure in financial and non-financial reporting. The implementation of effective governance aims to reduce potential conflicts of interest, strengthen management accountability, and guarantee the protection of investor and creditor rights in the company's decision-making process (Ifadhoh & Purnamasari, 2025). From a capital market perspective, good governance quality will create the perception that the company has more controlled risks, thereby increasing investor confidence in investing their capital.

This condition can ultimately drive increased demand for shares and increase the company's value in the market. This argument is in line with stakeholder theory, which emphasizes that a company's success is determined by its ability to accommodate the interests of all related parties, not limited to shareholders alone (Sagita & Pebriyani, 2025).

In various empirical studies, *Good Corporate Governance* is generally measured through a number of quantitative indicators, including the proportion of independent commissioners, the level of institutional ownership, and the effectiveness of the audit committee. Research findings in the banking sector listed on the Indonesia Stock Exchange indicate that GCG mechanisms are linked to increased company value, although the strength of this influence can vary depending on industry characteristics and the observation period. In general, the better the implementation of corporate governance, the greater the company's chances of receiving positive investor reviews (Ramadhan et al., 2025). In the following research, one indicator used to represent GCG is the proportion of independent commissioners, which is the ratio of the number of independent commissioners to the total number of board members.

$$\text{Independent Commissioner} = \frac{\text{Total Board Commissioner}}{\text{Amount Independent Commissioner}}$$

Corporate value is a key variable in the banking industry because this sector is heavily influenced by public trust, risk perception, and governance effectiveness. In this context, corporate value reflects investors' assessment of a bank's ability to generate sustainable profits while maintaining operational stability. Several factors, such as consistent profitability, prudent lending policies, quality risk management, and a commitment to sustainability practices, including *green finance* , contribute to positive market perceptions. In studies of banking companies listed on the Indonesia Stock Exchange, corporate value is commonly measured using market ratios that reflect investor expectations of future profit and risk prospects (Nengah Sukendri & Aryawati, 2021). One of the most widely used indicators is *Price to Book Value* (PBV), a ratio that compares the stock price to the book value per share.

Price to Book Value (PBV)

$$\text{PBV} = \frac{\text{Price Share}}{\text{Mark Book Per share}}$$

Profitability essentially reflects a company's ability to generate profits by optimizing all economic resources under its control during a specific reporting period. In the banking industry, this concept holds a highly strategic position as it serves as the primary benchmark for assessing how effectively management carries out its intermediary function, allocates funds, and manages productive assets to generate maximum revenue. To measure this level of profitability, several indicators commonly used in financial studies include *Return on Assets* (ROA), *Return on Equity* (ROE), and *Net Profit Margin* (NPM). These three ratios provide comprehensive information regarding the extent to which invested capital and assets are converted into net profit. Therefore, profitability can be understood as a concrete reflection of a company's financial performance, demonstrating both the level of operational efficiency and the business entity's ability to create sustainable economic added

value (Sudiyatno et al., 2021).

Based on signaling theory, investors and other stakeholders perceive a high level of profitability as a signal indicating a company's promising business prospects, stable operating conditions, and greater opportunities to distribute dividends in the future. This positive signal ultimately encourages the market to place a higher value on the company. In financial research, profitability is not only positioned as a stand-alone variable but is also often treated as an intervening variable explaining the mechanisms by which other variables, such as green finance and *good corporate governance* , influence company value. Companies that implement good governance practices and integrate environmentally sustainable financing policies generally have a stronger capacity to generate long-term profits. This capability is further reflected in increased investor perceptions of company value in the capital market. Empirical findings from banking companies listed on the Indonesia Stock Exchange indicate that profitability has a positive influence on company value formation, although the strength of this influence can vary depending on industry dynamics and the research timeframe (Putranto et al., 2022). In this study, profitability is operationalized using Return on Assets (ROA), which is a ratio that describes a company's ability to generate net profit through the productive use of total assets owned and managed.

