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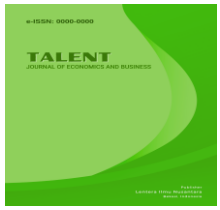

Impact of ESG Disclosure, Investment Decisions, and Leverage on Firm Value in Indonesian Banking 2019-2023

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Abstract
This study aims to determine whether environmental, social, and governance (ESG) disclosures, investment decisions, and leverage have an effect on company value. This research method uses quantitative research. The sample in this study was 10 banking companies listed on the Indonesia Stock Exchange (IDX) obtained using the purpose sampling method and observation years during 2019 - 2023. The type of data used is secondary data. Data collection was carried out using financial reports (Annual reports) and sustainability reports. These results indicate that environmental and social disclosures do not affect company value, while governance disclosures affect company value. Investment decisions have a significant effect on the company and leverage does not have a significant effect on company value. These findings provide useful insights for banking institutions to prioritize strong governance mechanisms in ESG reporting and optimize investment decision-making, thereby enhancing their overall firm value and stakeholder trust.

Keywords : ESG Disclosure, Investment decisions, Leverage

Introduction

Company value plays a role in the economy of a company. Company value reflects the achievements of the company that has gone through a process of activities for several periods as a picture of the community towards the company (Melda, Sumatriani, and Usman 2022) . When the company's value increases, it is certain that the company can carry out its business activities optimally, so that investors are interested in the quality of the company. Company value can reflect the value of assets owned such as securities, one of which is shares (Paramitha 2024) . The increase in company value is reflected in the increasing stock market price as well (Muqtadir and Hersugondo 2024) . Stock price fluctuations in the capital market can be formed due to an agreement between investor supply and demand (Harahap, Halim, and Indrawati 2022) . When the company's value increases, the company will be able to more easily have access and relatively lower costs to obtain new capital, either through issuing shares or through debt (Muliyah et al., 2020) .

The company's goal in addition to achieving profit is also encouraged to pay attention to the impacts that will be caused by the company's operational activities, namely social and

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environmental impact. Disclosure of good governance can reduce agency conflicts, and with the disclosure of certain information, it can reduce large agency costs (Xaviera and Rahman 2023) .

Investment decisions have high risks because they are very sensitive to changes that may occur domestically or abroad and the dynamics of politics, economics, and monetary that occur in a company (Rahma and Arifin 2022) . Company funds for investment purposes are determined by the financial manager, who conducts analysis to determine the right investment decisions in the hope of gaining profits in the future.

The company has the ability to increase the potential profit of shareholders, one of which is due to the use of leverage (Christian, 2022). The company's ability to pay off obligations is seen from the extent to which the company's own capital can be reflected through the DER ratio (Heliani et al., 2023). Another factor that is considered to affect the value of the company is leverage. The leverage ratio shows how much borrowed capital is used by the company in all operational activities of the company. leverage as a reference to determine the state of dividends generated when these factors are present.

From this phenomenon, the purpose of this study is to determine whether environmental, social, and governance (ESG) disclosure, investment decisions, and leverage have an influence on company value. In the Indonesian banking sector, ESG disclosure is still relatively under-explored compared to other industries, despite increasing regulatory and stakeholder demands. Many banks are in the early stages of integrating ESG frameworks, particularly in the environmental and social dimensions, leading to limited empirical evidence on how ESG factors translate into firm value. This study addresses that gap by focusing specifically on Indonesian banks during a period of growing global emphasis on sustainable finance, aligned with the global trend where ESG reporting has become a benchmark for long-term investment strategies and corporate accountability in financial sectors worldwide.

