Investigating the Impact of Green Banking Disclosure, Profitability, Company Size, and Non-Performing Loans on Company Value

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ABSTRACT

Green banking practices encompass not only sustainability but also the potential financial benefits. However, in the short term, issuing green financial products requires substantial capital, which can negatively impact company value. This study aims to analyze the influence of Green Banking Disclosure, Profitability, Bank Size, and Non-Performing Loans (NPL) on Company Value, both individually and collectively. The research sample consists of 8 conventional banks that published sustainability reports on the Indonesia Stock Exchange (IDX) from 2015 to 2022. The analysis results indicate that green banking disclosure and bank size do not significantly affect company value. Conversely, profitability shows a significant positive influence, while non-performing loans exhibit a significant negative impact on company value. Based on these findings, it is crucial for policymakers to innovate and create more contributive green financial products, enhancing their ability to boost bank performance. Additionally, a comprehensive management approach covering all financial aspects is necessary to support the effectiveness of green banking practices.

Keywords: Green banking Disclosure; Profitability; Bank Size; NPL; Firm Value

Menginvestigasi Dampak Pengungkapan Green Banking, Profitabilitas, Ukuran Perusahaan, dan Kredit Bermasalah terhadap Nilai Perusahaan

ABSTRAK

Praktik perbankan hijau bukan hanya tentang keberlanjutan, tetapi juga keuntungan finansial yang dihasilkan. Faktanya dalam jangka pendek, penerbitan produk keuangan hijau membutuhkan modal yang cukup besar, kondisi ini justru berdampak pada penurunan nilai perusahaan. Penelitian ini bertujuan menganalisis pengaruh Green Banking Disclosure, Profitabilitas, Ukuran Bank dan NPL terhadap Nilai Perusahaan secara parsial dan simultan. Pengujian menggunakan sampel 8 bank konvensional yang memiliki sustainability report yang terbit di BEI pada tahun 2015-2022. Hasil dari analisis menunjukkan bahwa green banking disclosure dan Ukuran Bank tidak berpengaruh signifikan terhadap nilai perusahaan. Sementara itu, profitabilitas menunjukkan pengaruh signifikan dan Non-performing loan berpengaruh negatif signifikan terhadap nilai perusahaan. Berdasarkan temuan tersebut, maka pengambil kebijakan penting untuk lebih inovatif dalam menciptakan produk keuangan hijau yang lebih kontributif sehingga adanya produk keuangan hijau justru dapat mendorong kinerja perusahaan bank. Selain itu, perlu adanya pengelolaan yang lebih komperhensif mencakup seluruh aspek keuangan.

Kata Kunci: Green banking Disclosure; Profitabilitas; Ukuran Bank; NPL, Nilai Perusahaan

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INTRODUCTION

The current environmental issues do not directly affect the Indonesian economy. Nonetheless, various strategies have been implemented to mitigate environmental problems that could threaten sustainability. Maintaining environmental sustainability requires substantial capital, making it imperative for policymakers to innovate in sourcing financing to foster development and address environmental challenges. The financial sector, which plays a crucial role in providing funding, has introduced numerous innovations, including sustainable financial products.

The banking sector, a key economic player primarily focused on profit (Rachmawati et al., 2023), must also adopt a vision for addressing environmental issues. Several studies have explored the role of green finance in not only promoting sustainable development but also enhancing company value. Increasing company value is vital as it boosts public confidence in the company's performance and future prospects, thereby positively influencing the company's stock market performance (Pratiwi et al., 2023).

Since the Global Financial Crisis (GFC) of 2008, banking authorities and policymakers have recognized that the long-term success of the banking industry depends not only on the smooth functioning of the financial system but also on effective environmental hazard management (Hoque et al., 2022). With growing global attention to environmental issues, the banking sector is compelled to modify its business activities and operations. The green economy concept advocates for minimizing the environmental impact of all economic activities, and this can be realized through green banking. The primary goal of green banking is not only to elevate its own standards but also to influence the business practices of others towards greater social responsibility (Rachmawati et al., 2023).

The banking industry, through green banking product instruments, aims to encourage individuals to utilize facilities that promote green banking (Winarto et al., 2021). The banking market segment should also prioritize financing companies with environmentally friendly projects to mitigate environmental pollution (Hoque et al., 2022). By doing so, banks can influence business practices to become more environmentally conscious and responsible. Various factors drive banks to develop the green banking disclosure concept, including loan demand, economic conditions, government policies, and environmental and legal considerations (Winarto et al., 2021).

