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The Influence of Green Banking on Corporate Value in Commercial Banks in Indonesia

Fatmayanti[1]*, Iman Waskito[2]
Fakultas Ekonomi dan Bisnis Universitas Mataram
Corresponding Author: Fatmayanti fatmayanti320@gmail.com

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ABSTRACT

The purpose of this study is to ascertain how Green Banking affects Corporate Value in Indonesian Commercial Banks. This study employs a descriptive methodology with a quantitative approach. Content analysis on Green Banking items based on the Green Banking Disclosure Index created by (Khan, Bose, Sheehy, & Quazi, 2021) was used to analyze the data. The Tobin's q ratio is used to calculate the worth of a company. In statistical testing, regression analysis techniques are applied. The study's findings indicate that green banking significantly reduces corporate value at Indonesian commercial banks. Green banking significantly affects how well a firm performs, particularly in terms of boosting public trust.

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INTRODUCTION

According to Law no. 10 of 1998 which states that banks are institutions that collect community savings and distribute them to the community in the form of credit and/or other forms in order to improve the standard of living of many people, so banks are business organizations that are very important for society because they play a very important role and necessary for economic and social funding activities. One important sector is the financial industry. In accordance with the implementation of the new classification which began on January 25 2021, one form of industry in the financial sector is the financial sector subsector of the industrial classification carried out by the Indonesian Stock Exchange (BEI). Banking companies continue to be the companies with the highest market value according to 2021 BEI Statistics data (Simanungkalit & Mayangsari, 2022).

The purpose of establishing a company is to obtain profits which are identical to increasing share prices. Investors' assessment of a company which is correlated with the share price is called company value. Advances in science and technology have raised awareness of current events, issues, and trends throughout society. For example, more and more people are starting to understand the importance of investing in their lives in the investment field. Stocks are one of the most widely used financial products. The basis for determining the value of a company can be the sale price of its shares on the capital market (Galyani & Henny, 2022).

Many elements, both inside and outside business, influence societal interests and investment decisions. Company value is one of the elements that influences investment activities. One metric that can be used to attract investors is company value. The assets and state of a company are characterized by its enterprise value. The high level of investor confidence in the company shows the high value of the company. The high value of the company also shows that the company can optimize profits to improve the welfare of its stakeholders. Therefore, companies must increase their company value. As stated by Winarto et al (2021), one of the company's goals is to increase the number of company owners, and growth in company value can indicate an increase in company performance. Investors' interest in investing in companies will increase as the company's performance improves.

Because many companies are still limited in implementing Green Banking activities and do not report them, the number of environmentally conscious companies in the market is still lacking. Companies, especially banks, strive to ensure stakeholder satisfaction by showing their concern for the environment through implementing Green Banking. Environmentally friendly banking practices are a reaction to pressure from owners for banks to operate well and ethically. Corporations that have adopted green banking can be considered good corporations in terms of their assets and company condition. According to Romli et al. (2021), banking corporations must be encouraged to grow and develop sustainably in integrated economic, social and environmental dimensions by emphasizing social and environmental welfare initiatives in addition to their financial responsibilities.

A problem that is often faced by many businesses, especially banks, is the business value of implementing environmentally friendly banking. This issue is related to legal entities, which explains corporate social responsibility to foster trust between parties to ensure long-term survival and strong financial performance of the business. According to Mumtazah & Purwanto (2020), the existence of this item encourages academics to find out how Green Banking affects Company Value in Indonesian Commercial Banks, as well as how regulators and related parties can help develop sustainable and environmentally friendly business practices in Commercial Banks. Indonesian banking industry.

THEORETICAL REVIEW

Legitimachy Theory

Dowling and Pfeffer first introduced legitimacy theory in 1975. According to Chariri's research, legitimacy theory is useful for studying how a group or organization behaves. The importance of legitimacy theory for companies lies in its ability to recognize boundaries and enforce standards. Additionally, social values and community responsiveness can encourage the examination of environmentally conscious organizational activities. In their defense of organizational legitimacy, Dowling and Pfeffer argue that because organizations are components of society, they act to create conformity between the behavioral norms that are part of society's patterns and the social values embedded in the organization's operations. Corporate credibility will be threatened as long as environmental performance and social ideals are not balanced.

A company's ability to accept accountability for the impact of its operational actions determines how sustainable the business is. Businesses must integrate social, economic, and environmental factors with their vision and mission to meet their goals. Corporate sustainability will ensure the survival of the company, increase legitimacy, increase company valuation, and increase profitability. One way to describe legitimacy theory is as a conceptual framework theory based on the social existence and interaction of business with society. Environmental problems caused by the business world do not only cover the environment around them; this also includes global warming, caused by carbon emissions produced by these industries. The goal of green banking is to become more reputable in the eyes of the public and regulators. Many banks are involved in various sustainable initiatives with the aim of improving their reputation. Scholarships, waste management, environmental greening, and community empowerment are some examples of actions taken.