Method

In this study, the population used is banking sector companies that are actively listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. There are 57 banking companies listed on the Indonesia Stock Exchange as of December 2024. This study uses quantitative research with secondary data. The data sources in this study are the 2019-2023 *annual reports* and *sustainability reports* sourced from the IDX website and the websites of each company that was a sample in this study. Meanwhile, ESG disclosure uses guidelines on indicators contained in *the Global Reporting Initiative* (GRI) 2016. Meanwhile, the sample used was 10 companies in the banking sector with financial reports and sustainability reports for the period 2019-2023 using the purposive sampling technique. The purposive sampling criteria include: (1) companies consistently listed on the IDX during 2019–2023; (2) companies that publish complete annual reports and sustainability reports within the observation period; and (3) companies that report ESG disclosures based on the GRI framework. Data processing was conducted by tabulating the financial and ESG data into Microsoft Excel for initial cleaning and classification, followed by statistical analysis using Eviews to perform classical assumption tests and multiple linear regression analysis. The use of Eviews software ensures the accuracy and validity of regression

outcomes to test the significance of ESG disclosure, investment decisions, and leverage on firm value.

ESG Disclosure

ESG (Environmental, social and governance) is a way for companies to show their concern for the impact of their business activities by focusing on environmental preservation and social services to the community. ESG disclosure in this study refers to the 2016 GRI standards, namely GRI 300 with 32 items for *Environmental, mental disclosure,* GRI 400 with 40 items for *Social disclosure,* and GRI 102 items for *Governance disclosure.* GRI disclosure standards are an important tool for corporate sustainability development, where GRI can help companies measure and understand the company's contribution (Chaerani, Juliyanto, and Firmansyah 2024) . The ESG index is calculated using the formula:

$$\text{ESG Index} = \frac{\text{ESG disclosure values}}{\text{Total Maximum Disclosure}} \text{ X } 100\%$$

Investment Decisions

Investment Decision is an investment of capital in one or more assets owned with a relatively long period of time and with the hope of getting profit in the future (Salama, Van Rate, and N. Untu 2019) . Investment Decision in this study is projected by calculating *the Price to Earning Ratio* (PER) value, with the formula:

$$\text{PER} = \frac{\text{Stock price}}{\text{EPS}}$$

Leverage

Leverage is a ratio used to increase profit potential by looking at the management of debt or credit usage. Leverage in this study is calculated using the DER proxy, with the formula:

$$\text{DER} = \frac{Debt}{Equity}$$

Company Values

Company value or *firm value* is a representation of investors' views on how well the Company's management manages its resources to achieve the Company's goals. Measurement using Tobin's Q Analysis is very relevant in assessing large companies that have a significant influence on the national economy (Jamaludin 2024) . In this study, the Company's value was measured using the Tobin's Q method, with the formula:

$$\text{Tobin's Q} = \frac{MVE + \text{Liabilities}}{Asset}$$

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Results and Discussion

Descriptive Data

Table 1. Descriptive Analysis

	N	Min	Max	Mean	Std. Deviation
Firm Value	50	0.753	1,707	1.07952	0.23538
Environment	50	0.031	0.875	0.28700	0.20103
Social	50	0.075	0.85	0.35150	0.18129
Governance	50	0.148	1	0.43858	0.23611
PER	50	4.688	116,154	19.7093	21.0920
DER	50	3.165	16,078	6.15452	2.74455
Valid N *(Listwise)*	50				

Source: Data processed by eviews12, 2024

From the analysis in table 1 shows that the Company Value has a maximum value of 1,707 and a minimum value of 0.753 with an average of 1,079 and a lower standard deviation of 0.23538. In this case, based on the information in table 4.1, the Company Value of banking listed on the IDX from 2019-2023 shows an ideal condition because the average is at 1.

Environmental Disclosure has a maximum value of 0.875, and a minimum value of 0.031 with an average of 0.287 and a lower standard deviation of 0.201. This means that banking companies listed on the IDX have the lowest level of environmental item disclosure of 3% and the highest of 87%, and an average of 28% has been disclosed.

Social Disclosure has a maximum value of 0.85, and a minimum value of 0.075 with an average of 0.351 and a lower standard deviation of 0.181. This means that banking companies listed on the IDX have the lowest level of social item disclosure of 7% and the highest of 85%, and an average of 35% has been disclosed.