In Indonesia, several banks have initiated green banking practices, but these efforts remain in the preliminary stages and are mostly voluntary. However, with the implementation of POJK 51/POJK.03/2017, green banking practices have become mandatory. Handajani, (2019) noted that banks have pioneered the integration of green banking concepts into their business operations, providing detailed information about environmentally friendly banking in their annual reports. When a company adopts green banking practices, which emphasize environmental sustainability, it attracts investors who support sustainable activities, thereby enhancing the company's value (Winarto et al., 2021).

Various factors can impact company value, such as profitability, which indicates a company's ability to generate profit and provides insight into its performance in generating income (Chasanah, 2019). Another factor is bank size,

assessed by the number of assets a company owns, which can signal to investors the potential for investment (Apriantini *et al.*, 2022). Additionally, non-performing loans (NPLs) measure a bank's ability to absorb risk, with higher NPLs indicating greater credit risk due to debtor repayment failures (Halimah & Komariah, 2017).

Previous studies have examined the impact of green banking disclosure on company value, with mixed results. Julia & Kassim, (2020) and Pratiwi *et al.*, (2023) found that green banking disclosure significantly impacts company value, whereas Simanungkalit & Mayangsari, (2020); Firmansyah & Kartiko, (2024); dan Romli & Zaputra, (2022) reported no significant impact. Similarly, the profitability aspect has yielded varying results; Linawati *et al.*, (2022); Jonnius & Marsudi, (2021); Margono & Gantino, (2021) and Jaya, (2020) concluded that profitability impacts company value, while Muharramah dan Hakim, (2021) found no significant impact.

In terms of bank size, Suryadi & Tandanu, (2020); Shubita, (2023); Linawati et al., (2022) suggested a significant impact on firm value, contrary to Haryanto *et al.*, (2018); Kirimi et al., (2022); Mishra & Kapil, (2023), who found no significant effect. Regarding NPLs, studies by Anisa & Suryandari, (2021), Ikhsan et al., (2022) and Haryanto *et al.*, (2018) indicated a significant negative impact on company value, whereas Manurung et al., (2023) and Nur Halimah *et al.*, (2017) reported no significant impact. These inconsistencies in findings highlight the need for further research. This study aims to provide updated insights using different banking companies and more recent data.

Given the inconsistencies in research findings from various empirical studies, this research aims to combine several variables—green banking disclosure, profitability, bank size, and non-performing loans (NPLs)—to examine their influence on company value, with a particular emphasis on the role of green banking. As a novel approach, this study measures green banking through the disclosure of green banking practices, focusing on conventional banks in Indonesia, which are the primary contributors to the banking market.

This study differs from previous research by Julia & Kassim, (2020), Winarto et al., (2021), Hanif et al., (2020), Anggreni et al., (2024), which have primarily focused on Islamic banks with varying time spans and inconsistent results. The findings of this research are expected to provide insights into environmental awareness in Indonesian society and the influence of other variables on company value. By aiming to analyze the impact of these variables both partially and simultaneously, this research contributes to the existing literature and facilitates further knowledge development for other researchers.

Additionally, the results of this study are intended to guide policymakers in the banking industry to enhance company value through policies that prioritize environmentally friendly financial products and support sustainable development.

This research employs legitimacy theory and signal theory, as utilized in previous studies by Mara & Munandar, (2024); Winarto et al., (2021) and Rachmawati & Jayanti, (2023). Legitimacy theory, initially introduced by Dowling & Pfeffer, (1975), is a recurring element in environmental and social accounting studies and has been used to develop theories regarding the expression of environmental and social responsibility in the accounting sector. Companies are

increasingly aware that the sustainability of their operations is linked to their relationship with the environment and society (Shafirah *et al.*, 2022). This theory also emphasizes how companies respond to various groups to legitimize their actions, suggesting that organizations must ensure their activities align with existing policies (Badjuri et al., 2021).

Signal theory, first developed by Michael Spence in 1973, posits that parties possessing specialized information can convey signals that reflect the company's condition, providing benefits to investors (Michael Spence, 1973). According to Yasar, Martin, and Kiessling (2020), this theory, known as "Signaling Theory," explains how entities use signals to communicate information to other parties or stakeholders. This theory illustrates how companies can influence investors' perceptions of future conditions through data that aligns with the preferences of both investors and company management. Such data is deemed crucial in determining investment decisions (Winarto et al., 2021).

