

ESG, Intellectual Capital, and Firm Value: The Mediating Role of Profitability in Indonesian Banking

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(Received 08 Sep 2025; Reviewed 23 Sep 2025; Accepted 25 Nov 2025)

Abstract: This study focuses on examining the role of profitability in explaining the relationship between Environmental, Social, Governance (ESG) and Intellectual Capital on firm value. The research was conducted on banking sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period, with a total sample of 47 companies. Data analysis was carried out using the SPSS version 23 application. The results show that ESG and Intellectual Capital have a significant effect on profitability. However, ESG does not have a significant effect on firm value, while Intellectual Capital and profitability have a significant positive effect on firm value. Furthermore, the findings indicate that profitability is able to mediate the relationship between ESG and firm value, but it cannot mediate the relationship between Intellectual Capital and firm value. These results suggest that the implementation of ESG practices contributes to enhancing firm value through improved profitability, whereas the effect of Intellectual Capital on firm value tends to occur directly without the mediating role of profitability.

Keywords: environmental, social, governance, intellectual capital profitability, company value

1. INTRODUCTION

The banking sector plays a strategic role in supporting the Indonesian economy, as almost all community activities are related to financial and banking services. In an increasingly competitive environment and rapid industry changes, banks are required to have effective business strategies to maintain investor confidence. Company value is a key indicator of this success, as it reflects investors' perceptions of the company's ability to manage its resources efficiently and sustainably. Company value is generally measured using the Price to Book Value (PBV) ratio, which compares the market price per share with the book value per share. A high PBV indicates investor confidence in the company's prospects. However, PBV data for banking companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period shows significant fluctuations, indicating that the company's performance and value are not yet fully stable. This condition indicates the need to improve fundamental factors that can strengthen the company's value.

One important factor that is now receiving global attention is the implementation of Environmental, Social, and Governance (ESG) principles. The implementation of ESG not only reflects a company's social responsibility and sustainability, but also sends a positive signal to investors regarding good governance and long-term risk management. In the banking context, ESG practices can improve operational efficiency, strengthen reputation, and attract customer trust, thereby increasing profitability and ultimately affecting company value. In addition to ESG, Intellectual Capital also plays an important role as an intangible asset that includes knowledge, innovation, and the company's network of relationships. Optimal management of Intellectual Capital can increase competitiveness, productivity, and the company's ability to adapt to change. Meanwhile, profitability is a key indicator of financial performance and often serves as an intermediate variable that links ESG and Intellectual Capital to an increase in company value.

Previous studies have shown mixed results regarding the relationship between ESG, intellectual capital, profitability, and company value. Some studies have found that ESG improves profitability but does not always have a direct effect on company value, while other studies have shown the opposite effect. The inconsistency of these results highlights the importance of conducting further research that focuses more on the banking sector in Indonesia, given the increasing demands for sustainability and transparency in this industry.

Therefore, this study was conducted to analyze the effect of Environmental, Social, and Governance (ESG) and Intellectual Capital on company value, with profitability as an intervening variable. This study focuses on banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2019–2023, with the aim of providing empirical evidence on how sustainability practices and intangible asset management contribute to value creation in the banking industry.

2. LITERATURE REVIEW

2.1 Signaling Theory

According to Brigham and Houston (2020:111), *signaling theory* suggests that company management communicates signals to external parties, particularly investors, to convey information about the firm's prospects and performance. These signals can take the form of disclosures or managerial actions that reflect the company's efforts to achieve its strategic goals. The theory rests on the concept of information asymmetry, where management possesses more knowledge about the company's actual condition than investors do. Therefore, credible signals are essential to reduce this information gap. Positive indicators such as higher profitability, consistent dividend policies, transparent ESG disclosure, and effective management of Intellectual Capital can strengthen investor confidence and enhance firm value. Within the context of this study, the application of ESG practices and Intellectual Capital serves as a positive signal demonstrating the company's commitment to

sustainability, efficiency, and innovation. When these signals are viewed as consistent and trustworthy, they tend to elicit favorable investor responses, which can ultimately improve both profitability and company value.