Governance Disclosure has a maximum value of 1, and a minimum value of 0.148 with an average of 0.438 and a lower standard deviation of 0.236. This means that banking companies listed on the IDX have the lowest level of governance item disclosure of 14% and the highest of 100%, and an average of 23% has been disclosed.

Investment Decision has a maximum value of 116,154 and a minimum value of 4,688 with an average of 19,709 and a higher standard deviation of 21,092. While Leverage has a maximum value of 16,078 and a minimum value of 3,165 with an average of 6,154 and a lower standard deviation of 2,744.

Panel Data Regression Analysis Method

In this study, 3 tests were carried out, namely the *Chow test* , the *Hausman test* , and *the Lagrange multipler test* in selecting a model in order to obtain the right model for processing and analyzing research data.

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a) *Chow* Test

Table 2. Chow Test

Redundant Fixed Effects Test			
Equation: Untitled			
Cross-section fixed effects test			
Effects Test	Statistics	df	Prob
Cross-section F	144.063674	(9.35)	0.0000
Cross-section Chi-square	181.938411	9	0.0000

Source: Data processed by eviews12, 2024

Based on the results of the Chow Test, a Probability Value of 0.000 <0.05 was obtained, so the selected model is *the Fixed Effect Model* (FEM), then it will be continued to the next test, namely the Hausman Test.

b) *Hausman* test

Table 3. Hausman test

Correlated Random Effects-Hausman Test			
Equation: Untitled			
Cross-section random effects test			
Test Summary	Chi-Sq. Statistic	Chi-Sq. df	Prob.
Random cross section	4.020772	5	0.5464

Source: Data processed by eviews12, 2024

Based on the results of the Hausman Test, a Probability Value of 0.546 > 0.05 was obtained, so the selected model is *the Random Effect Model* (REM), so it will be continued to the next test, namely

c) *Lagange Multipler* Test

Table 4. Lagange Multipler Test

Lagrange Multiper Tests for Random Effects			
Null hypothesis: No Effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Cross-section Hypothesis Test	Time	Both
Breusch Pagan	74.39248	0.924298	75.31678
	(0.0000)	(0.3363)	(0.0000)
Honda	8.625107	-0.961404	5.419057
	(0.0000)	(0.8318)	(0.0000)

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King Wu	8.625107	-0.961404	3.984412
	(0.0000)	(0.8318)	(0.0000)
Standardized Honda	10.02469	-0.650250	3.703506
	(0.0000)	(0.7422)	(0.0001)
Standardized King Wu	10.02469	-0.650250	2.187478
	(0.0000)	(0.7422)	(0.0144)
Gourieroux, et al.	--	--	74.39248
			(0.0000)

Source: Data processed by eviews12, 2024

Based on the results of the Lagrange Multipler Test, the Probability Value obtained was 0.000 < 0.05, so the selected model was *the Random Effect Model* (REM). From the results of the three tests conducted above, it was found that the *Random Effect Model* (REM) was the best, so for the regression analysis test, *the Random Effect Model can be used.*