This is pertinent to investors' assessment of a company's fair value, which becomes a key factor in their interest in acquiring shares (Dessriadi et al., 2022). A high company value reflects the success of shareholders, making information about the company's value crucial and a primary consideration in making investment decisions (Dessriadi et al., 2022). The concept of company value reflects the results of a series of corporate activities and the level of confidence society places in the company (Fatemi et al., 2018).

The Earnings Per Share (EPS) indicator, often referred to as the earnings per share ratio, is a key measure used to determine a company's value. EPS is particularly important to shareholders as it serves as a measure of business performance. It represents the total net income available for distribution to all shareholders, making it a crucial factor in company studies (Agustina dan Huda, 2022). The EPS for a company can be determined from report data found in the company's annual report.

The relationship between Green Banking Disclosure and Company Value aligns with legitimacy theory, which posits that a company has a social obligation to conduct its activities based on principles of fairness and justice. Green banking disclosure is a banking initiative that contributes to sustainable development (Lako, 2023). Specifically, it involves efforts to preserve nature and the environment while promoting social well-being for all residents (Arifin *et al* 2020).

Achieving environmental empowerment through green banking disclosure is expected to enhance company value. According to legitimacy theory, companies that disclose their environmental activities can attract investors who are interested in supporting these initiatives. Consequently, green banking disclosure can significantly influence company value. Research by Pratiwi et al., (2023) Winarto *et al.*, (2021); (Arifin *et al* 2020) dan Julia dan Kassim, (2020) supports this notion, indicating a significant positive relationship between green banking disclosure and company value, which also enhances investor confidence. Based on legitimacy theory and previous research, the following hypothesis is proposed:
H_1**:** Green banking disclosure has a positive effect on company value.

The relationship between profitability and company value aligns with signal theory, which posits that companies can convey signals that reflect their condition, thereby providing benefits to investors. Profitability, a company's

ability to generate income from its assets, is crucial for business success Chasanah, (2019). A company's profitability financial report can offer insights into its performance, which in turn can increase company value.

This research uses the Return on Assets (ROA) indicator to assess how effectively a company utilizes its assets to generate profit. Of all the profitability ratios in use today, ROA is the most significant (Chasanah, 2019). According to Spence, (1973) signal theory, a company's future growth prospects can influence investors through information that explains management activities, as such information is crucial for making investment decisions. Profitability, by revealing information about a bank's profit outcomes, can thus influence company value. Research by Jonnius & Marsudi, (2021); Margono & Gantino, (2021); Ispriyahadi & Abdulah, (2021); Salsabilla dan Rahmawati, (2021) and Nur Halimah *et al.*, (2017) supports the significant relationship between profitability and company value. Based on signal theory and previous research, the following hypothesis is proposed:

H_2: Profitability (ROA) has a positive effect on company value.

The relationship between bank size and company value aligns with signal theory, which posits that companies can convey signals reflecting their condition, thereby providing benefits to investors. Bank size is assessed by determining the number of assets a company owns, which can signal to investors the potential for investment (Apriantini *et al.*, 2022). It is expected that reports on the projected size of a bank, indicated by total assets, will attract more capital from investors and optimize the company's value in their eyes. Total assets are used to measure bank size, with a higher number of assets indicating a larger scale of asset utilization (Hidayat, 2019).

Based on Spence, (1973) signal theory, a company's future growth can influence investors through information about the company's management activities. Since information is crucial for making investment decisions, the size of a bank, as indicated by its total assets, can significantly influence company value. Research by Shubita, (2023); Linawati et al., (2022); Rizqia Muharramah dan Zulman Hakim, (2021) and Haslinda *et al.*, (2019) supports the significant relationship between bank size and company value. Based on signal theory and previous research, the following hypothesis is proposed:

H_3: Bank size (total assets) has a positive effect on company value.

