The Intervening Role of Profitability in the Relationship of Green Banking and Good Corporate Governance to Firm Value in Banks on the IDX

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Abstract: This study aims to analyze the effect of Green Banking and Good Corporate Governance on Firm Value with Profitability as an intervening variable. The population of this study is banking companies listed on the Indonesia Stock Exchange during the period 2019 - 2023, with a total sample of 14 companies. Green Banking is peroxided by the Green Banking Disclosure Index (GBDI), Good Corporate Governance with Composite Value, Profitability with ROE, and Company Value with Tobin's Q. The data were analyzed using the panel data regression analysis method. The data were analyzed using the panel data regression analysis method processed using Eviews13 software. The results found that Green Banking has a significant negative effect on Firm Value, while GCG has a significant positive effect on Firm Value. Furthermore, the Profitability variable has a significant positive effect on Firm Value. In addition, Green banking and GCG have no effect on Profitability. Regarding the mediation variable, the results of this study indicate that Profitability has not been able to mediate the effect of Green Banking and GCG on Firm Value.

Keywords: *Green Banking; Good Corporate Governance; Profitability; Firm Value.*

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I. INTRODUCTION

Mardiana and Wuryani (2019) highlighted that the primary objective of any organization is to enhance its business value. A key metric for evaluating a company's value is its stock price. Elevated stock prices suggest a higher profit potential for investors. This not only signifies an increase in the company's intrinsic value but also reflects the market's confidence in its future business opportunities. Considering that stock prices vary as a result of supply and demand dynamics within the capital market, this metric is frequently employed as a principal tool for assessing a company's financial stability and investment appeal (Franita, 2018).

This research employs Tobin's Q index to assess a company's valuation. This index offers a comprehensive analytical framework for evaluating how well a company's total assets and liabilities represent its economic worth. By utilizing Tobin's Q, the study aims to identify not only the financial determinants that affect firm value but also to investigate the impact of non-financial factors on market perception and the company's investment appeal. Consequently, the research aspires to deliver deeper insights into the dynamics of the capital market and the various elements influencing company valuation in an increasingly competitive business environment (Noviani et al., 2019).

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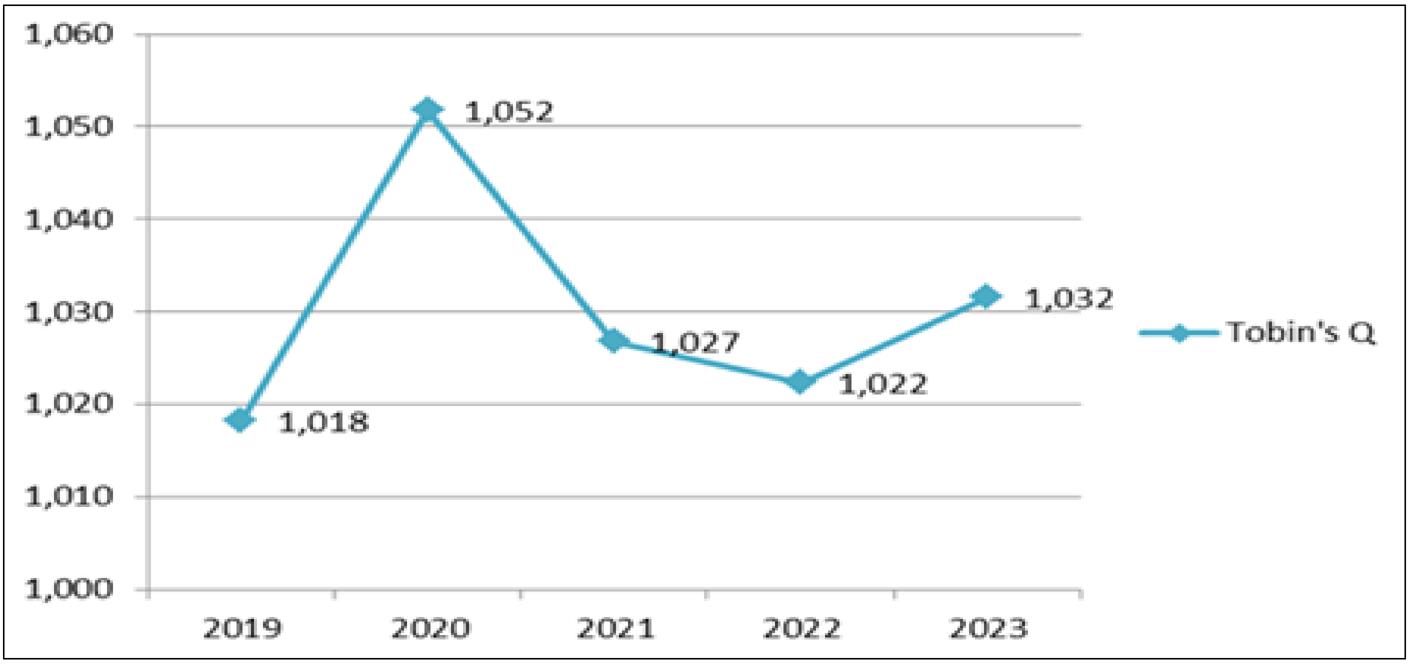