Classical Assumption Test

a) Normality Test

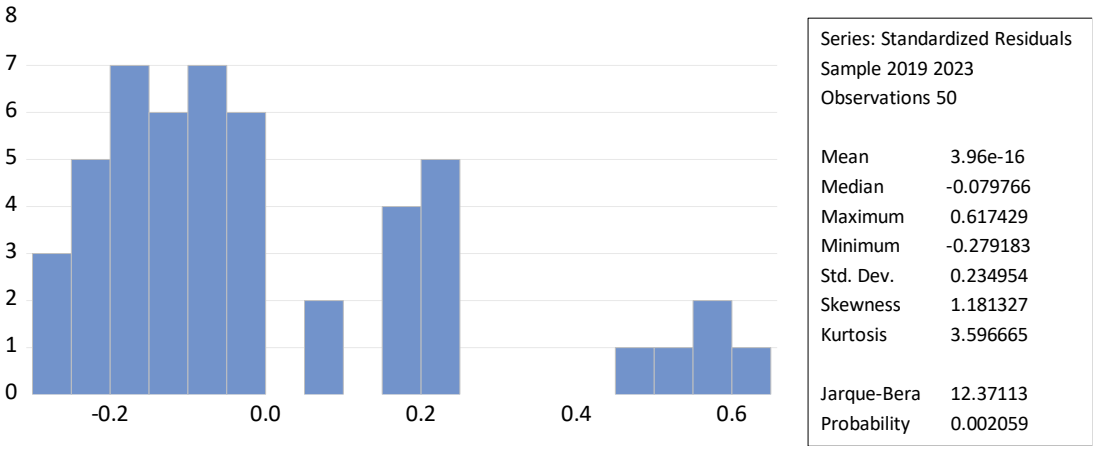

Figure 1Normality Test

Source: Data processed by eviews12, 2024

The Jarque Bera Probability value is 0.002 <0.05, so it can be concluded that the data is not normally distributed or the assumption of the data normality test is not met. Therefore, the data healing method is carried out by transforming data using *Log Transformation.*

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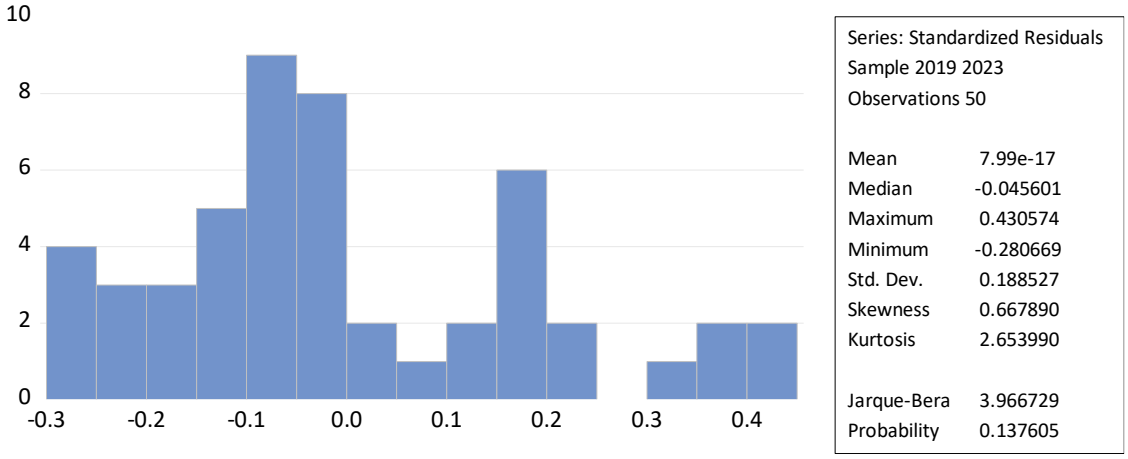

Figure 2Normality Test with Log Transformation Method
Source: Data processed by eviews12, 2024

After data transformation, the Jarque Bera Probability value increased to 0.137 > 0.05, so it can be concluded that the data has been distributed normally or the assumption of the data normality test has been met.

b) Multicollinearity Test

Table 5. Multicollinearity Test

	Env.	Soc.	Gov.	PER	DER
Env.	1,000,000	0.804032	0.403614	-0.361878	0.410419
Soc.	0.804032	1,000,000	0.221159	-0.125222	0.399415
Gov.	0.403614	0.221159	1,000,000	-0.283079	-0.064311
PER	-0.361878	-0.125222	-0.283079	1,000,000	-0.004473
DER	0.410419	0.399415	-0.064311	-0.004473	1,000,000