The relationship between Non-Performing Loans (NPLs) and company value also aligns with signal theory. NPLs are a ratio that assesses a bank's ability to absorb risk, with higher NPLs indicating greater credit risk due to debtor repayment failures (Halimah & Komariah, 2017). Consequently, NPLs negatively affect company value. Research by Wiadnyani & Artini, (2023); Galyani *et al*, (2022) indicates that an increase in the NPL ratio is associated with a decrease in company value, which is detrimental to business operations. A low NPL ratio signifies effective management of problem loans, whereas an increasing NPL ratio indicates poor risk management, leading to operational difficulties and threatening the company's continuity. Based on signal theory and previous research, the following hypothesis is proposed:

H_4: Non-performing loans have a negative effect on company value.

The novelty of this research lies in its focus on Indonesia, specifically examining 8 conventional banking companies from 2015 to 2022. Addressing the issue of environmental awareness, the banking sector has implemented green banking disclosure initiatives aimed at promoting green financing. This study explores how various factors—including green banking disclosure, bank size, profitability, and non-performing loans—impact company value. The relationships between these variables are illustrated in the conceptual framework, which provides a comprehensive overview of the factors influencing company value.
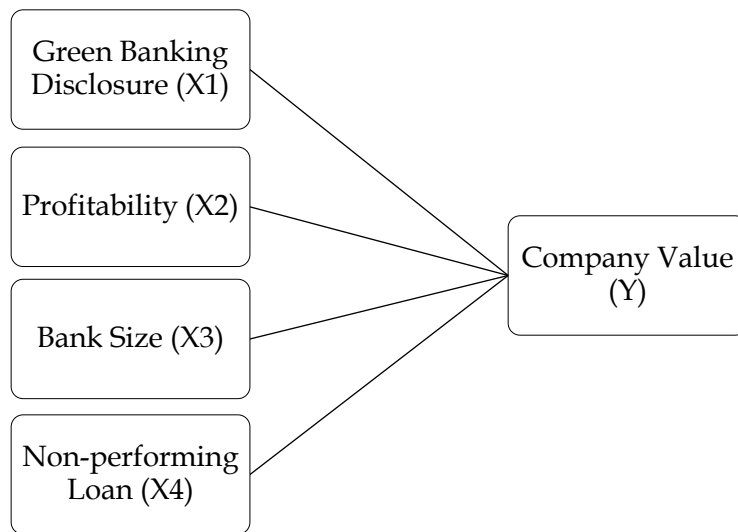

Figure 1. Research Model

Source: Research Data, 2023

RESEARCH METHODS

This research focuses on a sample of conventional banks in Indonesia that are listed on the Indonesia Stock Exchange (IDX) and have published sustainability reports. As of 2023, there are 106 conventional banks in Indonesia. However, this study selects a sample of 8 conventional banks that have reported on environmental sustainability since 2015. Purposive sampling is employed to select banks that meet specific criteria, namely those that publish annual financial reports periodically from 2015 to 2022. The selected banks that meet the research criteria include BRI, BCA, Mandiri, BJB, BNI, Artha Graha, BTN, and Maybank. The study period of 2015-2022 is chosen because most of these banks began reporting on sustainability starting in 2015. The data used in this research is secondary panel data, comprising a time series data structure from 2015 to 2022 and a cross-section of 8 conventional banks. To examine the influence of green banking disclosure, profitability, bank size, and non-performing loans (NPL) on the performance of bank company value, this research employs a panel data regression method using the Panel Least Squares (PLS) analysis tool. The model specifications used in this research are as follows:

$$NP = \alpha + \beta_1 GBD + \beta_2 PB + \beta_3 UB + \beta_4 NPL + \varepsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (1)$$

Where:
NP = Company Value (EPS)
α = Constant
GBD = Green Banking Disclosure
PB = Profitability (ROA)
UB = Bank Size (tot.asset)
NPL = *Non-Performing Loan*
B_{123} = Coefficient
ε = Error

The steps taken in this research include estimating each model, namely Fixed Effects (FE), Random Effects (RE), and Common Effects (CE). The second step involves conducting tests to determine the most suitable model for this research. The Chow test is used to compare the CE model and the FE model to identify the best fit. The third step is the Hausman test, which tests for differences between the FE model and the RE model. The final step is the Breusch-Pagan LM test, which helps determine the more appropriate model between the CE and RE models. After identifying the best model, the t-test and F-test are performed.

