

The Effect of Bank Health Level and Corporate Social Responsibility on Firm Value of Banking Companies Listed on the Indonesia Stock Exchange for the 2023-2024

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Abstract

This study examines whether Bank Health Level and Corporate Social Responsibility (CSR) influence the firm value of banking institutional listed on the Indonesia Stock Exchange during 2023-2024 period. Firm value is represented by PBV, while the independent variables are measured using RGEC indicators and the GRI-G4 disclosure index. Secondary data from annual report were analyzed using purposive sampling. The empirical findings indicate that the both the Bank Health Level and CSR disclosure fail to demonstrate a statistically effect on firm value. Additional observations highlight that CSR activities most frequently carried out by banks fall within the social category; however, these initiatives also do not contribute meaningfully to increasing firm value. The research contributes to the practical implications of how CSR should be implemented and reported across different activities in order to generate credible signals for investors and, in turn, increase firm value.

Keywords: RGEC; Corporate Social Responsibility; Firm Value

Introduction

The banking industry serves as key pillar in sustaining financial system stability, offering various financial service that facilitate and support broader economic activity in Indonesia. For investors, bank performance is often reflected in firm value, which in this study is represented by Price to Book Value (PBV) as an indicator of market assessment of the future prospects. High company value reflects management's success in generating returns and maintaining investor confidence (Alifian & Susilo, 2024). The phenomenon of Indonesian banking in 2023-2024, based on researchers' initial observations, shows a decline in PBV due to slowing profit growth and global uncertainty (OJK, 2024). This phenomenon also illustrates pressures on the industry, such as declining banking stock prices and increasing the risk of non-performing loans, which illustrates unstable market conditions and can influence investor perceptions of company value. This condition is accompanied by falling stock prices and increasing non-performing loan risk, illustrating unstable market dynamics. Such circumstances encourage deeper investigation into internal and external factors that may drive firm value.

From an internal perspective, a bank's financial health is an important determinant of its value. According to Bank Indonesia Regulation No. 13/1/PBI/2011 defines bank health reflects an evaluation of risk and performance conditions. The OJK's assesss this condition using the RGEC framework, which contain Risk Profile, Good Corporate Governance, Earnings, and Capital which together indicate operational reliance. Based on the output of previous studies relate to the effect of bank health levels on firm value, findings have shown inconsistent.

Studies preceding this research have yielded mixed results. Several studies found that bank health positively impacts firm value (Alisya Syaila Salsabila et al., 2024; Aprilia & Hapsari, 2021). This contrasts with the study by Bouxit et al. (2025), which demonstrated that bank health had no effect on firm value. Other studies, however, showed insignificant results for several measured components, with both positive and negative effects (Apriyanti et al., 2023; Pratiwi & Sulhan, 2024). Taken together, these mixed results indicate that the impact of bank health on firm value is context-dependent, shaped b external conditions and investor perceptions of non-financial company information.

One important form of non-financial company information is Corporate Social Responsibility (CSR), which reflects a firm's commitment to social and environmental responsibility and serves as a signal to stakeholders regarding its sustainability and ethical standards, thereby potentially influencing investor assessments (Farantika & Susilo, 2021). In the banking sector, CSR particularly emphasizes commitments to economic stability, community welfare, and environmental protection (Puspitasari & Ermayanti, 2019). Through such commitments, CSR can

serve as a strategic signal that reduces negative externalities and enhances investor confidence by demonstrating long-term sustainability and ethical conduct.

Melawati and Rahmawati (2022) found that CSR disclosure can increase market value because socially responsible companies project a positive image, which is perceived by investors. Previous research findings support this, several studies find CSR positively influences firm value (Farantika & Susilo, 2021; Melawati & Rahmawati, 2022). Meanwhile, Alfiadin et al. (2024) showed that CSR does not significantly impact firm value.