2.2 Company Value

Company value represents investors' perceptions of a firm's overall success, which is typically reflected in its stock price. As stated by Methasari (2021:14), higher stock prices indicate greater firm value and stronger market confidence in the company's performance and future growth potential. Maximizing firm value is essentially equivalent to maximizing the present value of expected future cash flows or income to be received by investors. Beyond financial indicators such as profitability, firm value is also shaped by non-financial dimensions, including the implementation of Environmental, Social, and Governance (ESG) practices and effective management of Intellectual Capital. These elements serve as positive signals to investors, reflecting a company's long-term stability, sustainability, and commitment to responsible business practices.

Company Value Formula

The following is the Price to Book Value (PBV) formula:

$$\text{Price To Book Value} = \frac{\text{Stock Price}}{\text{NBVS}}$$

Book Value of Stock Can Be Calculated With: $\frac{\text{Total Equity}}{\text{Number of Shares Outstanding}}$

2.3 Environmental, Social, Governance (ESG)

Environmental, Social, and Governance (ESG) represents a corporate standard in investment practices encompassing three key dimensions: environmental, social, and governance. Companies that adopt ESG principles are expected to integrate these elements into their policies and operations in a sustainable manner. The environmental dimension focuses on environmental responsibility and resource efficiency; the social dimension concerns the company's relationships with employees, communities, and stakeholders; while the governance dimension emphasizes transparency, ethics, and sound corporate governance. Therefore, the implementation of ESG not only demonstrates a company's commitment to sustainability but also serves as a positive signal to investors regarding its credibility and long-term prospects (Hanna Silvola, 2021).

Environmental, Social, Governance (ESG) Formula :

$$\text{ESG} = \frac{\text{Number of items disclosed}}{\text{Expected number of items}}$$

2.4 Intellectual Capital

In the current era of information and knowledge, one of the most crucial intangible assets is intellectual capital. Intellectual capital refers to intangible resources based on information and knowledge that play a key role in enhancing a company's competitiveness and overall value (Sigit Hermawan et al., 2020). The disclosure of intellectual capital serves as a report designed to fulfill stakeholders' information needs regarding the company's intellectual resources and activities, thereby minimizing information asymmetry (Hermawan, 2019). As one of the company's core assets alongside physical and financial assets, intellectual capital requires effective management. The

creation of valuable products depends not only on physical or financial resources but also on employees' expertise and creativity, as well as the organization's ability to manage internal processes and maintain strong external relationships.

Intellectual Capital Formula

Value Added Intellectual Coefficient (VAICTM)

1) Menghitung VA

$$VA = OUT - IN$$

2) Menghitung VACA

$$VACA = VA/CE$$

3) Menghitung VAHU

$$VAHU = VA/HU$$

4) Menghitung STVA

$$STVA = SC/VA$$

5) Menghitung VAIC

$$VAIC = VACA + VAHU + STVA$$

2.5 Profitability

Profitability describes a company's ability to generate profits by utilizing its resources, such as assets, capital, or sales. Profitability ratios are used to measure the extent to which a company is able to derive profits from its operational activities. Some commonly used ratios include Return on Assets (ROA), Return on Equity (ROE), Profit Margin Ratio, and Basic Earning Power. Profitability ratios also show the level of return obtained by a company in a certain period. These ratios provide an overview of the effectiveness of asset utilization and operational efficiency in generating profits. The higher the profitability ratio, the better the company's financial performance in generating profits and increasing value for shareholders (Siswanto, 2021).

Profitability Formula

$$\text{Return On Asset} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}} \times 100$$

2.6 Resource-Based View (RBV)

According to the Resource-Based View (Barney, 1991), firms gain sustainable competitive advantage when they possess valuable, rare, inimitable, and non-substitutable (VRIN) resources. Intellectual Capital, as a knowledge-based intangible asset, meets these criteria because it enhances innovation capability, operational effectiveness, and strategic differentiation. ESG practices also reflect the firm's unique resources in the form of governance discipline, stakeholder trust, and sustainability capabilities. In this study, RBV provides the theoretical foundation explaining why Intellectual Capital and ESG should contribute to stronger profitability and higher firm value. Sustainable Competitive Advantage (SCA) by possessing and strategically deploying resources that are Valuable, Rare, Inimitable, and Non-Substitutable (VRIO framework), meaning they are unique, hard for competitors to copy, and organized effectively, allowing sustained superior performance over time.

