

# THE EFFECT OF GREEN BANKING DISCLOSURE, ENVIRONMENTAL PERFORMANCE, AND COMPANY SIZE ON COMPANY VALUE: AN EMPIRICAL STUDY OF ISLAMIC COMMERCIAL BANKS IN INDONESIA

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## Abstract

This study was conducted to examine the relationship between disclosure of green banking practices, environmental performance, and company scale on company value in Islamic Commercial Banks in Indonesia. "Company value in this study is represented by the Price to Book Value (PBV) ratio. The approach used is quantitative with a causal associative research type. The study population includes all Islamic Commercial Banks listed on the Indonesia Stock Exchange. The sample was determined using a purposive sampling method on 11 banks during the observation period, resulting in 33 observational data sets. The data used are secondary data sourced from annual reports, sustainability reports, and official publications of the Financial Services Authority (OJK). Measurement of green banking disclosure and environmental performance is carried out using a disclosure index based on OJK provisions through a content analysis method, while company size is measured using the natural logarithm of total assets. Data processing and analysis in this study were carried out using multiple linear regression methods assisted by SPSS software. The results of the study indicate that green banking disclosure, environmental performance, and company size simultaneously influence company value. However, individual test results indicate that only environmental performance has a positive and significant effect on firm value, while green banking disclosure and firm size do not show a significant effect. This finding suggests that Islamic banking investors respond more to tangible environmental performance than simply green banking disclosure and firm asset size.

**Keywords:** green banking disclosure, environmental performance, company size, company value, Islamic banking.

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## 1. INTRODUCTION

An Islamic Commercial Bank (BUS) is a financial entity that functions in accordance with sharia principles as outlined in Law Number 21 of 2008 regarding Islamic Banking. The fundamental principles governing Islamic banking operations encompass the prohibition of usury, gharar, and maysir, alongside the establishment of a profit-sharing framework that prioritizes equity and collaboration between the bank and its clients (Sari, A., & Aulianisa, 2025). In its development, Islamic banking not only functions as a financial intermediary institution, but also has a social and ethical role in supporting sustainable economic development (Masdiana, 2025).

In line with this role, Islamic Commercial Banks are not only oriented towards achieving profits, but are also required to pay attention to the *maslahah* aspect, namely providing broad benefits to society and the environment (Sari, 2025). Islamic values

encourage Islamic banks to implement responsible, transparent and sustainable business practices (Tondoyekti, 2024). (Nisa, VC, Kurniawan, M., & Ramdani, 2024) This shows that Islamic banks tend to have a higher commitment to sustainability issues and environmental concerns than conventional banks, so that green banking practices are becoming increasingly relevant in Islamic banking management.

This commitment to sustainability is reinforced through regulatory policies. (Ridwan, R., & Febriani, 2025) The Financial Services Authority (OJK) has promulgated OJK Regulation Number 51/POJK.03/2017, mandating all financial services institutions, including Islamic Commercial Banks, to formulate a Sustainable Financial Action Plan (RAKB) and submit a sustainability report encompassing economic, social, and environmental dimensions (POJK, td). However, even though these regulations have been implemented, the level of sustainability disclosure in Islamic Commercial Banks still shows quite significant variations (Azahra, 2024). (Khoer, M., Hidayatullah, AN, & Algistiana, 2025) It was found that not all Islamic banks present comprehensive sustainability reports, particularly on environmental aspects, which indicates a gap between regulations and implementation in the field.

This phenomenon becomes even more interesting when linked to company value. Based on book value and Price-to-Book Value (PBV) data for Islamic Commercial Banks for the 2022–2024 period, it appears that increases in book value are not always accompanied by increases in PBV.