Source: Data processed by eviews12, 2024

In this study, the results of the multicollinearity test were tested using the *pairwise correlation method.* The criteria for accepting data to be free from multicollinearity is if the correlation coefficient value is <0.90. The test results in the table above show that the correlation coefficient value between independent variables is <0.90, meaning that there is no correlation that is too high between the independent variables. Therefore, these variables are free from multicollinearity or safe and are declared to have passed the multicollinearity test when using the *pairwise correlation method.*

c) Autocorrelation Test

Table 6. Autocorrelation Test

Model	R Square	Adj. R Square	Durbin Watson
1	0.351798	0.278138	1.684566

Source: Data processed by eviews12, 2024

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In this study, the autocorrelation test used *the Durbin Watson* (DW test), namely by comparing the calculated DW and the table DW. If DU<DW<4-DU, then the linear regression model does not contain positive or negative autocorrelation so it can be said that the equation model is free from autocorrelation. Based on the test results in table 4.8, the DW test *(Durbin Watson Test)* results were 1.6846 with 50 data and 3 independent variables (k). The DL value was 1.4206 and 4-DL was 2.5794, and the DU value was 1.6739 and 4-DU was 2.3261. This means that the regression model does not have an autocorrelation problem because the DW value is between the two tables and the 4-DU table. Based on the following formula DL< DU< DW< 4-DU< 4-DL (1.4206< 1.6739< 1.6846< 2.3261< 2.5794) then the regression model in this study is declared feasible for use.

d) Heteroscedasticity Test

Table 7. Heteroscedasticity Test

Variable	Coefficient t	Std. Error	t-Statistic	Prob.
C	0.269956	0.072919	3.702150	0.0006
Env.	-0.023032	0.061513	-0.374420	0.7099
Soc.	0.050174	0.058919	0.851567	0.3991
Gov.	-0.029911	0.027791	-1.076281	0.2877
PER	9.59E-05	0.000362	0.265058	0.7922
DER	-0.013592	0.008108	-1.676514	0.1007

Source: Data processed by eviews12, 2024

This test uses the Glejser test method by regressing the independent variables against the *absolute residual value* (Mardiatmoko 2020) . The criteria for data that can indicate heteroscedasticity are if the significance value < α (0.05), and vice versa if the significance value > α (0.05) then the data is free from heteroscedasticity. The test results in the table above show that the significance value of each independent variable is > 0.05. Based on the heteroscedasticity test criteria with the Glejser test, it is assumed that the data is free from heteroscedasticity, where the homoscedasticity assumption has been met.

Hypothesis Test Results

Table 8. Hypothesis Testing

Variable	Coefficient t	Std. Error	t-Statistic	Prob.
C	1.036265	0.108471	9.553382	0.0000
Env.	0.047073	0.073840	0.637498	0.5271
Soc.	0.060357	0.070423	0.857057	0.3961
Gov.	-0.086101	0.033043	-2.605694	0.0125
PER	0.001146	0.000440	2.604360	0.0125
DER	0.003851	0.010294	0.374065	0.7102

Source: Data processed by eviews12, 2024

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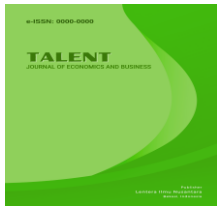

Regression equation analysis is conducted to determine how much influence the independent variable has on the dependent variable. In this test, the following regression equation is obtained:

Y = 1.036 3 + 0.0471 *ENV* + 0.060 4 *SOC* - 0.0861 *GOV* + 0.0011 *PER* + 0.003 9 *DER* + e

Information:

Y = Company Value
ENV = Environmental item disclosure
SOC = Social item disclosure
GOV = Layout item disclosure
PER = Investment Decision
DER = Leverage
E = Error

1. Based on the regression equation above, a constant value of 1.03626468402 is obtained, meaning that if the independent variable increases by one unit on average, the dependent variable will also increase by 1.03626468402, and vice versa.
2. The regression coefficient value on variable x1.1 (Environment) is positive (+) at 0.0470727911425, meaning that if variable x1.1 increases by one unit on average, the dependent variable (Y) will also increase by 0.0470727911425, and vice versa.
3. The regression coefficient value on variable x1.2 (Social) is positive (+) at 0.0603566216744, meaning that if variable x1.2 increases by one unit on average, the dependent variable (Y) will also increase by 0.0603566216744, and vice versa.
4. The regression coefficient value on variable x1.3 (Governance) is positive (+) at 0.0861005109392, meaning that if variable x1.3 increases by one unit on average, the dependent variable (Y) will also increase by 0.0861005109392, and vice versa.
5. The regression coefficient value on variable x2 (Investment Decision) is positive (+) at 0.00114636297314, meaning that if variable x2 increases by one unit on average, the dependent variable (Y) will also increase by 0.00114636297314, and vice versa.
6. The regression coefficient value on variable x3 (Leverage) is positive (+) at 0.00385050333965, meaning that if variable x3 increases by one unit on average, the dependent variable (Y) will also increase by 0.00385050333965, and vice versa.