Fig 1: *Tobins'Q* Periode 2019 - 2023

Figure 1 illustrates that between 2019 and 2023, the average company value, as indicated by Tobin's Q, underwent fluctuating changes. The peak in Tobin's Q in 2020 can be attributed to several factors, notably the advancements in digital transformation, particularly in digital banking, which helped address the challenges posed by the pandemic. Despite the variations in Tobin's value during this period, the banking sector demonstrated a positive level of stability. This is reflected in the values consistently exceeding 1 (Q>1), signifying strong growth potential and the company's ability to uphold a favorable reputation.

Beyond its contributions to economic growth and national development, the banking sector is tasked with promoting environmental and social balance to secure long-term sustainability. For sustainable economic development to be realized, the banking system must implement green banking principles (I. G. A. A. O. Dewi & Dewi, 2017). Green banking represents a strategy that incorporates social and environmental considerations into the operational practices of financial institutions (Petro et al., 2023). A key initiative within green banking is the publication of a corporate sustainability report, which serves to inform both the public and stakeholders, thereby enhancing legitimacy among policymakers. Previous research has yielded mixed results regarding the influence of green banking disclosures on firm value. Some studies indicate a beneficial effect (Winarto et al., 2021; Gustiana & Helliana, 2024), while others suggest a detrimental impact (Romli & Zaputra, 2021; Simanungkalit & Mayangsari, 2020). Moreover, the integration of Good Corporate Governance (GCG) can lead to an increase in a company's value. GCG is essential for the effective and efficient governance of corporations, as its principles can be aligned to support environmental sustainability, improve social responsibility initiatives, and fortify the overall managerial architecture (Ardesta & Andayani, 2019). Implementing Good Corporate Governance (GCG) effectively is essential for increasing a company's value, as it ensures open and accountable practices that build trust among stakeholders. Previous research, including studies by Juwita (2019), Febiantoro & Khuzaini (2022), and Ardesta & Andayani (2019), supports the idea that GCG enhances firm value. In contrast, the work of Amaliyah & Herwiyanti (2019) and Utami & Wulandari (2021) suggests that GCG does not have a significant effect on firm value. The differences observed in the results indicate that various other factors may influence or mediate the relationship between GCG and firm value, with profitability being a key consideration. Profitability is essential for assessing how effectively a company's management generates profits from the equity capital invested by shareholders. Return on Equity (ROE) is a standard measure used to evaluate profitability. In this framework, profitability functions not only as an indicator of financial success but also as a crucial element that balances Green Banking, Good Corporate Governance (GCG), and overall firm value. Enhanced profitability can amplify the beneficial effects of adopting Green Banking and GCG practices on firm value. By embracing sustainability initiatives and effective governance, organizations can boost operational efficiency and foster investor confidence, ultimately leading to an increase in firm value (Suryaningtyas & Rohman, 2019).

This research seeks to investigate the impact of Green Banking and Good Corporate Governance on the value of firms, considering profitability as a mediating variable. The study concentrates on banks listed on the Indonesia Stock Exchange from 2019 to 2023, aiming to offer a deeper understanding of the interrelationships among these factors within the banking sector.

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II. LITERATUR REVIEW

A. Signal Theory

The concept of signal theory involves the owner of information sending a signal to the recipient, such as an investor, by providing information that represents the company's condition (Spence, 1973; Ross, 1977).

B. Agency Theory

The essence of agency theory lies in creating robust contracts that ensure agents (management) and principals (investors) operate in harmony with their respective interests (Jensen & Meckling, 1976). This is particularly relevant in scenarios where the interests of the two groups conflict or do not coincide (Jensen & Meckling, 1976).