The explanation of green banking in this research is based on legitimacy theory. This researcher uses this theory to describe the final phase of presenting corporate environmental information as a step towards corporate social openness. where the company's internal and external factors have an impact on environmental information. Positive feedback will come from a company if its environmental and social performance is strong; conversely, negative feedback will be given to a company if its environmental and social performance is below standard.

Signaling Thorery

According to the hypothesis first put forward by Spence in 1973, information owners can provide signals to investors in the form of information that reflects the state of their business. Yasar, Martin, and Kiessling (2020) claim that signaling theory can explain a company's growth potential and how investors' expectations of the business will be influenced by information about management practices. Information is seen as important in deciding whether to invest in a business.

Green Banking

The phenomenon of global climate change is increasingly being discussed, many people are aware of climate change and its impacts. Several proposals regarding mitigation strategies for the short and long term are starting to emerge. Environmental problems in Indonesia are starting to receive attention from many sectors. Banking also takes part through activities called Green Banking. Guthire (1998) in Agriyanto states that the government is preoccupied with caring for the distribution of wealth, expanding infrastructure, protecting and preserving the environment, and so on. There are several views and definitions of green banking based on expert opinions based on quite different delivery methods but all of them have harmonious intentions and goals, namely as follows:

According to Vikas Nath, implementing green banking means improving technology, improving operations, and changing customer habits in the banking sector with the aim of introducing environmentally friendly practices and cutting the carbon footprint of banking. According to Panjaitan's research, green banking is defined as a financial institution that continues to prioritize sustainability in its business activities. Green banking is based on four points of life, namely economy, society and nature, well-being. It is hoped that the output from implementing green banking is efficiency in all company operational costs, corporate identity, competitive advantage and a strong brand image that can also balance business direction. Based on several explanations of the definition above by several experts, there are characteristics in the meaning of green banking, namely as follows: First, green banking is based on economy, nature, well-being and society. Second, green banking has the aim of prioritizing sustainable freedom in channeling financing and operational activities.

Company Value *(Corporate Value)*

Company value is a condition that a business fulfills as a sign of public trust in it after several years of operation, namely from when the business was founded until now (Fatemi et al., 2018). The purchase and sale prices of shares serve as a measure of a company's value. Prospective investors will take into account the movement of a company's value when deciding what investment to make in a company that has been listed on the IDX (Solekha & Winarto, 2020). A significant increase in company value indicates that the company is performing well and is being managed well, which also shows that the company has achieved its goals and has the potential to generate wealth for its owners.

The Tobins q ratio, a ratio that evaluates and provides information that explains phenomena in a company's operations, is used to estimate company value. A number of procedures are used in the valuation process to determine the value of a company based on the nature of its operations, the terms of ownership interests, and transactions related to the value of the company. Company value plays an important role in organizations because it shows the success of the business owner and correlates with growth in all company divisions. One of the goals of a company is to increase the wealth of its owners, and growth in company value may indicate improved performance. Investors' interest in investing in a company increases along with the increase in the company's success.

METHODOLOGY

In this study, a quantitative descriptive research design was adopted. The research population for the 2018–2022 research period consisted of 23 commercial banks listed on the IDX. Twenty businesses were selected as research samples using a purposive sampling method, which ensures that each population has an equal opportunity to be researched. By using content analysis, data analysis techniques describe several aspects of green banking using the Green Banking Disclosure Index indicator created by (Khan, Bose, Sheehy, & Quazi, 2021). The 21 (twenty one) components that make up the Green Banking Index are given a score of 1 if disclosed, and 0 if not disclosed.

Tobin's q ratio, a ratio measurement tool that defines company value into types of tangible and intangible asset values, is used to analyze company value. In addition, Tobin's q ratio can provide a general idea of how well and efficiently a business uses all its resources. The measuring instruments for each variable studied are detailed in Table 1.

Table 1. Measuring Instruments and Variable Measurements

No	Variable	Indicator
1	Green Banking	$GDBI = \sum_{i=1}^{n} di$
2	Corporate Value	$Tobins\ Q = \frac{Market\ Value\ of\ Equity\ (MVE) + Liabilitas}{Jumlah\ Aset}$

In order to achieve the research objectives, the author used simple regression analysis with the help of SPSS 23 software.