Company value reflects the level of trust the public has in the company, resulting from a series of activities (Fatemi *et al.*, 2018). Earnings Per Share (EPS) indicates the total net income available for distribution to all equity shareholders. The EPS can be determined from the data in the company's annual report (Agustina dan Huda, 2022).

$$Earning\ per\ share = \frac{Net\ profit\ after\ tax}{Total\ assets} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots..(2)$$

Green banking disclosure in this measurement refers to the green banking disclosure index (GBDI) which has been developed by Bose et al., (2018), with this GBDI there are 21 items measured by counting the green banking disclosure items giving a score of 1 if it shows green banking disclosure disclosure, but if there is no disclosure of green banking items, a score of 0 will be given. The following is the formula for the green banking disclosure ratio according to Bose et al., (2018) that is:

$$GBDI = \frac{\Sigma Xi}{n} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots...(3)$$

GBDI : green banking disclosure
∑Xi : total disclosure score for company i
n : the total number of green banking disclosure indicator items (n=21)

Profitability is a company's ability to make a profit. ROA is a scale used to assess how well a company uses its assets to earn profits. Of all the profitability ratios in use today, this ratio is the most significant (Chasanah, 2019).

$$ROA = \frac{Profit\ before\ tax}{Total\ aset} X\ 100\% \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots.(4)$$

Bank size is an assessment of the company's scale by determining the number of assets it owns. In this way, the size of the bank can be a signal for investors because it makes them consider investing (Apriantini *et al.*, 2022). Total assets are used to measure the size of the bank. In total assets owned by the bank, the greater the number of assets, the next asset user (Hidayat, 2019).

$$Bank\ size = \ln Total\ bank\ assets \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots(5)$$

NPL is a ratio that assesses a bank's ability to absorb risk. Failure of the debtor to repay the credit. Credit risk is increasingly reflected in NPLs. Credit risk decreases as the NPL paid by the bank decreases (Halimah & Komariah, 2017).

$$NPL = \frac{Problematic\ credit}{Total\ credit} X\ 100\%...(6)$$

RESULTS AND DISCUSSION

This research uses descriptive statistical analysis to display an overview of the data for each selected variable. The results are shown in table 1 in the form.

Table 1. Results of Descriptive Statistical Analysis

	Y	GBD	Profitability	Bank Size	NPL
Mean	4.907	0.610	2.102	19.702	2.799
Median	5.402	0.620	1.830	19.929	2.780
Maximum	7.055	0.950	4.190	21.412	6.110
Minimum	0.300	0.00	0.110	17.039	0.700
Std. Dev	1.799	0.231	1.209	1.252	1.149

Source: Research Data, 2023

The dependent variable, Company Value, proxied by EPS (Y), has a mean value of 4.907 with a standard deviation of 1.799. Since the standard deviation is below the mean, it indicates that the data distribution is relatively uniform. The maximum value of 7.055 is observed for BCA, indicating that BCA's share price per share is the highest. Conversely, the minimum value of 0.300 is observed for Artha Graha, indicating that its share price per share is the lowest among the sampled banks.

The independent variable, Green Banking Disclosure, has a mean value of 0.610 with a standard deviation of 0.231. The standard deviation being lower than the mean indicates a relatively uniform data distribution. The maximum value of 0.950 is observed for BCA, suggesting that BCA's green banking disclosure nearly meets the Green Banking Disclosure Index (GBDI) criteria perfectly. A minimum value of 0 indicates banks that do not issue a sustainability report compliant with GBDI.

The independent variable, Profitability, measured by Return on Assets (ROA), has a mean value of 2.102 with a standard deviation of 1.209. The standard deviation being lower than the mean indicates a relatively uniform data distribution. The maximum value of 4.190 is observed for BRI, indicating that BRI has the highest profit ratio, reflecting its strong ability to generate profits and manage assets. The minimum value of 0.110 is observed for Artha Graha, indicating a lower profit ratio compared to other banks in the sample.

The independent variable, bank size, has a mean value of 19.702 with a standard deviation of 1.252, indicating that the data distribution is relatively uniform. The maximum value of 21.412 is observed for BRI, suggesting that BRI has the largest total assets among the sampled banks. Conversely, the minimum value of 17.039 is observed for Artha Graha, indicating that its total assets are smaller compared to the other banks in the sample.

The non-performing loan (NPL) variable has a mean value of 2.799 with a standard deviation of 1.149, indicating a relatively uniform data distribution. The maximum value of 6.110 is observed for Artha Graha, suggesting that this bank

has the highest credit risk, significantly influencing its company value. The minimum value of 1.000 is observed for Bank Mandiri, indicating its strong ability to manage credit risk, which in turn positively impacts its company value.