Such inconsistencies highlight indicate a research gap that requires further investigation, particularly in industries experiencing significant dynamics. Reflecting on the situation outlined earlier, this study investigates how bank health level and CSR disclosure effect the firm value of banking companies listed on the Indonesia Stock Exchange during the 2023-2024 period.

Research Framework

Grounded in prior empirical and theoretical work, the conceptual framework that guides the systematic structure of this study is outlined below:

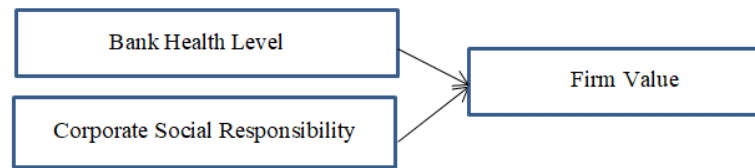


Fig. 1 Research Framework

Hypotesis

1. H1 : Bank Health Level has a significant effect on Firm Value.
2. H2 : Corporate Social Responsibility has a significant effect on Firm Value.

Research Method

This study employs a quantitative approach using secondary data obtained from annual report of banking companies listed on the Indonesia Stock Exchange for the 2023-2024 period. The sampling technique used is *purposive sampling*, resulting in 43 eligible banking institutions that meet the predetermined criteria. The dependent variable in this study is firm value, represented by the Price to Book Value (PBV). The dependent variables consist of the Bank Health Level, measured through the RGEC component (Risk Profile, Good Corporate Governance, Earning and Capital) and Corporate Social Responsibility (CSR), assessed using the GRI-G4 disclosure index. The data were analyzed using multiple linear regression, including several diagnostic test such as normality, multicollinearity, heteroscedasticity and autocorrelation to ensure the reliability of the regression model.

Result and Analysis

Classical Assumption Test

Prior to conducting multiple regression analysis, several diagnostic tests were performed to assess the adequacy of regression model. The result indicate that the residuals are normally distributed. This is support by the Asymp. Sig (2-tailed) value of 0,725 is exceeds 0,05. Then, no multicollinearity is detected among the independent variables, heteroscedasticity is absent which is marked with no visible or systematic pattern in the scatterplot, and the Durbin-Watson statistic is 1,738 show that lies between the upper bound 1,6971 and 2,3029 confirms the absence of autocorrelation. Overall, these findings demonstrate that the regression model satisfies the classical assumptions and is reliable for further analysis.

Multiple Regression Analysis Test

The result of the multiple regression analysis test, the equation obtained is a follow:

$$Y = -2,458 + 0,242X_1 + 0,415X_2 + \varepsilon \quad (1)$$

Where Y represents firm value, X_1 denotes Bank Health Level and X_2 refers to Corporate Social Responsibility.

From the result of the multiple linear regression analysis equation above, the constant value is -2,458 indicate that when Bank Health Level and CSR are assumed to be zero, firm value is at a

low level. Although such a condition is unlikely to occur in practice, the constant provides a baseline interpretation of the model. This suggests that internal corporate factors play meaningful role in shaping firm value.

The regression coefficient of variable Bank Health Level is 0,242, indicating a positive relationship between bank health and firm value. This suggest that improvements in bank health tend to be followed by increases in firm value. Bank health represent the bank's ability to manage risks, maintain operational stability, and comply with regulatory standards, which theoretically enhances stakeholder confidence.

The CSR regression coefficient of 0,415 also shows a positive relationship with firm value, indicating that higher levels of CSR disclosure tend to increase firm value. The finding implies that increased CSD disclosure has the potential to strengthen corporate reputation and signal a commitment to sustainable business practices. CSR activities, particularly those related to social responsibility and human capital development, may contribute to long-term value creation through improved stakeholder relationship.

Overall, the positive direction of both coefficient suggest that Bank Health Level and CSR may play a role in shaping firm value, although their influence may not be immediately reflected in market valuations over the short term.