T-Test

Based on the results of the T-test analysis in the table, it shows that the influence of each independent variable on the dependent variable partially is as follows.

1. *Environment* variable (ENV) in the t-test results obtained a value t_{hitung} of 0.6375 < t_{tabel} which is 2.0106 and with a sig. value of 0.5271> prob. value of 0.05, then Ho is accepted and Ha is rejected. This means that the *Environment disclosure variable* does not have a significant positive effect on the Value of Banking Sector Companies listed on the IDX.
2. *Social* variable (SOC) in the t-test results obtained a value t_{hitung} of 0.8570 < t_{tabel} which is 2.0106 and with a sig. value of 0.3961> prob. value of 0.05, then Ho is accepted and

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Ha is rejected, This means that the *Social disclosure variable* does not have a significant positive effect on the Value of Banking Sector Companies listed on the IDX.

3. *Governance* variable (GOV) in the t-test results obtained a value t_{hitung} of -2.6057> t_{tabel} which is 2.0106 and with a sig. value of 0.0125 <prob. value of 0.05, then Ho is rejected and Ha is accepted. This means that the Governance disclosure variable has a significant negative effect on the Value of Banking Sector Companies listed on the IDX.
4. The Investment Decision Variable (PER) in the t-test results obtained a value t_{hitung} of 2.6044> t_{tabel} namely 2.0106 and with a sig. value of 0.0125 <prob. value of 0.05, then Ho is rejected and Ha is accepted, This means that the Investment Decision variable has a significant positive influence on the Value of Banking Sector Companies listed on the IDX.
5. *Leverage* variable in the t-test results obtained a value t_{hitung} of 0.3741 < t_{tabel} which is 2.0106 and with a sig. value of 0.7102> prob. value of 0.05, then Ho is accepted and Ha is rejected, This means that the *Leverage variable* does not have a significant positive influence on the Value of Banking Sector Companies listed on the IDX.

F Test

Table 9. F Statistic Test

Weighted Statistics			
Root MSE	0.037730	R-squared	0.351798
Mean dependent variable	0.075852	Adjusted R-squared	0.278138
SD dependent var	0.047339	SE of regression	0.040220
Sum squared residual	0.071177	F-statistic	4.776010
Durbin-Watson stat	1.684566	Prob (F-statistic)	0.001426

Source: Data processed by eviews12, 2024

Based on the results of the F test in table 4.10, it shows that the value F_{hitung} of 4.7760 > F_{tabel} 2.5787, so Ho is rejected and Ha is accepted. This means that the variables *Environment, Social, Governance,* Investment Decisions, and *Leverage* together influence the Value of Banking Companies listed on the IDX.

Coefficient of Determination

Based on the results of the determination coefficient test in table 4.11, it shows that the Adjusted R Square value is 0.278138 (27.8138%). So it can be concluded that the independent variables consisting of ESG disclosure, Investment Decisions, and *Leverage* are able to explain the variable Value of Banking Companies listed on the IDX by 27.8138%, while the remaining 72.1862 is explained by other independent variables that are not included in this research model.

The summary matrix of the test results of the influence of Environmental, Social and Governance disclosure on Banking Company Value can be seen in Table 10 below.