C. Legitimacy Theory

A theoretical perspective that illustrates the ways in which companies can confront challenges when their values diverge from the values that society expects (Dowling & Pfeffer, 1975).

D. Bank

The role of banks in the economy is significant, as they accumulate funds from the public through various deposit forms such as savings accounts, current accounts, and fixed deposits. These resources are then redistributed through credit facilities, investments, and other financial tools that benefit multiple sectors, as outlined in Banking Law Number 10 of 1998. In addition to functioning as financial intermediaries, banks enhance community welfare by supporting business initiatives, creating jobs, and bolstering national economic stability.

E. Green Banking

Green Banking refers to the practice of managing banking operations with a focus on social responsibility and the environmental consequences of its activities (Adhitya et al., 2021).

F. Good Corporate Governance

The Cadbury Committee, in its report, outlines that Good Corporate Governance (GCG) comprises a framework of principles intended to guide companies in their operations with direction and control. These principles strive to establish a balanced distribution of authority and power within the organization, promoting governance that is transparent, accountable, and oriented towards long-term objectives. As a result, companies are better positioned to meet their obligations not only to shareholders but also to other stakeholders who are directly or indirectly engaged in the company's activities.

G. Profitability

The profitability ratio is an essential component of financial analysis, serving as a key indicator of how effectively a company generates profits from its revenues. This profit is derived from multiple operational activities, such as the sales strategies adopted, the optimization of asset usage, and the efficiency in equity management. By applying various measurement methods, this ratio can provide a thorough insight into the company's financial performance, facilitate strategic decision-making, and serve as a guide for investors and stakeholders in evaluating future business prospects (Ompusunggu & Sunarto, 2021).

H. Nilai Perusahaan

Firm value is defined as the amount a potential buyer is willing to pay for a company in a sale scenario. Company owners often look for a high valuation, as it reflects the increasing financial well-being of their shareholders (Franita, 2018).

I. Framework dan Hypothesis

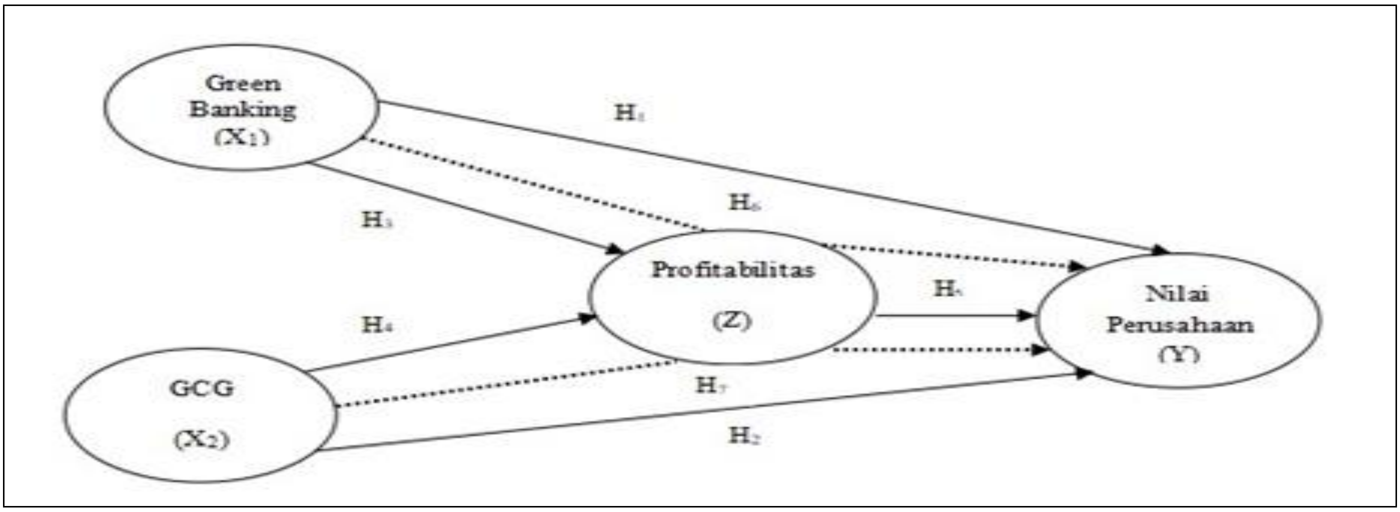

Fig 2: Framework

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- H_1: *Green Banking has a positive effect on Firm Value*
- H_2: *Good Corporate Governance* has a positive effect on Firm Value
- H_3: *Green Banking* has a positive effect on Profitability
- H_4: *Good Corporate Governance* has a positive effect on Profitability
- H_5: Profitability has a positive effect on Firm Value
- H_6: Profitability mediates the effect of Green Banking on Firm Value
- H_7: Profitability mediates the effect of Good Corporate Governance on Firm Value

III. RESEARCH METHODOLOGY

A. Population and Research Sample

From the total of 47 banking institutions listed on the IDX between 2019 and 2023, 14 companies were selected as research samples based on established criteria.