Table 2. Results of Panel Data Regression Analysis

Uji	Probabilitas	
Chow	0.000	
Hausman	0.000	The model chosen is Fixed Effect

Source: Research Data, 2023

Based on Table 2, the Chow test found that Prob.F was 0.000. Since this value is below 0.05, we conclude that H0 is rejected and H1 is accepted. This indicates that the Fixed Effects (FE) model is more suitable than the Common Effects (CE) model. Additionally, the Hausman test results in Table 2 show that Prob.F is 0.000, which is also below 0.05. Thus, H0 is rejected and H1 is accepted, further supporting the suitability of the FE model.

The test results in Table 2 consistently indicate that the FE model is more appropriate, as evidenced by both the Hausman and Chow tests. Therefore, it can be concluded that the Fixed Effects Model is the most suitable and arguably the best model for this research. The Lagrange Multiplier (LM) test was not conducted because it compares the CE model and the Random Effects (RE) model. Since the results of both the Chow test and the Hausman test indicate that the FE model is the most appropriate, there was no need to perform the LM test.

Table 3. Fixed Effect Model Estimation Results

Variabel	Coefisien	Std.Error	Probabilitas
C	4.580	4.120	0.271
Green banking Disclosure	-0.734	0.485	0.136
Profitabilitas (ROA)	0.485	0.102	0.006
Ukuran Bank (total aset)	0.024	0.199	0.904
Non-performing loan	-0.257	0.102	0.015

Source: Research Data, 2023

Based on Table 3, the Fixed Effect Model Estimation Results can be produced

The fixed effect model equation model is in the form

$Y = 4.580 - 0.734X_1 + 0.485X_2 - 0.024X_3 - 0.257X_4$

Where:

Y = Company Value (EPS)

X_1 = Green banking disclosure

X_2 = Profitability (ROA)

X_3 = Bank Size (tot.asset)

X_4 = *Non-Performing Loan*

Testing Hypothesis 1 (H1) through Table 3 shows that the probability result for the Green Banking Disclosure variable is 0.136. Since this value is above 0.05, H0 is accepted and H1 is rejected. Thus, it can be concluded that Green Banking Disclosure does not have a significant effect on company value. Testing Hypothesis 2 (H2) reveals that the probability result for the Profitability variable is 0.006, which is below 0.05. Consequently, H2 is accepted and H0 is rejected,

indicating that profitability has a significant effect on company value. Testing Hypothesis 3 (H3) indicates that the probability result for the Bank Size variable is 0.904. Since this value is above 0.05, H0 is accepted and H3 is rejected. Therefore, it can be concluded that bank size does not have a significant impact on firm value. Lastly, testing Hypothesis 4 (H4) shows that the probability result for the Non-Performing Loan (NPL) variable is 0.015. As this value is below 0.05, H4 is accepted and H0 is rejected. This leads to the conclusion that NPLs have a negative effect on company value.

Table 4. Statistical F Test Results

Prob(F-statistik)	0.000
R-square	0.938

Source: Research Data, 2023

Based on Table 4, a hypothesis can be generated where H0 is rejected if the Prob F statistic is below 0.05. The results in Table 4 show a Prob F statistic of 0.000, which is below the 0.05 threshold. Therefore, H0 is rejected and H1 is accepted, indicating that the variables Green Banking Disclosure, profitability, bank size, and NPL have a significant impact on company value. Collectively, these four variables significantly influence company value.

From Table 4, the R-square result in the Fixed Effects model is 0.938, or 93%. This value is substantially higher than 50%, indicating that the independent variables explain 93% of the variance in the dependent variable, with the remaining 7% explained by variables outside the scope of this research. This high R-square value demonstrates that the independent variables have a strong level of significance in explaining the dependent variable.

DISCUSSION

The influence of Green Banking Disclosure on Company Value, based on hypothesis testing, indicates that green banking disclosure has an insignificant impact on company value. This finding contradicts the legitimacy theory, which suggests that implementing green banking disclosure should increase company value. This result is consistent with the research by Firmansyah & Kartiko, (2024); Romli & Zaputra, (2022) and Simanungkalit & Mayangsari, (2020), all of which found that green banking disclosure does not significantly affect company value. This may be because the market and investors do not respond strongly to the implementation of green banking disclosure. Investors tend to prioritize a company's profitability over its adherence to legitimacy principles.