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Table 10. Test Results Summary Matrix

Hypothesis	Results
H1.1: Environmental Information Disclosure does not have a significant effect on Banking Company Value	H1.1: Rejected
H1.2: Disclosure of Social Information does not have a significant effect on the Value of Banking Companies	H1.2: Rejected
H1.3: Disclosure of Governance Information has a significant effect on Banking Company Value	H1.3: Accepted
H2: Investment decisions have a significant effect on the value of banking companies	H2: Accepted
H3: *Leverage* does not have a significant effect on the value of banking companies.	H3: Rejected

Discussion

Based on the results of statistical analysis testing on the environmental disclosure variable (Environment) on the Company Value of the Banking sector, it shows that the hypothesis is rejected with a significance value of 0.5271 > Prob. Value 0.05 and with a value t_{hitung} of 0.6375 < t_{tabel} 2.0106, then environmental information disclosure does not have a significant effect on Company Value in the Banking sector. So it can be concluded that banking companies listed on the IDX in the 2019-2023 period still have low quality environmental information disclosure and do not comply with GRI standards. Environmental information disclosure compliance still does not provide benefits to stakeholders and has not become a strong attraction for investors in making investment decisions. This result may be attributed to the fact that environmental aspects are not yet perceived as material by investors in the banking sector, where tangible environmental risks are less visible than in manufacturing industries. Therefore, investors may not integrate environmental disclosures into their valuation models, weakening the relationship between this variable and firm value.

The results of this study are in line with the research conducted by (Chirsty and Sofie 2023) and (Hariyanto and Ghozali 2024) , which stated that Environmental disclosure does not have a significant effect on Company Value. However, this study is not in line with the research conducted by (Adhi and Cahyonowati 2023) and (Nasution, Yulia, and Fitrianti 2024) , which found a positive and significant effect of environmental disclosure on Company Value.

Based on the results of statistical analysis testing on the social disclosure variable (Social) on the Banking Sector Company Value, it shows that the hypothesis is rejected with a significance value of 0.3961 > Prob. Value 0.05 and with a value t_{hitung} of 0.8571 < t_{tabel} 2.0106, then social information disclosure does not have a significant effect on the Company Value in the Banking sector. So it can be concluded that banking companies listed on the IDX in the 2019-2023 period still have low quality social information disclosure and do not comply with GRI standards. Compliance with social information disclosure still does not provide benefits to stakeholders and has not become a strong attraction for investors in making investment decisions. This could be due to the perception that social responsibility activities in banks such as CSR

programs are often standardized or symbolic, lacking strategic depth that can influence long-term financial performance. As a result, investors may view social disclosures as compliance-driven rather than value-enhancing.

The results of this study are in line with research conducted by (Chirsty and Sofie 2023) , which states that Social disclosure does not have a significant effect on Company Value. However, this study is not in line with research conducted by (Adhi and Cahyonowati 2023) , which found a positive and significant effect of Social disclosure on Company Value.

Governance disclosure variable on the Banking Sector Company Value, it shows that the hypothesis is accepted with a significance value of 0.0125 <Prob. Value 0.05 and with a value $t_{hitung}$of -2.6057> t_{tabel}2.0106, then the disclosure of governance information has a significant negative effect on the Company Value in the Banking sector. So it can be concluded that banking companies listed on the IDX in the 2019-2023 period have had a fairly high quality of social information disclosure and have complied with GRI standards. Compliance with disclosure of governance information has provided benefits to stakeholders and has become a strong indicator of attractiveness for investors in making investment decisions. This result reflects that governance mechanisms such as board independence, audit committee activity, and transparency are perceived by investors as critical to risk mitigation and operational soundness, especially in a highly regulated and trust-based sector like banking. The significant relationship may also indicate that investors place stronger emphasis on internal control systems than on other ESG dimensions.

The results of this study are in line with the research conducted by (Chirsty and Sofie 2023) and (Shafira and Astuti 2024) , which stated that Governance disclosure has a significant influence on Company Value. However, this study is not in line with the research conducted by (Hariyanto and Ghozali 2024) , which stated that there is no positive and significant influence of Governance disclosure on Company Value.