Table 1: Research Sample

No	Kode Emiten	Nama Bank
1	BBCA	PT Bank Central Asia Tbk
2	BBNI	PT Bank Negara Indonesia (Persero) Tbk
3	BBRI	PT Bank Rakyat Indonesia (Persero) Tbk
4	BBTN	PT Bank Tabungan Negara (Persero) Tbk
5	BDMN	PT Bank Danamon Indonesia Tbk
6	BJBR	PT Bank Pembangunan Daerah Jawa Barat Tbk
7	BJTM	PT Bank Pembangunan Daerah Jawa Timur Tbk
8	BMRI	PT Bank Mandiri (Persero) Tbk
9	BNGA	PT Bank CIMB Niaga Tbk
10	BNII	PT Bank Maybank Indonesia Tbk
11	BNLI	PT Bank Permata Tbk
12	BTPN	PT Bank BTPN Tbk
13	MAYA	PT Bank Mayapada Internasional Tbk
14	NISP	PT Bank OCBC NISP Tbk

IV. RESULTS AND DISCUSSION

In this study, data analysis was conducted using a panel data regression model processed through EViews 13 software. The analysis process begins with data exploration through descriptive statistics to understand the characteristics of the sample used. Furthermore, the most appropriate panel data regression model is selected based on the results of the model feasibility test. After the optimal model is determined, the final stage of analysis involves hypothesis testing to ensure the validity of the relationship between the variables studied and to obtain more accurate and reliable conclusions.

A. Descriptive Statistics

Table 2: Variabel Description

Indikator Statistik	Nilai Perusahaan	Profitabilitas	Green Banking	Good Corporate Governance
Mean	1.021614	0.097629	0.905429	2.057143
Median	0.960000	0.094500	0.905000	2.000000
Maksimum	1.645000	0.209000	1.000000	3.000000
Minimum	0.852000	0.001000	0.619000	1.000000
Std. Dev.	0.175410	0.051621	0.091484	0.413038

As shown in Table 2, the lowest company value was noted at 0.852 for BTPN in 2023, whereas BBCA achieved the highest value of 1.645 in that same year. The average company value is approximately 1.02164, or 1.02%. This indicates that, overall, banks listed on the Indonesia Stock Exchange tend to have a market value that is greater than the book value of their assets, suggesting a promising growth trajectory for the banking sector.

Meanwhile, in terms of profitability, the lowest value was recorded at 0.001, which was owned by MAYA in 2023. On the other hand, the highest profitability value of 0.209 was obtained by BMRI in the same year. The average profitability level is at 0.0976, which means that in general, the company is able to generate a return on its equity of 9.76%. In addition, with a standard deviation of 0.051621, there is a variation in the level of profitability between companies.

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In the Green Banking aspect, the minimum value was recorded at 0.619, which was owned by MAYA in 2020. On the other hand, the maximum value reached 1,000, which was obtained by BTPN during the period 2019 to 2023. The average implementation of Green Banking is at 0.905 or around 90.54%. This indicates that most banks have implemented the principles of Green Banking quite well, demonstrating the banking industry's commitment to sustainability practices and sustainable finance.

The minimum GCG value is 1,000 owned by BJTM, while the maximum GCG value is 3,000 owned by NISP. GCG has an average value of 2.057143, this shows that on average banking has implemented GCG principles well. The GCG variable has a standard deviation of 0.413038.