**Table 1. Development of PBV and Book Value of Islamic Commercial Banks (2022 - 2024)**

Company name	PBV			Book value		
	2022	2023	2024	2022	2023	2024
Acehnese Sharia	0.377172415	0.509358436	0.493234783	Rp26,513	Rp19,633	Rp20,274
NTB Syariah BPD	0.469887734	0.522366805	0.469887721	Rp21,282	Rp19,144	Rp21,282
West Java Banten Sharia	0.346636593	0.332361025	0.314477501	Rp721	Rp.752	Rp.795
Indonesian Sharia	1.760184684	2.051210896	2.767960806	Rp733	Rp848	Rp986
Mega Syariah	0.514153816	0.448984456	0.424529804	Rp1,945	Rp2,227	Rp2,356
Panin Dubai Sharia	0.047732517	0.038921038	0.034265889	Rp1,320	Rp1,387	Rp1,459
Bukupoin Syariah	0.617346256	1.065260776	1.274328041	Rp. 165	Rp.75	Rp.42
BCA Syariah	0.769452438	0.731596995	0.709002191	Rp. 1,300	Rp1,367	Rp1,410
BTPN	2.530732924	1.468481846	0.765400951	Rp1,102	Rp1,151	Rp1,222
Aladdin Sharia	6.535489149	5.876712374	3.843474152	Rp217	Rp211	Rp215
Transaction	1.946270232	0.017837888	0.019897433	Rp. 15	Rp1,682	Rp2,262

The table above illustrates the progression of book value and Price to Book Value (PBV) ratios for Islamic Commercial Banks listed on the Indonesia Stock Exchange from 2022 to 2024. Most banks evidently observed annual rises in book value. Nonetheless, this augmentation in intrinsic value was not consistently matched by a rise in PBV; indeed, certain banks encountered variations and even declines in PBV. This scenario signifies that the development in book value has not been entirely manifested in market perception. Consequently, it may be inferred that investor evaluations of the value of Islamic Commercial Banks are affected by both financial performance and non-financial criteria, such as sustainability disclosure procedures and environmental performance.

Theoretically, this phenomenon can be explained through Legitimacy Theory and Signaling Theory. Legitimacy Theory states that companies seek to gain and maintain social legitimacy by aligning their activities and disclosures with prevailing values, norms, and societal expectations. (Chairunnisa, D., Selviana, S., Febriyanti, RA, Regiana, R., & Permatasari, 2025) In the context of Islamic Commercial Banks, disclosure of green banking practices and environmental performance is a form of social and environmental responsibility that reflects compliance with sustainability principles and Islamic values, thereby strengthening the bank's legitimacy in the eyes of stakeholders. (Mahendra, AT, Candra, M., Masdaini, E., & Apriandika, 2024) Meanwhile, Signaling Theory explains that information conveyed by companies, including non-financial information, serves as a signal to investors regarding the quality of management and the company's long-term prospects. (Meylani, M., & Suwaidi, 2025) Consistent sustainability disclosure is expected to reduce information asymmetry and increase investor confidence, which is ultimately reflected in increased company value. (Sananta, K., & Yudhanti, 2025).

Nonetheless, prior studies regarding the impact of green banking disclosure, environmental performance, and firm size on corporate value have yielded inconsistent findings. Claduri et al. (2024) indicated that green banking disclosure positively influences firm value by enhancing investor confidence. In contrast, Ernawati and Utami (2023) assert that green banking disclosure does not consistently exert an immediate influence on company value, as the advantages are typically realized over the long run. Additional research indicates that environmental performance and business size positively influence firm value (Sari & Handayani, 2022; Ridwansyah et al., 2024), although empirical information explicitly addressing Islamic commercial banks in Indonesia remains comparatively scarce. The contradictory findings signify a research gap necessitating additional investigation, especially regarding Islamic banking and the Indonesian capital market.

Based on empirical phenomena, theoretical foundations, and variations in findings from previous research, this study is relevant and important. This study aims to examine how green banking disclosure, environmental performance, and company size affect firm value in Islamic Commercial Banks listed on the Indonesia Stock

Exchange during the 2022–2024 period, using the Price to Book Value (PBV) ratio as a proxy for firm value. This study is expected to provide an empirical contribution in explaining the role of sustainability practices as a means of legitimacy and signaling for investors, as well as enrich the literature on Islamic banking and sustainable finance in the context of the Indonesian capital market.