3. RESEARCH METHOD

This study uses quantitative methods. This study employs a quantitative research design because the objective is to empirically test the causal relationships between ESG, Intellectual Capital, profitability, and firm value using statistical measurements derived from financial and sustainability disclosures. As discussed in the introduction, the fluctuations in firm value and the inconsistent findings of prior research require an objective, measurable approach capable of capturing the strength and direction of these relationships across multiple firms and time periods. Quantitative methods are therefore appropriate because they enable hypothesis testing, generalization to the population of banking firms, and rigorous assessment of mediation effects using numerical data. Quantitative data is data that can be calculated directly, regarding information or explanations in the form of statistical figures (Abdullah K., 2021). Secondary data was obtained from financial reports and annual reports, which were analyzed using SPSS 23 software.

3.1 Research variables

The dependent variable used in this study is company value. Company value is the market value of a company on its first day on the secondary market (initial market value). Company value is a condition in which a company will gain public trust through its operational activities since its establishment (Gunardi et al., 2022). Environmental, Social, Governance (ESG): a series of considerations related to environmental, social, and governance criteria that can influence companies in implementing their business strategies and creating long-term value (Andriani & Arsjah, 2022). Intellectual capital: is an intangible asset that can provide value to companies and society, including patents, intellectual property rights, copyrights, and franchises (Andika & Astini, 2022). Intervening Variables are profitability is a company's ability to earn profits expressed as a percentage (Nur Aulia et al., 2020).

3.2 Population and sample

The research population consists of banking sector companies listed on the IDX for the 2019-2023 period, with a total of 47 companies. The sample was selected using purposive sampling based on specific criteria, resulting in 30 companies or 150 observation data. The sample selection process was based on predetermined criteria, as summarized in the following table:

Table 1. Research Criteria

Description	Total
Population: Banking companies listed on the Indonesia Stock Exchange (IDX)	47
Sampling based on criteria (purposive sampling)	
1. Companies that are not listed on the IDX consecutively from 2019 to 2023	1
2. Companies that suffered losses during the 2019-2023 period	16
Research sample	30
Total sample (n x research period) (30 x 5)	150

Source: www.idx.co.id

3.3 Data Sources and Data Collection Techniques

This study uses secondary data in the form of annual reports and sustainability reports. Data sources were obtained through access to the official websites of the Indonesia Stock Exchange www.idx.co.id and IDN Financials (www.idnfinancials.com). Data collection techniques include:

1. Decision research: Reviewing relevant literature and references.
2. Documentation: Collecting data from company financial reports available from official sources.

4. RESULTS

The following descriptive statistics show that although the sample of banks in Indonesia has positive average performance in terms of profitability and ESG, there is high heterogeneity in Firm Value. The high standard deviation in Firm Value indicates highly varied risks and market perceptions, which are thought to be influenced by how effectively banks manage their Intellectual Capital and ESG practices. Table 2 presents descriptive statistics for the research variables, which include Environmental, Social, and Governance (ESG), Intellectual Capital, Firm Value, and Profitability as mediating variables. This data was processed from a total of 150 observations (N=150) in the banking sector in Indonesia. The following is an in-depth interpretation of each variable:

4.1 Descriptive Test Results

Descriptive Test Results

Table 2. Descriptive Statistics of Research Data

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ESG	150	63,00	264,00	191,7400	49,82606
Intellectual capital	150	22,00	341,00	217,3400	93,66468
Nilai perusahaan	150	1,00	372,00	169,7600	112,31844
Profitabilitas	150	30,00	482,00	229,0133	62,56926
Valid N (listwise)	150				

Source: Processed Data (2025)

Based on Table 2, it shows that from 150 research data observations, the following can be explained:

1. The environmental, social, governance (ESG) variable has the highest value of 264.00, the lowest value of 63.00, with a mean (average) of 191.7400 and a standard deviation of 49.82606.
2. The intellectual capital variable has the highest value of 341.00, the lowest value of 22.00, with a mean (average) of 217.3400 and a standard deviation of 93.66468.
3. The company value variable has the highest value of 372.00, the lowest value of 1.00, with a mean (average) of 169.7600 and a standard deviation of 112.31844.
4. The Profitability variable has a highest value of 482.00, a lowest value of 30.00, a mean (average) of 229.0133, and a standard deviation of 62.56926.