B. Panel Data Regression Model Selection

In panel data regression analysis, choosing the appropriate model is essential for achieving valid and reliable estimation outcomes. There are three primary methodologies commonly employed to identify the optimal model: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). Each of these methodologies possesses distinct characteristics and underlying assumptions, necessitating careful consideration of the data structure and the nature of the relationships among the variables under investigation. To ascertain the most suitable model, a series of statistical tests are conducted. The Chow Test is utilized to assess whether the CEM or FEM is more fitting for the dataset, while the Hausman Test helps determine the applicability of the FEM versus the REM. Additionally, the Lagrange Multiplier Test evaluates the appropriateness of using the REM in comparison to the CEM. Through these various statistical tests, the model selection process is grounded in robust statistical principles rather than mere intuition, leading to a panel data regression model that more accurately reflects the relationships between the variables.

Table 3: Chow Test, Hausman Test, LM Test

	Tes	**Statistik**	**Probabilitas**	**Model Terpilih**
Model Regresi 1	Uji Chow	77.335	0.000	FEM
	Uji Hausman	5.799	0.055	REM
	Uji LM	35.116	0.000	REM
Model Regresi 2	Uji Chow	87.899	0.000	FEM
	Uji Hausman	0.424	0.809	REM
	Uji LM	35.116	0.000	REM
Model Regresi 3	Uji Chow	73.517	0.000	FEM
	Uji Hausman	6.607	0.085	REM
	Uji LM	29.668	0.000	REM

The test results presented in Table 3 indicate that the p-value from the Chow Test for the three equations is 0.000 ($p < 0.05$). This suggests that the Fixed Effect Model (FEM) is the most suitable model for this analysis, as it reveals significant differences in variables across individuals. In addition, the Hausman Test yields p-values of 0.055, 0.809, and 0.085, all exceeding 0.05 ($p > 0.05$), which implies that the Random Effect Model (REM) is more appropriate in this scenario, given the lack of significant correlation between individual effects and independent variables. Furthermore, the Lagrange Multiplier (LM) Test results show a p-value of 0.000 ($p < 0.05$), reinforcing the superiority of the REM over other models due to the presence of significant random effects in the dataset. Consequently, the findings from these three testing methods lead to the conclusion that the Random Effect Model (REM) is the optimal choice for analyzing the three equations, as it effectively captures inter-individual variability while maintaining estimation efficiency.

Table 4: Regression Model Output 1

Variabel	**Koefisien**	**Std. Error**	**t-Stat**	**Prob.**
Green Banking	-0.523	0.209	-2.49	0.015
Good Corporate Governance	0.301	0.061	4.913	0.000
C	0.876	0.202	4.331	0.000
R- Square	0.266			
Adjusted R - Square	0.244			
F- Statistic	12.164			
Prob (F- Statistic)	0.000			

Based on the results of the panel data regression test of the first equation presented in Table 4, the calculation results can be described as follows:

TOBINSQ = 0.876 – 0.523GB + 0.301GCG

- Based on the results of the regression analysis, the Green Banking variable has a regression coefficient of -0.523 with a probability level of 0.015. The negative number on this coefficient indicates that Green Banking has a negative effect on Firm Value, which means that when Green Banking practices increase by one unit, Firm Value tends to decrease by 0.523 units, assuming

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that other factors do not change. This may indicate that in certain contexts, the implementation of environmentally friendly banking policies may not have a full positive impact on the company's financial performance or still requires adaptation to align with a profitable business strategy.

- On the other hand, the Good Corporate Governance (GCG) variable shows a regression coefficient of 0.301 with a probability level of 0.000, which indicates a positive and significant influence on Company Value. This means that when the level of GCG implementation increases by one unit, the Company Value will increase by 0.301 units, assuming that other variables remain constant. These results confirm that good corporate governance has a crucial role in increasing company value, both through increased transparency, more effective risk management, and increased investor confidence in the company.

Table 5: Regression Model Output 2

Variabel	Koefisien	Std. Error	t-Stat	Prob.
Green Banking	0.109	0.061	1.784	0.079
Good Corporate Governance	-0.004	0.018	-0.217	0.829
C	0.007	0.059	0.121	0.904
R- Square	0.047			
Adjusted R - Square	0.019			
F- Statistic	1.662			
Prob (F- Statistic)	0.197			

Based on the results of the panel data regression test of the first equation presented in Table 5, the calculation results can be described as follows:

ROE = 0.007+ 0.109GB – 0.004GCG

- The regression results show that Green Banking has a coefficient of 0.109 with a probability value of 0.079, which means that this variable does not have a significant impact on Company Value. In other words, the implementation of Green Banking in a company does not directly affect its market value or financial performance significantly. If other factors remain constant, then each one-unit increase in Green Banking will only drive an increase in Company Value by 0.109 units, although this impact is not strong enough to be said to be significant.
- Meanwhile, Good Corporate Governance (GCG) has a regression coefficient of -0.004 with a probability of 0.829. This value indicates that GCG does not have a significant effect on Company Value. Assuming that other factors do not change, a one-unit increase in GCG is actually correlated with a slight decrease in Company Value of 0.004 units. However, because the probability value is far above the statistical significance limit, this relationship cannot be considered a factor that significantly affects Company Value.