T-test

According to the result of the T-test, it can be inferred that:

Hypothesis test of Bank Health Level on Firm Value

The effect of Bank Health Level on Firm Value is obtained from the calculated t value < t table = 0,242 < 1,989 with a sig. Value = 0,809 > 0,05 which indicates that **H1 is rejected**, so Bank Health Level does not has a significant effect on firm value in banking entities listed on the Indonesia Stock Exchange for the period 2023-2024.

Hypothesis test of Corporate Social Responsibility on Firm Value

The effect of Corporate Social Responsibility on Firm Value is obtained from the calculated t value < t table = 1,269 < 1,989 with a sig. value = 0,208 > 0,05 which indicates that **H2 is rejected**, so Corporate Social Responsibility does not has a significant effect on firm value in banking entities listed on the Indonesia Stock Exchange for the period 2023-2024.

Coefficient Determination Test

According to the result, the *R Square* value is 0,024 suggests that the two predictors contribute almost nothing to clarifying differences in firm value, offering only 2,4% explanatory power. Consequently, nearly the entire variation 97,6% is attributed to influences beyond the variables examined here, reinforcing the idea that firm value is largely responsive to broader economic forces or other internal factors not measured in this study.

Discussion

This section discusses the empirical findings of the study by interpreting the relationship between Bank Health Level, CSR and firm value in the context of the Indonesian banking sector. The results indicate that both Bank Health Level and CSR exhibit a positive directional relationship with firm value, suggesting that improvements in internal bank conditions and social responsibility practices are associated with higher firm value.

First hypothesis is Bank Health Level has a significant effect on firm value. Partial test result indicates that **H1 is rejected**, so Bank Health Level does not has a significant effect on Firm Value in banking entities listed on the Indonesia Stock Exchange for the period 2023-2024. The result of this research are in consistent with Bouxit et al. (2025) research. This indicates that investors did not place substantial emphasis on internal stability indicators, such as RGEC. This situation aligns with the banking situation in 2023-2024, when increasing credit risk, market volatility, and declining stock prices led investors to focus more on external factors than fundamental indicators such an RGEC. Although RGEC reflects a bank's internal conditions, this information is not strong enough to effect market perceptions during periods of uncertainty, so it is understandable that it does not significantly effect firm value.

Second hypothesis is Corporate Social Responsibility has a significant effect on firm value. Partial test result indicates that **H2 is rejected**, so Corporate Social Responsibility does not has a significant effect on Firm Value in banking entities listed on the Indonesia Stock Exchange for the period 2023-2024. The result of this research are in consistent with Romli & Zaputra (2021)

research. This shows that investors have not made CSR a consideration in investing in banking companies. Based on the results of the CSR activity mapping conducted in this study, it is evident that CSR implementation in the banking sector is predominantly focused on social responsibility aspects. These activities mainly include employee welfare, training and human capital development, equal employment opportunities, human rights protections, as well customer responsibility and data privacy. This finding indicates that banking CSR practices are largely oriented toward strengthening internal social structures and maintaining relationships with key stakeholders.

The dominant focus on social responsibility reflects banks' commitment to long-term sustainability and ethical business practices. However, because the benefits of such CSR activities are generally long-term and internally oriented, they may not produce immediate economic outcomes that are directly observable by investors. From a signaling theory perspective, CSR initiatives concentrated on internal social aspect have not yet functioned as strong market signals capable of significantly shaping investors.

Conclusion

This study concludes that the Bank Health Level and CSR disclosure do not have a significant effect on the firm value of banking companies listed on the Indonesia Stock Exchange during 2023-2024. The result indicate that fluctuations in financial health and CSR activities were not powerful enough to influence investor perceptions or market valuation. The extremely low coefficient of determination suggest that firm value during the study period was driven more by external conditions and macroeconomic factors than by the internal variables examined. Future research is encouraged to incorporate longer observation periods, additional financial indicators or broader CSR dimensions to provide deeper insight into the determinants of firm value within the banking sector.

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