Based on the results of statistical analysis testing on the Investment Decision variable on the Banking Sector Company Value, it shows that the hypothesis is accepted with a significance value of 0.0125 <Prob. Value 0.05 and with a value $t_{hitung}$of 2.6044> t_{tabel}2.0106, then the investment decision has a significant positive effect on the Company Value in the Banking sector. So it can be concluded that banking companies listed on the IDX in the 2019-2023 period have high investment decisions so that they can be a sign for investors that these companies have good and profitable prospects in the future so that they will affect the increase in Company Value. This relationship can be explained by the fact that efficient investment decisions—reflected in a favorable PER signal better capital allocation and future earning potential, which increases investor confidence and drives up firm value.

The results of this study are in line with research conducted by (Dahlan 2016) and (Suhendar and Paramita 2024) , which states that investment decisions as measured by the Price to Earning Ratio (PER) have a significant influence on Company Value.

Based on the results of statistical analysis tests on the Leverage variable on the Banking Sector Company Value, it shows that the hypothesis is rejected with a significance value of 0.7102 <Prob. Value 0.05 and with a value $t_{hitung}$of 0.374065> t_{tabel}2.0106, then Leverage does

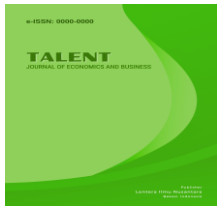
not have a significant positive effect on the Company Value in the Banking sector. So it can be concluded that companies whose financing is obtained from debt do not affect the increase or decrease in company performance, as long as the company still has the ability to pay interest on these debts (Anabella and Siregar 2022), This finding may arise because investors in the banking sector are already familiar with high leverage ratios as part of the industry's capital structure, and therefore do not perceive leverage as a differentiating indicator of financial performance or valuation. The stable regulatory oversight may also reduce concerns regarding leverage risk.

The results of this study are in line with the research conducted by (Anabella and Siregar 2022) and (Paramitha 2024) , which stated that Leverage as measured by the Debt to Equity Ratio (DER) does not have a significant effect on Firm Value. However, this study is not in line with the research conducted by (Christiaan 2022) and (Linawaty and Ekadjaja 2017) , which stated that leverage has a positive and significant effect on Firm Value.

Conclusions

This study was conducted to examine the impact of Environmental, Social, and Governance (ESG) disclosures, investment decisions, and leverage on firm value in the Indonesian banking sector during the period 2019–2023. The findings reveal that governance disclosure and investment decisions have a significant influence on firm value, whereas environmental and social disclosures, as well as leverage, do not show a statistically significant effect. These results indicate that investors in the Indonesian banking industry tend to place greater emphasis on governance mechanisms and strategic financial decisions when assessing firm value, while environmental and social disclosures are not yet considered critical indicators in investment evaluations. The study highlights that although ESG has gained global prominence, its practical application and integration in the Indonesian banking context—especially for the environmental and social aspects—remain underdeveloped and may not yet reflect in market valuations. Meanwhile, the significant role of governance disclosure underscores the importance of transparency and accountability in the financial sector.

However, this study is not without limitations. The sample size is relatively small, involving only 10 banking companies, and the observation period is limited to five years. Furthermore, the ESG disclosures were measured using the GRI 2016 standard, which may not capture the evolving nature of ESG practices or alternative frameworks used by some firms. Additionally, this research relied solely on secondary data, which may limit the depth of interpretation regarding internal corporate ESG strategies. Future research is recommended to expand the sample size and include comparisons across different sectors or countries to enhance the generalizability of the findings. Researchers are also encouraged to explore qualitative dimensions of ESG implementation, incorporate more recent ESG scoring frameworks (such as SASB or ESG ratings from rating agencies), and investigate the role of mediating or moderating variables such as firm size, profitability, or digital transformation in the relationship between ESG and firm value. A longitudinal study may also provide a more comprehensive view of how ESG practices evolve and impact firm value over time.



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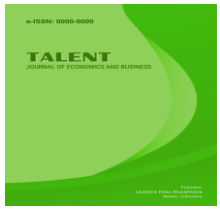

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