Table 6: Regression Model Output 3

Variabel	Koefisien	Std. Error	t-Stat	Prob.
Green Banking	-0.654	0.206	-3.177	0.002
Good Corporate Governance	0.303	0.058	5.198	0.000
ROE	1.143	0.400	2.853	0.006
C	0.878	0.193	4.551	0.000
R- Square	0.341			
Adjusted R - Square	0.311			
F- Statistic	11.385			
Prob (F- Statistic)	0.000			

Based on the results of the panel data regression test of the first equation presented in Table 6, the calculation results can be described as follows:

TOBINSQ = 0.878 – 0.654GB + 0.303GCG + 1.143ROE

Based on the results of the regression analysis, the Green Banking variable has a regression coefficient of -0.654 with a probability level of 0.002. This indicates that green banking policies have a significant effect on Firm Value, but with a negative relationship direction. This means that when a company increases the implementation of Green Banking by one unit, the Firm Value actually decreases by 0.654 units, assuming that other variables remain constant. This finding may indicate that although Green Banking has environmental and social benefits, its implementation may require additional investment that impacts the company's short-term profitability.

- Furthermore, the Good Corporate Governance variable shows a regression coefficient of 0.303 with a probability of 0.000. These results show that good corporate governance contributes significantly to increasing Company Value. In other words, the better the Good Corporate Governance practices implemented, the greater the potential for increasing company value. If other factors do not change, then a one-unit increase in the implementation of good corporate governance

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will increase Company Value by 0.303 units. This indicates that better transparency, accountability, and monitoring mechanisms can improve investor confidence and the company's overall financial performance.

- Meanwhile, the Return on Equity (ROE) variable has a regression coefficient of 1.143 with a probability of 0.006. This value indicates that profitability has a positive and significant effect on Firm Value. In other words, the higher the rate of return on equity obtained by the company, the greater the increase in the value of the company. If other variables are considered constant, a one-unit increase in ROE will increase the Firm Value by 1.143 units. This confirms that companies with higher levels of profitability tend to have greater appeal to investors, which ultimately has an impact on increasing the company's market value.

C. Individual Parameter Significance Test (t-Statistic Test)

This t-test aims to determine whether each individually (partially) has an influence on the dependent variable. The results of this test are:

- Green Banking (X1) has a t-value of 2.49 >1.669, while the probability value of Green Banking is 0.015 <0.05. This shows that H0 is rejected, which means that Green Banking has an effect on Company Value, so that the H1 hypothesis in this study is accepted.
- Good Corporate Governance (X2) has a t-value of 4.913 > 1.669, while the probability value of Good Corporate Governance is 0.000 < 0.005. This shows that H0 is rejected, which means that Good Corporate Governance has an effect on Company Value, so that the H1 hypothesis in this study is accepted.
- Green Banking (X1) has a t-value of 1.784 > 1.669, while the probability value of Green Banking is 0.079 > 0.05. This shows that H0 is accepted, which means that Green Banking has no effect on Profitability, so the H3 hypothesis in this study is rejected.
- Good Corporate Governance (X2) has a t-value of 0.217>1.669, while the probability value of Good Corporate Governance is 0.829>0.005. This shows that H0 is accepted, which means that Good Corporate Governance has no effect on Profitability, so the H4 hypothesis in this study is rejected.
- Profitability (Z) has a t-value of 2.853>1.669, while the probability value of Profitability is 0.006 <0.05. This shows that H0 is rejected, which means that Profitability has an effect on Company Value, so that the H5 hypothesis in this study is accepted. Simultaneous Test (F Test)

D. Simultan Test (Uji F)

Simultaneous test (F test) is used to determine the effect of the relationship between dependent and independent variables simultaneously. The results of this study are:

- The F count value is 12.164 > 3.134 (Ftable), while the F probability is 0.000 < 0.05, which means that H0 is rejected and H1 is accepted. This means that the variables Green Banking and Good Corporate Governance together have a significant effect on Company Value.
- The Fcount value is 1.662 > 3.134 (Ftable), while the F probability is 0.197 > 0.05, which means that H0 is accepted and H1 is rejected. This means that the variables Green Banking and Good Corporate Governance together do not have a significant effect on Profitability.
- The F count value is 11.385 > 3.134 (Ftable), while the F probability is 0.000 < 0.05, which means that H0 is rejected and H1 is accepted. This means that the variables Green Banking, Good Corporate Governance and Profitability together have a significant effect on Company Value.