RESULTS

The research findings of this article first explain the results of descriptive statistics. Based on the data processing carried out, the descriptive statistics of the variables studied are as follows:

Tabel.2 Descriptive Statistic

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Nilai Perusahaan	100	.74	1.48	1.0243	.17819
GBDI	100	-.06	1.01	.5733	.28314
Valid N (listwise)	100				

Table The table above displays the number of measurements (N), lowest, maximum, average and standard deviation values, along with the standard deviation, for Green Banking (X) and Company Value or also called Company Value (Y). We can characterize the distribution of data collected by researchers as follows, based on the results of the descriptive tests mentioned above:

1. The Green Banking (X) variable has a minimum value of -0.06, a maximum value of 1.01, and an average value of 0.5733 based on the data. The standard deviation of Green Banking data is 0.28314. The Green Banking variable (X), from this data it can be described that the minimum value is -0.06 while the maximum value is 1.01 and the average Green Banking value is 0.5733. The Green Banking data deviation standard is 0.28314.
2. The variable company value or company value (Y) has an average value of 1.0243 and a minimum value of 0.74, a maximum value of 1.48, and the description is based on data. The standard deviation of Green Banking statistics is 0.17819.

Coefficient of Determination Test Results *(R^2)*

Tabel.3 Model Summary[b]

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.308[a]	.095	.085	.17041	1.203

a. Predictors: (Constant), GBDI

b. Dependent Variable: Nilai Perusahaan

The researcher's interpretation of the determination value (R-Square) is 0.095, which shows that the Green Banking variable influences Company Value by 9.5% based on the table above. Other variables or factors not covered in this study amounted to 0.5%.

Histogram Curve

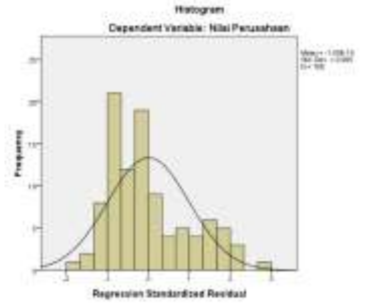

Figure.1 Histogram Curve

The image above shows the histogram of the standardized residual regression where the curve does not slope to the left or right and is almost close to normal. So the graph meets the classical assumptions of normality.

Heteroscedasticity Test

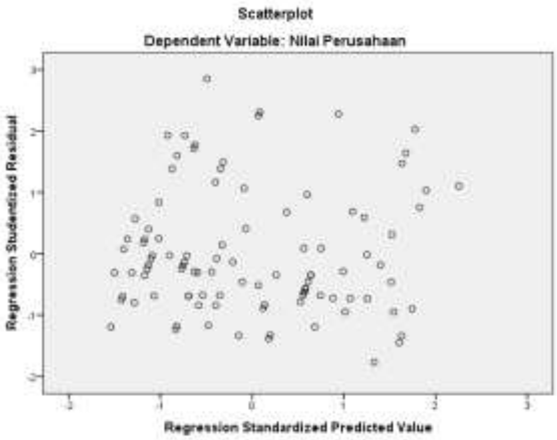

Figure.2 Heteroscedasticity Test

In the scatterplot image above, it can be concluded that the points above do not form a pattern or are spread in a random or unclear pattern, so it can be concluded that there is no heteroscedasticity problem.

DISCUSSION

Descriptive Statistics Results

The results of descriptive statistics provide a useful picture of the data distribution of the variables examined in this study. For the Green Banking (X) variable, the value ranges from -0.06 to 1.01 with an average value of 0.5733. The relatively high standard deviation, namely 0.28314, indicates significant variation in the level of bank compliance with environmentally friendly practices. This suggests that there is considerable variation among banks in their level of engagement in green banking practices. Meanwhile, for the Company Value (Y) variable, the value ranges from 0.74 to 1.48 with an average value of 1.0243. The lower standard deviation, namely 0.17819, indicates that the distribution of company values tends to be more centered around the average value. However, it should be noted that a significant standard deviation indicates variation in firm value between banks, although not as large as the variation in the level of compliance with green banking.

From this analysis, it is concluded that there are quite large differences in green banking practices between the banks investigated, while company values tend to be more stable but still show variations between banks. This provides a strong basis for continuing the regression analysis to evaluate the relationship between the Green Banking variables and Company Value, taking into account the variations contained in this data.

Statistical Significance

The significance value (Sig.) in statistics is an important metric that indicates the strength of evidence against the null hypothesis (H0) in a particular analysis. The commonly used significance threshold is 0.05 which indicates that we will reject H0 and accept the alternative hypothesis (H1) if the significance value is <0.05 and fail to reject H0 if the value is > 0.05. The significance value (Sig.) of the GBDI variable is 0.002 in the coefficient test results indicating that there is considerable statistical support for the relationship between GBDI and company value. More precisely, the significance level of 0.05 is significantly greater than the value of 0.002 which is a commonly used threshold. As a result, there is enough data to refute the null hypothesis which states that there is no relationship between GBDI and Company Value. In other words, the researchers came to the conclusion that there is a substantial correlation between the value of the company owned by the bank and the level of bank compliance with environmentally friendly banking standards as determined by GBDI.