## 2. METHODOLOGY

This study uses a quantitative approach with a causal associative method to assess the influence of green banking disclosure, environmental performance, and company scale on firm value. This research focuses on Islamic Commercial Banks listed on the IDX. The research population consists of 33 Islamic Commercial Banks. A total of 11 banks were used as research samples using purposive sampling techniques, based on the existence of annual reports and/or sustainability reports and the completeness of the data required for research. (Sugiyono, 2021). The data used are secondary data obtained from annual reports, sustainability reports, official publications of the Financial Services Authority (OJK), and the IDX website. Green banking disclosure is measured using a disclosure index based on OJK guidelines regarding Sustainable Development Goals (SDGs) indicators through a content analysis method similar to that used by (Saraswati, E., & Inata, 2021) and (Fitri, A., Ramadhani, S., & Prasetyo, 2024). Environmental performance is measured based on the environmental disclosure index in accordance with OJK regulations, in line with research. (Erawati, T., & Cahyaningsih, 2022). The company size variable is calculated based on the natural logarithm of total assets (Putri, RA, & Yulianto, 2021), while the company value, which acts as the dependent variable, is measured using the Price to Book Value (PBV) Ratio., which is widely used in banking research to reflect market perception of a company's value. (Haryanto, S., Nugroho, BA, & Pratiwi, 2023).

## 3. DISCUSSION AND FINDINGS

### 3.1 Descriptive Statistical Analysis

**Table 3.1 Descriptive Statistical Analysis**

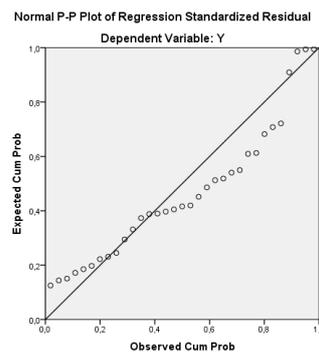
	N	Minimum	Maximum	Means	Standard Deviation
X1	33	0.76	1	0.9079	0.0796
X2	33	0.86	1	0.9745	0.0548
X3	33	29.19	35.29	31,027	1.4311
Y	33	0.03	3.88	1.2477	1.0315
Valid N values (based on list)	33				

Source: SPSS Data Processing Results, 2026

Descriptive statistics show that this study used 33 observations. Variables X1 and X2 showed low variability with mean values of 0.9079 and 0.9745, respectively, while X3 showed moderate variation. Conversely, the dependent variable (Y) showed relatively higher data dispersion compared to the independent variable.

### 3.1.1 Normality Test

**Table3.1.1 Normality Test**

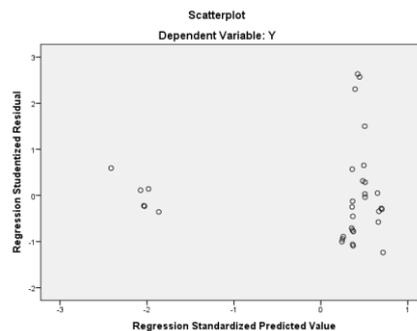


Source: SPSS Data Processing Results, 2026

Based on the Normal P–P Plot, the residuals follow the diagonal line well without significant deviation, which indicates that the data distribution is normal and the normality assumption is met.

### 3.1.2 Heteroscedasticity Test

**Table3.1.3 Heteroscedasticity Test**



Source: SPSS Data Processing Results, 2026

The scatterplot shows residuals randomly scattered around zero without any clear pattern, indicating the absence of heteroscedasticity in the regression model.