Return on Assets (ROA)

$$ROA = \frac{\text{Profit Clean}}{\text{Total Asset}} \times 100\%$$

Green Finance is a financing approach that integrates environmental considerations and sustainability principles into a company's investment policies and operational activities. The relationship between green finance and corporate value can be explained through signaling theory and stakeholder theory. From a signaling theory perspective, the implementation of green finance informs investors that a company is committed to long-term business sustainability and is able to effectively manage environmental risks. Meanwhile, according to stakeholder theory, this policy reflects a company's responsibility to the environment and society, thereby enhancing the company's reputation and strengthening its social legitimacy. A positive reputation will encourage investor confidence and, consequently, increase company value (Mardhiah & Risman, 2026). Furthermore, *Good Corporate Governance* acts as a supervisory system that regulates the relationship between shareholders, the board of commissioners, and management based on the principles of transparency and accountability. Based on agency theory, effective GCG implementation can reduce conflicts of interest and limit opportunistic management behavior, thereby increasing investor confidence and sustainably growing company value (No & Mareta, 2025).

H1: *Green Finance* influential positive to Mark Company

H2: *Good Corporate Governance* Influential to Mark Company

Green finance influential to profitability through improvement efficiency operational And management risk environment. Implementation help company pressing cost term long, optimizing resources Power, as well as reduce risk environment potential harm. This has an impact on improving the company's financial performance, thereby increasing profitability (Hidayat et al., 2026). GCG, based on Agency Theory, influential on profitability through increased management oversight,

reduced fraud, and decision-making efficiency. By reducing conflict interest, company can manage source Power more optimal so that increase profit (Wati et al., 2024). Temporary That, profitability influential to company values through Theory Signal, in where the more tall profitability the more strong signal positive impact on investors. This increases stock demand and company value (Melita et al., 2025).

H3: *Green Finance* has a positive effect on profitability.

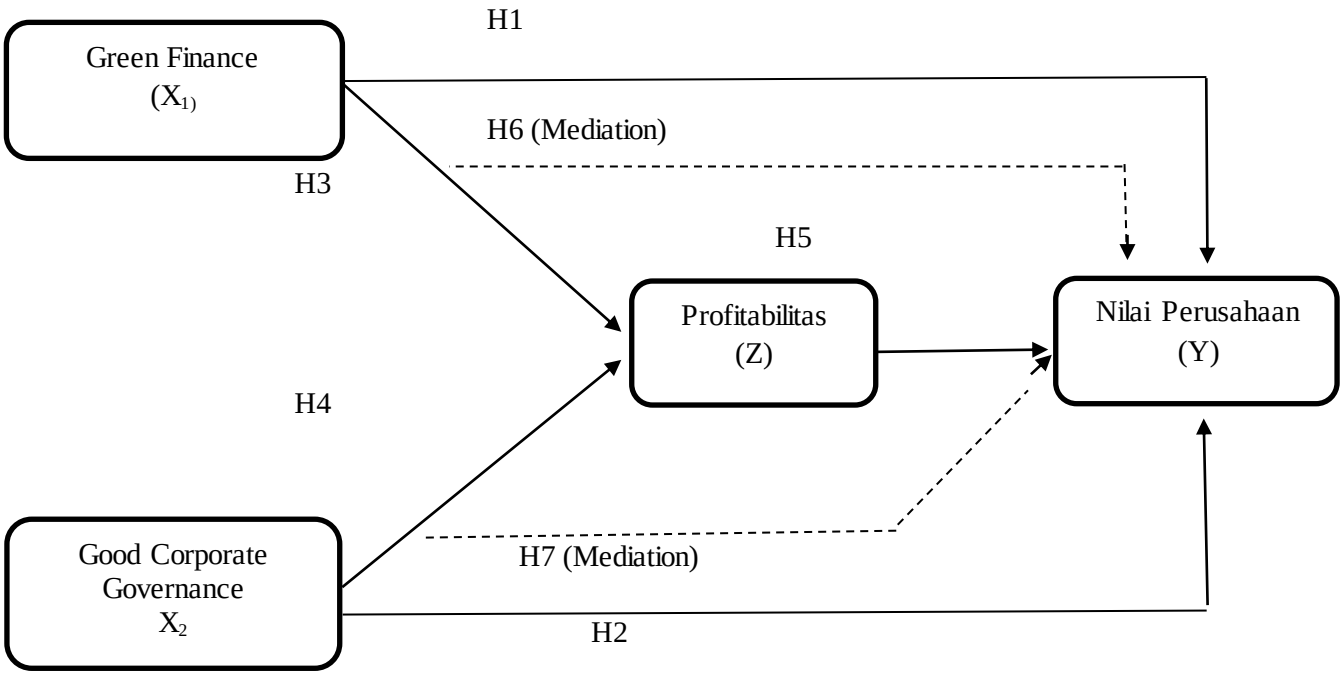
H4: *Good Corporate* Governance influential positive to Profitability.