The Influence of Green Banking on Corporate Value or Company Value

The regression coefficient for the GBDI variable is -0.194. This negative value shows the direction and strength of the relationship between GBDI (the level of bank compliance with green banking practices) and Company Value. In this context, a negative value indicates that there is a negative relationship between the two variables. The interpretation of this negative value is that every time GBDI increases by one unit, the Company Value will tend to decrease by 0.194 units. In other words, the higher the level of bank compliance with green banking practices, the lower the company value owned by the bank.

This phenomenon may occur because the implementation of green banking practices often requires significant initial investments, such as the use of environmentally friendly technology or changes in operational processes. While this practice can bring long-term benefits in terms of a company's sustainability and reputation, in the short term, its impact on financial performance can be negative. For example, additional costs for green technology or operational adjustments can reduce a bank's profitability over a short period of time, which is then reflected in a decline in corporate value. So, the conclusion from this negative regression coefficient value is that the higher the level of bank compliance with green banking practices, the more likely the bank's company value will decrease. This is important to understand in the context of banking policy and sustainability, because it highlights the existence of a trade-off between environmental sustainability and financial performance in the short term.

This is in line with research (Haryanto et al., 2018) which shows that different from company size, GBDI has a negative impact on company value. However, the value of a company is positively influenced by its performance. This shows how, in Indonesian banking, variables such as debt policy, profitability, and company size can influence company value.

The Effect of GBDI on Variations in Firm Value

The ability of the linear regression model to explain fluctuations in the dependent variable by using independent variables in the model is measured by the coefficient of determination or R2 value. With an R2 value of 0.095 in this study, the level of bank compliance with environmentally friendly banking practices determined by GBDI can explain around 9.5% of the variation in bank company value. GBDI and other independent variables in the research model are unable to explain around 90.5% of the variation in bank firm value. This suggests that additional factors beyond the scope of the model still influence financial company valuations. These variables can be internal or external, such as bank business strategy, risk management, institutional variables, corporate culture, and macroeconomic conditions, government regulations, and financial market dynamics. So, although GBDI has a significant influence on bank firm value, there is still variation in firm value that cannot be explained by GBDI or other independent variables in the model. This highlights the importance of considering other factors that may influence a company's value in a more holistic analysis.

Classic Assumptions of Linear Regression

Evaluation of the classic assumptions of linear regression is an important stage in validating the suitability of the regression model to the data used. In this analysis, there are two main classical assumptions that are evaluated, namely the normality of the residual distribution and the heteroscedasticity of the distribution of residual variability. Researchers first evaluate the normality of the residual distribution. Residual normality is very important because it determines whether the error between the observed values as well as the model-predicted values has a symmetric distribution around zero. In practice, researchers use residual histogram curves to check how close the residual distribution is to a normal distribution. From the evaluation results, it was found that the histogram curve shows a pattern that is close to a normal distribution. This indicates that the normality assumption is met, which provides additional validity to the linear regression analysis performed.

Researchers also evaluate the diversity (heteroscedasticity) of the distribution of residual variability. Heteroskedasticity occurs when the variability of the model error is inconsistent throughout the range of predicted values. To evaluate this, the researchers used a residual scatterplot, which shows the pattern of relationships between predicted and residual values. From the evaluation results, there is no clear pattern in the residual scatterplot. This indicates that there is no particular pattern in the variability of model errors over the range of predicted values. Since there is no clear pattern in the residual scatterplot, this indicates that the assumption of heteroscedasticity is not met, which is a favorable finding in linear regression analysis.

Thus, the results of evaluating the classical assumptions of linear regression show that the regression model used fulfills the normality assumption and there are no heteroscedasticity problems. These findings provide additional support for the validity of the results of linear regression analysis, as well as strengthening the conclusions obtained from this study. The conformity of the model with these classical assumptions is important to ensure the reliability and validity of the interpretation of linear regression results.

CONCLUSIONS AND RECOMMENDATIONS

The research results show that environmentally friendly banking greatly increases business success. One aspect of increasing company value that can be seen from public trust in the company's concern for the environment, society and the environment is the disclosure of environmentally friendly banking practices. The public is encouraged to participate as potential consumers through green banking which can improve business performance and ultimately increase its value. Thus, it can be said that environmentally friendly banking (green banking) significantly influences how well a company performs, especially in terms of increasing public trust. It is hoped that this research can serve as a guide and inspiration for further research.

FURTHER STUDY

Suggestions for further research:

1. It is recommended that further research use more than one variable to obtain maximum results.
2. Future researchers should expand their research focus so that they can add items that can influence company value

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