### 3.1.3 Test of Coefficient of Determination

**Table 3.1.3 Test of Determination Coefficient**

Model	R	R Square	Adjusted R Squared	Standard Error of Estimate
1	0.484	0.234	0.155	0.94828

Source: SPSS Data Processing Results, 2026

Based on the Determination Coefficient Table, the Adjusted R Square value of 0.155 indicates that the independent variables in this research model are able to

explain 15.5% of the variation in the dependent variable, while the remaining 84.5% is explained by other variables outside this research model.

### 3.1.4 Partial Test (t-Test)

**Table 3.1.4 Partial Test (t-Test)**

Model	Unstandardized Coefficients		Standardized Coefficient	T	Signature.
	B	Standard Error	Beta		
(Constant)	-8,755	6,811		-1.285	0.209
1 X1	-1,139	2,602	-0.088	-0.438	0.665
X2	10,112	4.195	0.538	2,411	0.022
X3	0.038	0.151	0.053	0.252	0.803

*Source: SPSS Data Processing Results, 2026*

The partial test results indicate that variable X1 has a significance value of 0.665, exceeding the threshold of 0.05. This indicates that X1 does not exert a meaningful influence on variable Y. Moreover, variable X2 exhibits a significance value of 0.022, which is below 0.05, accompanied by a positive regression coefficient, indicating that X2 has a positive and substantial impact on Y. Variable X3 possesses a significance value of 0.803, surpassing the threshold of 0.05, indicating it does not exert a substantial influence on Y. The analysis results indicate that only variable X2 has a meaningful impact on the dependent variable in this study.

According to the hypothesis testing results, the disclosure of green banking practices did not have a substantial effect on firm value; thus, the first hypothesis (H1) was deemed not accepted. This result is consistent with the findings of previous research by (Tiara, R., & Jayanti, 2022) which states that disclosure of green banking practices has not been able to directly increase company value. This indicates that although banks have disclosed green banking practices, investors have not fully utilized this information as the primary basis for assessing company performance and value. In the context of Islamic banking, disclosure of green banking practices tends to be compliance-oriented, so its impact on market perception is less than optimal. However, the results of this study differ from the findings of (Nurzanah, 2022) This indicates a positive influence, which may be due to differences in research periods, measurement methods, and levels of investor awareness of sustainability issues.

The results of the study indicate that environmental performance has a positive and significant influence on firm value, thus H2 is accepted. This finding supports the research. (Sari, DP, & Handayani, 2022) which states that good environmental performance can enhance a company's reputation and positively impact its value. Furthermore, these results align with research. (Rahman, A., & Widyastuti, 2021) This demonstrates that Islamic banks with good environmental performance have lower long-term risk and are more attractive to investors. This suggests that investors are beginning to respond positively to companies that effectively manage their

environmental impact, as these companies are perceived as more sustainable and have more stable long-term prospects. Therefore, environmental performance serves as a positive signal to the market in assessing the value of Islamic banking companies.

Based on the partial test results, company size does not have a significant effect on company value, thus H3 is rejected. This finding is in line with research.(Siagian, R., Pratama, A., & Lestari, 2022)which states that company size is not always the primary determinant of increased company value. These results suggest that even if a company has large total assets, this does not necessarily translate into increased market perception of the company's value. However, these findings differ from other studies.(Ridwansyah, M., Fadillah, R., & Putri, 2024)who found that firm size has a positive effect on firm value. These differences in results may be due to differences in sample characteristics, research periods, and investors' focus on firm performance and management quality, rather than just asset size.

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#### 4. CONCLUSION

Based on the analysis, green banking disclosure, environmental performance, and company size are collectively influence the company value of Islamic Commercial Banks in Indonesia. In part, green banking disclosure and firm size have no significant impact on firm value, suggesting that investors do not yet consider disclosure practices or asset size as key valuation factors. Conversely, environmental performance has a positive and significant impact, suggesting that investors place greater emphasis on measurable environmental performance as an indicator of long-term sustainability and risk management. Furthermore, the Adjusted R<sup>2</sup> value of 0.155 indicates that the model's ability to explain variations in company value is still relatively low, thus indicating that there are other variables outside the research model that also influence company value.

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