E. Coefficient of Determination (R2)

- The coefficient of determination (R2) is a model used to measure how well the model's ability to explain the variation of the dependent variable. The results of this study are:
- The coefficient of determination (R2) value is 0.244, which means that the Green Banking and Good Corporate Governance variables have a contribution to explaining Company Value of 24.4% in banking companies from the period 2019 to 2023, while the remaining 75.6% is explained by other variables that were not studied.
- The coefficient of determination (R2) value is 0.019, which means that the Green Banking and Good Corporate Governance variables have a contribution to explaining Profitability of 19% in banking companies from the period 2019 to 2023, while the remaining 71% is explained by other variables that were not studied.
- The coefficient of determination (R2) value is 0.311, which means that Green Banking, Good Corporate Governance and Profitability have a contribution to explaining Company Value of 31.1% in banking sector companies for the period 2019 to 2023, while the remaining 68.9% is explained by other variables that were not studied.

F. Sobel Test

Table 7: Sobel Test

Path	Z Sobel	Ztabel
GB →ROE →TobinsQ	1.58	1.65
GCG →ROE →TobinsQ	-0.22	1.65

Based on the results in Table 7, it can be explained that the results of the Sobel Test calculation are that the Return on Equity variable has not been able to mediate between the Green Banking variable and Company Value, the findings in this study are proven by the Zsobel coefficient of 1.58 where the coefficient value is smaller than the Ztable value (Ztable = 1.65), and the Return on

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Equity variable has not been able to mediate between the Good Corporate Governance variable and Company Value, the findings in this study are proven by the Zsobel coefficient of -0.22 where the coefficient value is smaller than the Ztable value (Ztable = 1.65).

V. DISCUSSION

A. The Effect of Green Banking on Firm Value

Based on the research findings, it can be concluded that the implementation of Green Banking has a less favorable effect on the company's value. This indicates that the environmentally friendly banking strategy may not have fully provided significant financial benefits to the company or there are other factors that inhibit the increase in the company's value due to the implementation of the policy. This means that the higher the implementation of the green banking policy, the company's value tends to decrease. This finding proves that Green Banking has not had a maximum influence due to several factors, such as the implementation of green banking which requires large investments to develop environmentally friendly technology, employee training and system adaptation, so that with large costs it can be one of the factors in suppressing the company's value. This is also in line with other researchers such as Pratiwi Asti et.al (2023); Romli and Zaputra (2021); Citra and Dwi (2022) and Chandra Dewi et al (2024).

B. The Effect of Good Corporate Governance on Firm Value

The test results show a significant positive influence between Good Corporate Governance (GCG) and company value. This means that the better the implementation of GCG principles, the greater the potential for increasing company value. The effectiveness of GCG carried out with transparency can improve the company's financial performance, which in turn can strengthen the trust of investors and other stakeholders. This increased trust plays an important role in driving the stability and growth of the company in the long term, which ultimately contributes to increasing the company's value. This finding strengthens the results of previous studies conducted by Ardesta and Andayani (2020); Juwita (2019); Hendra and Khuzaini (2022); and Nugraha and Hwihanus (2019), which consistently show that GCG has a positive impact on increasing company value. This indicates that companies that implement good governance are more likely to gain public trust, increase competitiveness, and create sustainable long-term value.

C. The Effect of Green Banking on Profitability

Based on the test results, it can be seen that the Green Banking variable does not have a significant effect on Profitability. This finding shows that Green Banking is not the main factor in determining the rise and fall of profitability levels. Green banking focuses more on sustainability aspects, such as energy efficiency, reducing carbon footprints, and social responsibility. This impact may be more visible in increasing the company's reputation or investor attraction, but not directly in generating increased profits in the short term. This is in line with other researchers such as Rachmawati and Jayanti (2023); Mustika et al. (2023) and Windasari (2023) who also stated that Green Banking has not had an effect on Profitability