H5: Profitability has a positive effect on Firm Value.

Corporate performance in a sustainability context is not only directly influenced by *green finance* and *Good Corporate Governance* (GCG), but also through profitability as a mediating variable. *Green finance* plays a role in increasing operational efficiency, optimizing resource utilization, and improving a company's financial performance, resulting in increased profitability. This high profitability then serves as a positive signal for investors. about performance company Which Good and sustainable, Which on Finally impact on increasing company value. In the literature, profitability is seen as a connecting mechanism between *green finance* and company value. by research (Hidayat et al., 2026). A similar trend occurs with *Good Corporate Governance* (GCG), where its implementation can increase company value by improving management efficiency, reducing agency conflicts, and improving company resource management. This situation encourages increased profitability Which Then give signal positive to investors. With thus, Profitability plays a role as a mediating variable in the relationship between GCG and company value. Findings This supported by study (Tiurma & Manik, 2023) Which show that profitability mediates the influence of GCG on firm value.

H6: Profitability mediates the effect of *Green Finance* on Firm Value

H7: Profitability mediate influence *Good Corporate Governance* to Company Values



RESEARCH METHODS

In the following research, method No just understood as steps technical, but It also serves as a conceptual framework that helps researchers analyze phenomena logically, systematically, and in a directed manner. This study examines the relationship between *green finance* , *Good Corporate Governance (GCG)* , and profitability on firm value. company in the banking sector in Indonesia which recorded in The Indonesia Stock Exchange (IDX) during the 2021–2025 period. The study used a quantitative approach with multiple linear regression and *path analysis techniques* . This approach aims to examine the influence of *green finance* and GCG on firm value, both directly and through profitability as an intermediary variable. (Ifadhoh & Purnamasari, 2025)

Population in The following research covers all company banking that registered in stock Exchange Indonesia (BEI) during the period 2021–2025. Data collected that obtained from annual reports and sustainability report and data openness market capital Which available through site official IDX and each company's website.

The analysis was conducted using panel data regression that combines time and individual dimensions. company. Election model best determined through test Hausman. Results analysis then presented in the form of estimated coefficients, significance levels, and p-values. Thus, the method the following research No only play a role as procedure technical, but Also as analytical framework for understand role strategic *green finance* And GCG in increase mark company banking, especially amidst increasing attention to sustainability and long-term value.

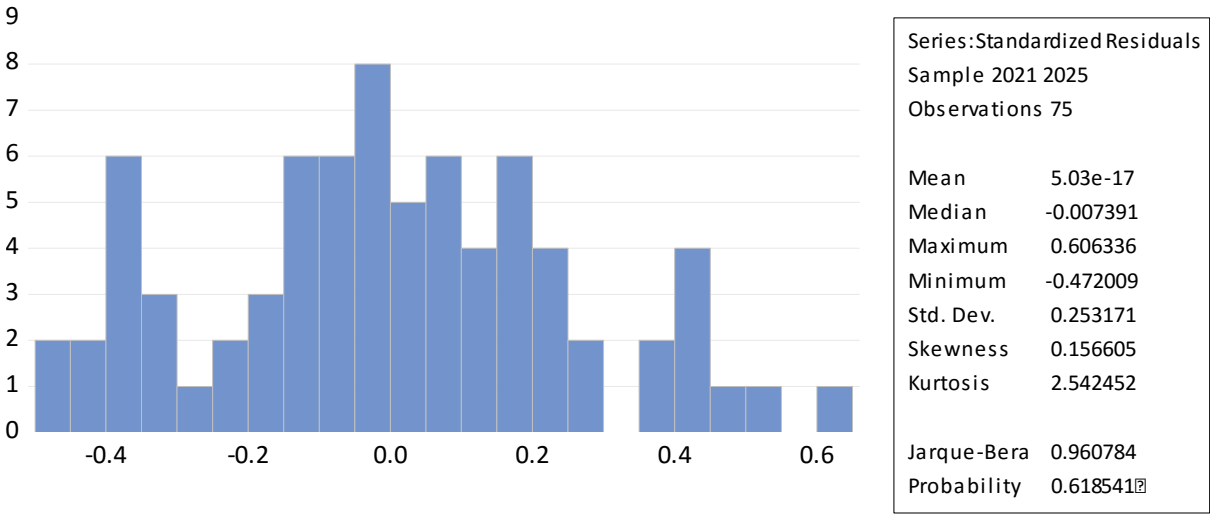
green finance variable is measured based on the level of disclosure of environmentally friendly financing or *green banking disclosure* . Meanwhile, GCG is represented through the proportion of independent commissioners, institutional ownership, and audit mechanisms. Profitability is measured using ROA, while firm value is proxied by PBV, as commonly used in the financial literature (Auwa & Syamni, 2023).