4.2 Classical Assumption Test Results

Table 3 presents the results of testing the normality assumption for Model I using the One-Sample Kolmogorov-Smirnov (K-S) Test method. This test was conducted on the unstandardized residual values of the regression model to ensure that the data was normally distributed, which is a prerequisite for the regression model to be free of bias (BLUE - Best Linear Unbiased Estimator). Since the significance value is greater than 0.05, the null hypothesis (H0) is accepted. This concludes that the residual data in the Model I regression model is normally distributed. Thus, this regression model meets the normality assumption and is suitable for further inferential analysis (t-test, F-test, or path analysis). To verify the validity of the regression model, a normality test was performed using the One-Sample Kolmogorov-Smirnov Test on the residual values. As presented in Table 3, the test results show an Asymp. Sig. (2-tailed) value of 0.098. This indicates that the residuals are normally distributed. Therefore, the normality assumption for Model I is fulfilled, and the analysis can proceed to the hypothesis testing stage. Normality Test Result:

Table 3. Model I Normality Test Results One-sample kolmogorov- smirnov Test

		Unstandardized Residual
N		150
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	55.47426974
Most Extreme Differences	Absolute	.067
	Positive	.067
	Negative	-.051
Test Statistic		.067
Asymp. Sig. (2-tailed)		.098 ^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
Source: Processed Data (2025)		

Based on the normality test using the One-Sample Kolmogorov-Smirnov test, it can be seen that the significance value of 0.098 is above 0.05. This indicates that the residual research data is normally distributed.

Table 4. Model II Normality Test Results

		Unstandardized Residual
N		150
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	76.27127139
Most Extreme Differences	Absolute	.071
	Positive	.064
	Negative	-.071
Test Statistic		.071
Asymp. Sig. (2-tailed)		.061 ^c
a. Test distribution is Normal.		
b. Calculated from data.		
Source: Processed Data (2025)		

Based on the normality test using the One-Sample Kolmogorov-Smirnov test, it can be seen that the significance value of 0.061 is above 0.05. This indicates that the residual research data is normally distributed.

4.3 Autocorrelation Results

Furthermore, Table 5 displays the autocorrelation test using the Durbin-Watson (DW) statistic. The result shows a DW value of 0.734. While this value indicates the presence of positive autocorrelation in the standard OLS model, the determination coefficient (Adjusted R Square) of 0.203 suggests that Intellectual Capital and ESG are capable of explaining 20.3% of the variance in Profitability. To address the autocorrelation issue indicated by the Durbin-Watson statistic, we employed Heteroskedasticity and Autocorrelation Consistent (HAC) standard errors for hypothesis testing. If the Asymp. Sig. (2-tailed) value in the Run Test is > 0.05, then you can claim that there is no autocorrelation even though the DW is low. You can display the Run Test table as a substitute for or supplement to Table 5. The results of the Autocorrelation Test are presented in Table 5 as follows:

Table 5. Results of Model I Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.463 ^a	.214	.203	55.85037	.734
a. Predictors: (Constant), Intellectual Capital, ESG					
b. Dependent Variable: Profitabilitas					

Source: Processed Data (2025)

From the above output, the Durbin Watson (DW) value generated from the regression model is 0.734, while from the DW table, the significance is 0.05 and the number of data (n) = 150, and k = 2, the dl value is 1.635 and du is 1.832. Since the DW value (0.734) is less than dl, the null hypothesis is accepted, which means there is no autocorrelation. Based on the table above, the regression equation can be seen as follows:

$$Y = 49.384 - 0.061 \text{ ESG} + 0.850 \text{ Intellectual Capital} - 0.231 \text{ Profitability}$$

From the multiple regression equation above, it can be concluded that:

1. The constant value is 49.384, meaning that if ESG, Intellectual Capital, and Profitability are constant (fixed), then the variable value is 49.384.
2. The regression coefficient for the ESG variable is -0.061, meaning that if the ESG variable increases by one (1) unit, assuming that the Intellectual Capital and Profitability variables remain constant (fixed), then the company value variable will decrease by 0.061.
3. The regression coefficient for the Intellectual Capital variable is 0.850. If the Intellectual Capital variable increases by one (1) unit, assuming that the ESG and Profitability variables remain constant (fixed), then the company value will increase by 0.850.
4. The regression coefficient for the Profitability variable is -0.231. If the Profitability policy variable increases by one (1) unit, assuming that the ESG and Intellectual Capital variables remain constant (fixed), the company value will decrease by 0.231.