The lack of significant impact may be attributed to a general lack of awareness and interest among investors regarding green banking concepts, focusing primarily on profits. Consequently, green banking disclosure has not yet been able to enhance company value. To address this, more vigorous promotion of green banking disclosure programs is necessary to highlight the benefits for investors. Environmental awareness is crucial for the sustainability of our natural surroundings. Although there are no specific regulations or laws mandating environmentally friendly banking disclosure reporting, many banking institutions voluntarily implement such practices to achieve the goal of environmental sustainability. Green banking disclosure emphasizes financing based on

environmental concerns. However, investment and participation in these programs remain limited. Increasing awareness and investment in green banking initiatives is essential for realizing their potential benefits.

The influence of profitability on company value, as indicated by hypothesis testing, shows that profitability has a significant impact on company value. This finding aligns with signal theory, suggesting that company profitability can serve as a positive signal for investors. Research by Jonnius & Marsudi, (2021); Margono & Gantino, (2021) dan Apriantini *et al.*, (2022) supports this, showing that increased profitability leads to higher company value. Companies with high profitability must maintain it, as a decrease in profitability can negatively affect company value and reduce available capital for operations. High profitability enhances a company's reputation among investors and contributes to its sustainability and operational capital turnover.

Conversely, the influence of bank size on company value, as indicated by hypothesis testing, shows that bank size has an insignificant impact on company value. This finding contradicts signal theory, which posits that bank size, as measured by total assets, should enhance company value. However, research by Kirimi et al., (2022); Mishra & Kapil, (2023) Chasanah, (2019) dan Haryanto *et al.*, (2018) indicates that bank size does not significantly affect company value. Therefore, signal theory does not align with the observed reality. For investors, bank size is not a primary concern, suggesting that larger banks do not necessarily guarantee better job prospects or higher company value.

The effect of Non-Performing Loans (NPLs) on company value, based on hypothesis testing, shows that NPLs have a significant negative impact on company value. This finding is consistent with signal theory Michael Spence, (1973), which suggests that higher NPLs indicate increased bad credit, leading to a decrease in company value. Research by Prabawati *et al.*, (2021) and Galyani *et al*, (2022) supports this, indicating that an increase in the NPL ratio correlates with a decrease in company value, which is detrimental to business operations. A low NPL ratio demonstrates effective bank operation and problem loan management, whereas a rising NPL ratio indicates poor risk management, making business operations difficult and threatening company continuity. Therefore, maintaining low NPLs is crucial for attracting investors and enhancing company value, as investors prefer companies with good risk management.

This research has several implications for companies, particularly those in the banking sector. The findings suggest that while green banking disclosure does not directly impact company value, it is still necessary for environmental sustainability. Banks should continue to implement green banking practices. Profitability should be maintained or increased to enhance company value. Although bank size does not affect company value, banks should evaluate and optimize their operations to improve value. NPLs must be managed effectively to boost investor confidence in the bank's risk management practices. For policymakers, the findings of this research can serve as a basis for developing regulations or policies to increase public awareness of environmental sustainability. Company management can also use these insights to improve financial reporting and transparency.

CONCLUSION

From the results of the discussions, it is concluded that Green Banking Disclosure does not have a significant impact on company value. This is attributed to a lack of awareness about the importance of green banking practices and insufficient response to the concept, resulting in limited interest. Conversely, the Profitability variable has been proven to significantly impact company value, as high profitability attracts investors seeking substantial profits. Bank size, however, does not significantly impact company value, as investors focus on other, more profitable aspects. The NPL variable has a significant negative impact on company value, with an increase in non-performing loans reducing company value. When considering these four variables simultaneously, they collectively influence company value.

This research has certain limitations, including the use of a limited time period of 8 years. Future research should use newer data and consider additional variables that may influence company value in the banking context. The Green Banking Disclosure concept also needs enhancement, with improved products to attract investors and increase public awareness of sustainable environmental practices. The results of this research can serve as a reference for the sampled banking companies and contribute to comparisons with banks in other countries. Additionally, this research can inform the development of stronger regulations to enhance public environmental awareness. It provides a foundation for further research to explore more deeply the factors influencing company value in the context of green banking. Given the limitation of an 8-year period, future researchers are recommended to use more recent data and consider additional variables that can influence company value.

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