Data processing in the following research was carried out with the help of EViews software using approach *Fixed Effect Model* (FEM). Election model based on on results test Chow and Hausman tests, and supported by classical assumption tests including normality, heteroscedasticity, And multicollinearity. Furthermore, analysis regression panel data done through hypothesis test, partial test (t), simultaneous test (F), coefficient of determination test (R^2), and mediation test.

RESULTS AND DISCUSSION

CLASSICAL ASSUMPTION TEST

Normality Test



Source: Eviews data processing

Picture 1. Results study model E-reviews

Based on results Test Normality on table on known that Value by 0.61 < 0.05. This means that the following research passes the Normality Test.

Multicollinearity use *Fixed Effect Model* Where provision mark coefficient correlation < 0.8

Table 1. Test Multicollinearity

	PBV	GF	GCG	ROA
PBV	1	- 0.13	- 0.06	- 0.04
GF	- 0.13	1	- 0.05	- 0.01
GCG	- 0.06	- 0.05	1	0.01
ROA	- 0.04	- 0.01	0.01	1

Source : Processing data E-reviews

The correlation coefficient values obtained between the independent variables indicate that the linear relationship between each research construct is at a very low level. The correlation between variables X1 and X2 was recorded at -0.13, then the relationship between X1 and the intervening variable Z was -0.16, while the correlation between X2 and Z was only 0.11. All of these correlation values are far below the general threshold of 0.80 which is commonly used to detect multicollinearity.

Thus, it can be interpreted that there is not an overly strong relationship between the independent variables in this research model. This condition indicates that each variable is able to explain its effect independently without causing distortion due to excessive linear relationships. Therefore, the constructed regression model is declared to meet the assumption of no multicollinearity and is suitable for use in the next stage of analysis.

Table 2. Test Heteroscedasticity

Variable	*Coefficient*	*Std. Error*	*t- Statistic*	*Prob.*
C	0.28	0.11	2.66	0.03
GF	- 0.03	0.03	- 0.09	0.93
GCG	- 0.18	0.18	- 1.05	0.30
ROA	0.02	0.02	0.93	0.36

Source : Eviews data processing

Based on the results of the heteroscedasticity test using the Glejser approach, it is known that the significance value of the *green finance* (GF) variable is 0.93, the *good corporate governance* (GCG) variable is 0.30, and the profitability variable, proxied by *return on assets* (ROA), is 0.36. All three probability values exceed the set significance level of 5 percent or 0.05. Statistically, this condition indicates that the residual variance in the regression model is constant and does not experience systematic changes at each level of predictors used. In other words, there is no indication of heteroscedasticity symptoms in the research model. The absence of this problem indicates that the model has met one of the important classical assumptions in linear regression analysis. Therefore, the constructed regression equation can be considered quite reliable and can be used to test hypotheses and draw research conclusions more accurately and can be scientifically justified.

Table 3. Test Autocorrelation

Root MSE	0.22
Mean dependent var	0.37
Elementary School dependent var	0.23
Sum squared resid	3.70
Durbin-Watson stat	1.06

Source : Processing data E-reviews

Mark statistics Durbin-Watson by 1.06 located in between -2 And 2. Matter This This indicates that the research results do not experience autocorrelation problems. Therefore, the research can proceed to the next stage.