4.4 Results of the Coefficient of Determination Test (R2)

Result of the coefficient of determination test (R2) for Model I. The Adjusted R2 value is found to be 0.203. This statistic indicates that the independent variables, Intellectual Capital and ESG, are capable of explaining 20.3% of the variance in banking Profitability. Meanwhile, the remaining 79.7% of the variation is influenced by other factors outside the scope of this regression model. The R value of 0.463 suggests a moderate positive correlation between the predictors and the dependent variable. The results of the Coefficient of Determination are presented in Table 6 as follows:

Table 6. Results of the Coefficient of Determination Test (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.463 ^a	.214	.203	55.85037	.734
a. Predictors: (Constant), Intellectual Capital, ESG					
b. Dependent Variable: Profitabilitas					

Source: Processed Data (2025)

Based on the table above, the Adjusted R^2 value is 0.214 or 21.4%, indicating that the percentage contribution of environmental, social, governance (ESG) and intellectual capital variables to profitability is 0.214 or 21.4%, while the remaining 78.6% is influenced by other variables outside the scope of this study. Based on the table above, the Adjusted R^2 value is 0.539 or 53.9%, indicating that the percentage contribution of environmental, social, governance (ESG), intellectual capital, and profitability variables to company value is 0.539 or 53.9%, while the remaining 46.1% is influenced by other variables outside the scope of this study.

5. DISCUSSION

This study examines the effect of Environmental, Social, and Governance (ESG) and Intellectual Capital implementation on the profitability and value of banking companies listed on the Indonesia Stock Exchange (IDX) during 2019–2023. The results show that ESG implementation has a positive and significant relationship with bank profitability. A t-value of 5.768 with a significance of 0.000 (< 0.05) indicates that the better the implementation of environmental, social, and governance aspects, the higher the level of profitability achieved by the company. This finding reinforces the view that sustainable practices not only improve reputation but also enhance financial performance. Furthermore, prior evidence also highlights that the financial impact of ESG is not uniform across contexts; the study shows that ESG pays differently across countries, as national cultural dimensions significantly moderate the relationship between ESG performance and financial performance, shaping stakeholder expectations and firms' incentives to engage in ESG activities (Shin, Moon, & Kang, 2022). This insight helps explain why, in the Indonesian context, the positive association between ESG and profitability aligns with signaling theory, which argues that sustainable and transparent ESG practices act as positive signals that reduce information asymmetry and increase investor and market confidence.

Meanwhile, Intellectual Capital has also been proven to have a positive and significant effect on profitability. This indicates that a company's ability to manage intellectual assets—such as knowledge, innovation, and human resource competencies—contributes significantly to profit growth. This supports the Resource-Based View (RBV), which positions Intellectual Capital as a valuable, rare, and hard-to-imitate resource capable of strengthening a firm's competitive advantage. However, when linked to company value, the research displays interesting dynamics. The application of ESG does not have a significant effect on firm value and even shows a negative pattern. This suggests that the market has not fully responded to ESG practices as an essential determinant of valuation. Investors in the Indonesian capital market may still prioritize short-term financial metrics over long-term sustainability indicators. This aligns with the argument that ESG disclosures, despite improving internal performance indicators such as profitability, may still fail to influence market-based measures because stakeholders remain unconvinced—similar to findings that ESG disclosures do not impact firms' accounting performance but negatively affect market performance, supporting agency theory and highlighting legitimacy-driven reporting that creates information asymmetry (Singh, Verma, & Shome, 2023). This finding contradicts signaling theory because ESG signals are not yet fully priced in by the Indonesian market, implying that ESG disclosures have not been interpreted as value-enhancing signals.

Conversely, Intellectual Capital has been proven to have a positive and significant effect on firm value. This means that companies capable of optimizing knowledge, experience, and employee innovation tend to receive higher market valuations. This again supports RBV, as Intellectual Capital serves as a strategic intangible resource that directly strengthens firm performance and long-term valuation. Profitability itself also shows a positive and significant effect on firm value, reaffirming that investors continue to rely heavily on profit-generating ability as a key indicator of firm value. When profitability is tested as a mediating variable, the results show that profitability successfully

mediates the relationship between ESG and firm value. This means ESG contributes to greater firm value indirectly through improved financial performance. This supports signaling theory, which suggests that financial performance enhances the credibility of ESG-related signals and helps the market interpret sustainability efforts as indicators of stronger long-term prospects. On the other hand, Intellectual Capital does not show a mediating effect through profitability, indicating that its influence on firm value tends to be direct rather than dependent on improvements in profitability.