D. The Effect of Good Corporate Governance on Profitability

Based on the test results, it can be seen that the Good Corporate Governance variable has no effect on Profitability. The findings in this study indicate that an increase or decrease in the GCG variable is not the main factor in changing the profitability value of a company. GCG focuses more on good corporate management, such as transparency, accountability, and risk control. So that the impact is not direct on profitability, but more on the stability and sustainability of the company. GCG also has more influence on long-term aspects such as corporate reputation, investor confidence, or financial risk reduction, which may not be directly reflected in profitability. The findings of this study are also in accordance with the results of other researchers, namely Oktaryani et al. (2017); Ramadhan and Handayani (2018); Situmorang (2019) and Syaiah et al (2023) who also stated that the GCG variable has no significant effect on Profitability.

E. Effect of Profitability on Firm Value

The results of the analysis in this study indicate that profitability has not been able to act as a mediating variable in the relationship between Green Banking and company value. This finding shows that the implementation of Green Banking has not yet made a significant contribution to increasing company profits. One of the factors that causes profitability to not be a mediating variable is the costs that companies must incur to maintain environmental sustainability, which ultimately does not directly increase company profits. Although the company's value remains in the good category, the effectiveness of Green Banking in increasing profitability still needs to be studied further. On the other hand, when profitability increases, companies tend to allocate additional funds to operational activities in order to obtain higher profits, compared to increasing investment in Green Banking practices. This finding is consistent with the results of previous studies conducted by Ardini (2023) and Maesaroh et al. (2022), which also found that profitability is not strong enough as an intermediary in the relationship between Green Banking and company value.

F. Profitability in Mediating the Effect of Green Banking on Firm Value

The test results in this study indicate that Profitability has not been able to mediate the Green Banking variable on Company Value. The findings in the study indicate that the implementation of Green Banking has not made a significant contribution to increasing company profits. The reason profitability has not been proven to be a mediating variable is because when there is a decrease in profitability, this is likely due to the costs incurred to maintain environmental performance so that the company's value is still relatively good. However, on the other hand, even though profitability increases, it is likely that companies will prefer to allocate these costs to operational activities in

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order to continue to get higher profits. These results are in line with previous researchers such as Ardini (2023) and Maesaroh et al. (2022).

G. Profitability in Mediating the Effect of Good Corporate Governance on Firm Value

Based on the results of the tests conducted, profitability was not proven to act as a mediating variable in the relationship between Good Corporate Governance (GCG) and firm value. This finding indicates that investors in determining investment decisions do not solely focus on the level of profitability of a company, but also consider various other factors that contribute to increasing the overall value of the company. In other words, even though the company has a high Return on Equity (ROE), this does not necessarily guarantee an increase in the value of the company if the principles of Good Corporate Governance are not implemented effectively and sustainably. Effectiveness in corporate governance remains an essential element that influences investor perceptions of firm value. In this context, if GCG is not implemented properly, the relationship between GCG and firm value will not experience a significant increase simply because of high profitability. Thus, profitability in this study does not act as a link or transmission mechanism that bridges Good Corporate Governance to firm value. This conclusion is in line with a number of previous studies conducted by Fatoni and Sulhan (2020), Handayani and Tanasya (2020), Riza Aisyah & Sri (2019), Oktaryani et al. (2017), Fatimah and Ronny (2018), Azis (2016), and Punjana (2016), which show that profitability is not the only major factor in determining the relationship between Good Corporate Governance and firm value. Therefore, this study further strengthens the empirical evidence that the effectiveness of corporate governance has a more dominant role in determining firm value compared to the level of profitability alone.

VI. CONCLUSION

In a business environment that places a growing emphasis on sustainability, the adoption of Green Banking is anticipated to enhance corporate performance. However, the findings of this study reveal that the implementation of Green Banking actually has a notable negative effect on the enhancement of company value. Conversely, the practice of Good Corporate Governance contributes positively to company value, suggesting that effective governance can bolster investor confidence and stabilize the organization. Notably, neither Green Banking nor Good Corporate Governance significantly influences company profitability, implying that other factors may play a more critical role in determining profit levels. Conversely, profitability is shown to be vital in enhancing company value, as evidenced by its significant positive impact in this research. Nevertheless, the results indicate that profitability does not serve as a mediating variable in the relationship between Green Banking and Good Corporate Governance with company value. This highlights the necessity for further investigation into additional factors that may affect the interplay between these variables and to better understand how companies can optimize their sustainability and governance strategies to enhance overall company value.

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