Table 4. Test Hypothesis

Variable	*Coefficient*	*Std. Error*	*t- Statistic*	*Prob.*
C	0.55	0.18	3.08	0.00
X1	- 0.06	0.06	- 1.07	0.2
X2	0.003	0.29	0.01	0.9
Z	0.04	0.04	0.79	0.4

Source: Processing data E-reviews

The empirical test results show that variable X1 does not show a statistically significant relationship with variable Y. This conclusion is based on a probability value of 0.29, which is above the significance limit of 0.05. Thus, the implementation of green finance in banking companies has not been proven to directly contribute to increasing company value. This condition indicates that sustainable financing practices are still not perceived by the market as a factor capable of encouraging investor appreciation of company performance. The following research findings are consistent with the results of a study conducted by (Baharudin, 2023), which confirmed that green finance does not have a significant influence on company value in the banking industry in Indonesia.

Based on the results of statistical analysis, variable X2 was also not proven to have a significant influence on variable Y. This is reflected in the probability value of 0.99, which far exceeds the significance level of 0.05. This result indicates that the implementation of Good Corporate Governance has not been able to provide a real impact on increasing company value. In other words, good corporate governance mechanisms have not been fully considered by investors as a primary indicator in determining the market value of banking companies. This finding is in line with research conducted by (Adi et al., 2026), which concluded that Good Corporate Governance does not significantly influence the value of companies listed on the Indonesia Stock Exchange. The results of hypothesis testing on variable Z indicate that profitability does not have a significant influence on company value. This conclusion is supported by the probability value of 0.43, which is greater than the significance threshold of 0.05. Thus, the company's ability to generate profits is not necessarily the main determinant that can increase company value in the eyes of investors. This condition indicates that the level of profit obtained by the company has not been automatically interpreted by the market as a positive signal that encourages an increase in company valuation. The following research results are in line with the findings of (SWHP Sari et al., 2022), which state that profitability does not have a significant influence on company value in the banking sector.

Overall, the results of the hypothesis testing show that all independent variables, consisting of green finance, good corporate governance, and profitability, have not shown a significant influence on company value. This finding indicates that these three variables are not yet the dominant factors used by investors as a basis for evaluating banking companies in Indonesia. Investor assessments of company value are suspected to be more influenced by other factors, such as macroeconomic conditions, industry growth prospects, company financial stability, and market sentiment. Therefore, although conceptually these three variables have strong relevance in the financial literature, in the following research context, their influence on company value has not been empirically proven.

Table 5. T-test of partial influence

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	0.56	0.18	3.09	0.03
GF	-0.06	0.06	-1.08	0.29
GCG	0.01	0.30	0.02	0.99
ROA	0.04	0.05	0.79	0.43

Source: Eviews data management

Based on the results of the statistical tests that have been carried out, *the Green Finance variable* (X1) obtained a probability value of 0.29. This value is above the established significance threshold of 0.05, so statistically there is no sufficient basis to accept the alternative hypothesis (Ha). Thus, the null hypothesis (H0) is declared valid. This finding indicates that *Green Finance* has not been able to provide a meaningful influence on Company Value as measured using *the Price to Book Value* (PBV) indicator. This condition suggests that investor orientation in assessing companies has not fully considered the aspects of green financing and commitment to sustainability principles. In the context of investment decision-making, shareholders tend to focus more attention on indicators that directly reflect the company's fundamentals, such as the ability to generate profits, operational stability, and developments in the capital market situation. In other words, the implementation of sustainable financing policies has not been perceived as a factor that directly increases the company's market value. The following research results are consistent with the findings of Harliani (2024), which states that Green Finance has not shown a significant contribution to increasing company value.

The test results for *the Good Corporate Governance variable* (X2) show a probability value of 0.99, which is substantially above the 0.05 significance level. Based on these results, the alternative hypothesis (Ha) does not receive empirical support, and the null hypothesis (H0) is accepted. This means that Good Corporate Governance has not been proven to have a significant impact on Company Value. This finding indicates that the implementation of good corporate governance principles has not been able to generate a positive signal strong enough to influence investor assessments in the capital market. Although conceptually, effective corporate governance can increase transparency, accountability, and shareholder trust, empirical reality shows that the market has not responded to the implementation of this mechanism by increasing stock prices or overall company value. This indicates that investors still prioritize more concrete financial indicators over information regarding governance quality. The following research results are consistent with the research of Rukmana et al. (2022), which concluded that several Good Corporate Governance indicators have no significant relationship with company value. Based on the results of the statistical analysis, the Return on Assets (ROA) variable, which acts as an intervening variable (Z), produces a probability value of 0.43. This value is higher than the significance level of 0.05, so the alternative hypothesis (Ha) cannot be accepted, while the null hypothesis (H0) is declared accepted. Thus,