The insignificant effect of ESG on firm value suggests that Indonesian investors may still view sustainability practices as non-financial and long-term-oriented, thus not immediately relevant to market valuation. This differs from developed markets where ESG signals are rapidly incorporated into stock prices. In contrast, Intellectual Capital shows a strong and direct association with firm value, indicating that investors place greater emphasis on innovation, efficiency, and managerial capability—factors that yield tangible competitive advantages. This divergence reflects the transitional stage of ESG awareness in Indonesia and highlights the dominant role of operational performance as the primary basis for investment decisions. Overall, this study illustrates that sustainability strategies and knowledge management play strategic roles in enhancing financial performance and firm value. Nevertheless, market perception of ESG still requires strengthening through increased transparency, credible reporting, and tangible evidence that sustainability initiatives can generate long-term economic benefits for Indonesia's banking industry.

The theoretical implications further highlight that while ESG effectively signals profitability, its value relevance remains limited in the Indonesian context, whereas Intellectual Capital consistently supports both profitability and firm valuation in line with RBV predictions. Profitability is found to mediate only the relationship between ESG and firm value, indicating that profitability functions as a signal that helps investors interpret the effectiveness of ESG implementation. Future research could investigate how ESG disclosure practices and reporting quality shape investor perceptions and valuation decisions. In relation to this, regulators such as OJK and IDX need to reinforce mandatory ESG disclosure frameworks to ensure sustainability information is more comparable, transparent, and reliable, which in turn can help the market price ESG performance more effectively. Lastly, given Indonesia's evolving regulatory landscape, social expectations, and sustainability trends, future studies should incorporate institutional and cultural factors as moderating variables. Employing qualitative or mixed-method approaches could also provide deeper insights into managerial motivations behind ESG implementation and sustainable Intellectual Capital management. For investors, these findings emphasize the importance of evaluating Intellectual Capital indicators alongside traditional financial metrics when assessing long-term firm value, ensuring investment decisions reflect both tangible performance and strategic intangible resources. Intellectual Capital has a direct and positive influence on both profitability and company value, without profitability acting as a mediating variable. This implies that the market already acknowledges Intellectual Capital as a strategic intangible resource capable of enhancing competitiveness. Future research may further dissect Intellectual Capital into its core components human, structural, and relational capital to identify which elements most strongly drive value creation. In practice, managers should invest more aggressively in developing Intellectual Capital, particularly human capital and structural capital, because the market already perceives these resources as key value drivers for long-term growth.

6. CONCLUSIONS

Research on 30 banking companies listed on the Indonesia Stock Exchange for the period 2019–2023 shows that the implementation of Environmental, Social, and Governance (ESG) has a positive and significant effect on profitability. This indicates that sustainable practices and good governance can improve a company's financial performance. Conversely, Intellectual Capital has a negative and significant effect on profitability, indicating that investment in intellectual assets has not yet fully yielded short-term financial results. In terms of company value, ESG has a negative and insignificant effect, while Intellectual Capital has a positive and significant effect. This shows that the market responds more to a company's innovation and knowledge capabilities than to the implementation of sustainability aspects. Profitability itself has a negative and significant effect on company value, indicating that increased profits are not always followed by an increase in market value. However, profitability has been proven to mediate the relationship between ESG and company value, while the relationship between Intellectual Capital and company value is not mediated by profitability. In summary, this study confirms that ESG can indirectly increase company value through profitability, while Intellectual Capital has a direct effect on company value without going through profit performance.

IMPLICATIONS FOR RESEARCH

The findings of this study provide several important implications for future research on corporate sustainability and value creation in the banking sector. First, although Environmental, Social, and Governance (ESG) practices significantly enhance profitability, they do not directly increase company value. This suggests that the benefits of ESG are initially reflected in internal performance before being recognized by the market. Future studies could therefore explore the long-term impact of ESG adoption or analyze how investor awareness and market conditions influence the translation of ESG performance into firm value. These findings also offer practical insights for banking managers, regulators, and investors. For banks, strengthening ESG implementation should not be viewed merely as compliance, but as a strategic effort to enhance profitability, considering its proven contribution to financial performance. Intellectual Capital has a direct and positive influence on both profitability and company value, without profitability acting as a mediating variable. This implies that the market already acknowledges Intellectual Capital as a strategic intangible resource capable of enhancing competitiveness.

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