This section describes and discusses the findings of the study, drawing similarities and differences between previous studies in terms of methods, data, and results. It also explains whether the problem has been successfully researched according to the objectives using the proposed method. This should include a description of the analysis conducted, the causes and benchmarks of success/failure, and a section on steps to be taken as a follow-up process. The value is higher than the 0.05 significance level, so the alternative hypothesis (Ha) cannot be accepted, while the null hypothesis (H0) is accepted. Therefore, *Return on Assets (ROA)* is not proven to have a significant effect on Company Value. This result indicates that the level of company profitability is not yet a dominant factor directly determining investors' perceptions of the company's market value. Although ROA reflects management's effectiveness in utilizing total assets to generate profits, investors generally also consider various other aspects, such as long-term growth prospects, macroeconomic conditions, the level of market uncertainty, and the investment risks inherent in the company. Therefore, the magnitude of profitability is not always followed by an increase in company value if other supporting factors do not show convincing conditions. The following research findings support the results of the study by Bisnis et al. (2024), which states that profitability does not have a significant influence on company value.

Table 6. Test F (Influence in a way (simultaneous)

R- squared	0.03
Adjusted R- squared	- 0.02
SE of regression	0.23
F-statistic	0.55
Prob(F-statistic)	0.65

Source: Processing Eviews data

A significance value of 0.65, which is above the $\alpha = 0.05$ limit, indicates that the alternative hypothesis (Ha) does not receive empirical support, so the null hypothesis (H0) is declared accepted. These findings indicate that the variables Green Finance, Good Corporate Governance, and Return on Assets (ROA) simultaneously have not been able to provide a significant influence on Company Value. In other words, changes in these three variables are not directly responded to by the market through an increase or decrease in company value. This condition suggests that investor decisions in assessing an issuer are still more influenced by other factors, such as the dynamics of market conditions, potential for future business growth, and the level of investment risk inherent in the company. The following research results are consistent with the findings of Rukmana et al. who concluded that Good Corporate Governance, Green Finance, and profitability do not have a significant influence on company value.

Table 7. Test of the Coefficient of Determination (R)

R-squared	0.02
Adjusted R-squared	-0.02
SE of regression	0.22
F-statistic	0.55
Prob(F-statistic)	0.65

Source: Eviews data management

The adjusted R-squared value of -0.02 reflects that the regression equation developed in the following research still does not have sufficient capacity to explain the dynamics of changes in company value in the issuers that are the object of research in Indonesia. Methodologically, this figure indicates that the model construction that utilizes the variables of green finance, Good Corporate Governance (GCG), and Return on Assets (ROA) as independent variables is not able to provide a substantial explanatory contribution to the variation in company value as the dependent variable. Furthermore, the negative coefficient of determination indicates that the model performance is actually below the approach that only uses the average company value as the basis for prediction. Thus, it can be understood that almost all variations in company value, namely 99.98%, are more dominantly influenced by other factors that have not been accommodated in the following research model, such as changes in macroeconomic conditions, company funding policies, dividend distribution decisions, capital market perceptions, levels of business uncertainty, and various company strategic policies that theoretically have a stronger relationship with the formation of company value.

Table 8. Mediation Test (Path Analysis)

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	1.36	0.42	3.28	0.01
GF	-0.11	0.13	-0.80	0.43
GCG	-0.28	0.66	-0.43	0.67
	Effects Specification			
			Elementary School	Rho
Random cross-section			0.64	0.67
Idiosyncratic random			0.45	0.33
	Weighted Statistics			

Root MSE	0.44	*R-squared*	0.02
Mean dependent var	0.35	*Adjusted R-squared*	-0.02
SD dependent var	0.44	*SE of regression*	0.45
Sum squared residual	14.02	*F-statistic*	0.41
Durbin-Watson stat	1.41	*Prob(F-statistic)*	0.67

Source: Eviews data processing

Based on the estimation results on the influence path of variable X1 on the mediating variable Z, the t-statistic value is -0.80 with a probability level of 0.43. Because the probability value exceeds the significance threshold set at 0.05, statistically there is not enough evidence to state that X1 has a significant influence on Z. In other words, changes that occur in variable X1 cannot be empirically proven as a determinant that explains the variation of variable Z.

Relatively consistent findings were also demonstrated by variable X2. The test results yielded a t-statistic value of -0.43 with a probability value of 0.67. A significance value much greater than 0.05 indicates that the effect of X2 on Z is not statistically significant. Therefore, partially, variable X2 has not demonstrated sufficient ability to explain changes that occur in the mediating variable Z.

Although the two independent variables, namely X1 and X2, individually do not show a significant influence on variable Z, the evaluation of the overall model still needs to be considered. Based on the output weighted statistics, the adjusted R-squared value obtained is actually -0.02. This condition indicates that the mediation model built has very low explanatory power, even worse than a simple model that only uses the average of variable Z as a predictor. Thus, variables X1 and X2 simultaneously only provide a very limited contribution in explaining changes in variable Z, while most of the variation of these variables is influenced by other factors outside the research model that are not included in the analysis, both internal to the company and external factors that develop in the business environment and capital markets.

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	0.56	0.18	3.09	0.01
GF	-0.07	0.06	-1.08	0.29
GCG	0.01	0.30	0.02	0.99
ROA	0.04	0.05	0.80	0.43

	Effects Specification	
	Elementary School	Rho
Random cross-section	0.11	0.21
Idiosyncratic random	0.22	0.80

Weighted Statistics

Root MSE	0.23	*R-squared*	0.03
Mean dependent var	0.38	*Adjusted R-squared*	-0.02
SD dependent var	0.23	*SE of regression*	0.23
Sum squared residual	3.71	*F-statistic*	0.56
Durbin-Watson stat	1.06	*Prob(F-statistic)*	0.65

Source: Eviews data processing

t-statistic value for variable Z as an intervening variable was recorded at 0.43 with a probability value (*p-value*) exceeding the significance limit of 0.05. This finding indicates that variable Z does not statistically have a significant influence on variable Y (Sariana, 2026). In other words, the existence of this intervening variable cannot explain the mechanism of a significant relationship between the constructs tested in the following research. This condition indicates that changes in variable Y cannot be adequately explained through the mediating role of variable Z, so the expected intervening function has not been empirically proven.

In addition, the *Adjusted R-squared value* of -0.02 shows that the ability of the research model to explain the diversity of dependent variables is at a very low level, even approaching zero. This value indicates that the model built has not been able to provide an optimal explanation of the variations that occur in variable Y. Simultaneously, variables X1, X2, and Z are only able to explain about 1.8% of changes in variable Y, while about 98.2% of the remainder is influenced by various other factors that are not included in the following research model (Dianawati & Fuadati, 2016). Thus, it can be concluded that the structural model used still has limited predictive power so that model development is needed by considering other variables that are theoretically more relevant.

CONCLUSION

Based on empirical findings from Indonesian banking panel data for the 2021–2025 period, it can be concluded that green finance practices, corporate governance (GCG), and profitability (ROA) do not have a significant statistical impact on company valuation, either directly or indirectly. and through mediation path. Results This reflect that mechanism domestic capital markets have not optimally absorbed sustainability and governance information into pricing. share, remember for perpetrator market Still more put forward parameter finance traditional rather than environmental and social dimensions. Furthermore, the low coefficient of determination confirms that the dynamics of banking company value tend to be more influenced by external factors such as macroeconomic conditions, investor sentiment, and regulatory changes, which are not included in the following research analysis framework.

SUGGESTION

Based on these findings, it is recommended that supervisory authorities, such as the Financial Services Authority (OJK), improve their regulatory framework by establishing standardized and auditable ESG reporting requirements. Furthermore, fiscal stimulus and low-cost financing schemes for banks that consistently disburse environmentally friendly loans need to be intensified to ensure sustainability practices truly become a measurable competitive advantage. At the corporate level,

banking management should view the integration of green finance and GCG as a long-term strategic pillar for risk management and operational optimization, going beyond simply fulfilling administrative obligations. This step needs to be accompanied by increased transparency. And socialization to investors about benefit economy from model business Meanwhile, future researchers are advised to expand the study sample, integrate moderating variables such as company scale or systemic risk, and use a longer observation period to identify the transformative impact of the green economy transition on company valuation.

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