

The Influence of Financial Performance, Operational Efficiency, and Corporate Social Responsibility on Firm Value: Evidence from Banking Companies Listed on the Indonesia Stock Exchange During 2022–2024

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Abstract

This study aims to analyze the influence of Return on Assets (ROA), Return on Equity (ROE), Operating Expenses to Operating Income Ratio (BOPO), and Corporate Social Responsibility (CSR) on firm value in banking companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. The banking sector was selected because of its strategic role in the Indonesian economy and its dependence on public trust and financial stability. Amid increasing economic uncertainty and competitive market dynamics, maintaining firm value has become an important objective for banking institutions in order to sustain investor confidence and long-term business continuity.

This research employed a quantitative approach using secondary data obtained from annual reports, financial statements, and sustainability reports published by banking companies listed on the IDX. The population consisted of 47 banking companies, while the final sample included 21 companies selected through purposive sampling techniques based on predetermined criteria. The total observation data amounted to 63 observations over a three-year period. Data analysis was conducted using SPSS through descriptive statistical analysis, classical assumption testing, multiple linear regression analysis, and hypothesis testing.

The results demonstrate that Return on Assets (ROA) significantly influences firm value, indicating that profitability generated from company assets affects investor perceptions regarding corporate performance and growth prospects. Return on Equity (ROE) also has a significant effect on firm value, suggesting that the company's ability to generate returns from shareholder equity contributes positively to market valuation. In contrast, BOPO does not significantly influence firm value, implying that operational efficiency is not the primary consideration for investors in evaluating banking companies. Meanwhile, Corporate Social Responsibility (CSR) significantly affects firm value, indicating that non-financial factors and sustainability-related disclosures increasingly influence investor assessments and corporate reputation.

The findings of this study support agency theory, which emphasizes the importance of managerial performance and transparency in reducing agency conflicts and strengthening investor trust. This study contributes to the literature on corporate finance and banking

management by providing empirical evidence regarding the determinants of firm value in the Indonesian banking sector during the post-pandemic economic recovery period.

INTRODUCTION

The establishment of a company fundamentally aims to generate optimal profits in order to ensure long-term business sustainability. Profit maximization enables management to implement competitive strategies and adaptive operational policies capable of responding effectively to increasingly dynamic business environments. However, within the context of modern economic development, corporate orientation is no longer limited solely to achieving financial gains. Instead, companies are increasingly expected to create sustainable corporate value while simultaneously considering social and environmental responsibilities as integral components of their business strategies Zahra and colleagues (2023).

The transformation of corporate paradigms reflects a broader shift from shareholder-oriented management toward stakeholder-oriented governance. Companies are now required not only to maintain profitability but also to demonstrate accountability toward society, environmental sustainability, and ethical business practices. This shift has intensified the importance of balancing financial performance with social responsibility in order to maintain corporate legitimacy, investor confidence, and long-term sustainability. Consequently, companies that successfully integrate financial objectives with social and environmental commitments are often perceived more positively by investors and market participants.

Corporate value has therefore become one of the most important indicators used to evaluate a company's overall performance and future prospects. Corporate value generally reflects market perceptions regarding management effectiveness in utilizing corporate resources and generating sustainable returns. In capital markets, corporate value is commonly represented by stock prices, which illustrate investors' confidence in the company's growth potential and managerial performance Limesta and Wibowo (2021); Yulfitri and colleagues (2021). Higher stock prices indicate stronger market confidence and higher firm value, which ultimately contribute to greater shareholder wealth.

Firm value also serves as a critical consideration for investors, creditors, and other external stakeholders when making investment and financing decisions Ningrum (2022). One of the most widely used indicators for measuring firm value is Price to Book Value (PBV). PBV represents the relationship between a company's market price and its book value, thereby reflecting market assessments of the company's future growth potential and financial performance Elisa and Riduwan (2021); Riduwan (2020). A high PBV ratio generally indicates optimistic market expectations concerning future corporate performance, whereas a low PBV ratio reflects weakening investor confidence and negative market sentiment Merllizcha and Triyonowati (2024).

Within the Indonesian economic system, the banking sector occupies a highly strategic position as a financial intermediary institution responsible for collecting public funds and redistributing them through financing and financial services Ministry of Finance of the Republic of Indonesia (1998). As an industry whose operational continuity heavily depends on public trust, maintaining stable firm value is essential for ensuring the sustainability of banking operations. Strong firm value reflects sound financial conditions, effective management performance, and investor confidence, all of which are vital in sustaining banking stability.

Nevertheless, the dynamics of the Indonesian banking sector during the 2022–2024 period indicate a declining trend in the PBV ratios of several banks listed on the Indonesia Stock Exchange (IDX). This decline suggests weakening market evaluations regarding banking sector performance and future prospects. The situation became increasingly concerning following reports published by CNBC Indonesia (2025) regarding the bankruptcy of several Rural Banks (Bank Perekonomian Rakyat), despite the fact that most of these institutions were not publicly listed on the IDX. Although the cases primarily involved non-listed banks, the phenomenon still generated negative sentiment regarding financial management quality, risk management effectiveness, and corporate sustainability within the banking industry.

The decline in firm value within the banking sector highlights the growing importance of financial performance, operational efficiency,

and social responsibility practices in maintaining investor trust amid economic uncertainty. Investors increasingly demand transparency, accountability, and sustainable business practices from banking institutions. Consequently, banks are expected not only to generate profits but also to demonstrate responsible corporate behavior capable of strengthening long-term corporate value.

From a theoretical perspective, the relationship between management and shareholders is explained through agency theory developed by Jensen and Meckling (2017). Agency theory explains that conflicts of interest may arise between principals (shareholders) and agents (management) because each party may pursue different objectives. Shareholders generally expect management to maximize firm value and shareholder wealth, whereas management may prioritize personal interests that do not necessarily align with shareholder expectations. Such conflicts create agency costs and information asymmetry that may negatively influence investor confidence and corporate value.

In this context, financial performance and corporate social responsibility (CSR) disclosure may serve as mechanisms for reducing agency conflicts and strengthening investor trust. Financial performance reflects the company's ability to effectively manage and optimize its resources to generate profits Chintyana and colleagues (2020); Lesmana and colleagues (2020). Profitability indicators such as Return on Assets (ROA) and Return on Equity (ROE) are frequently utilized to evaluate managerial effectiveness in generating

profits from corporate assets and shareholder equity Methasari (2021); Elisa and Amanah (2021).

A high ROA ratio indicates that a company efficiently utilizes its assets to generate profits Febrianti and colleagues (2024). Meanwhile, ROE reflects the company's ability to generate returns on the capital invested by shareholders Kartika and Halawa (2022). Strong profitability ratios generally provide positive signals to investors regarding managerial competence and future growth potential, thereby increasing firm value.

In addition to profitability, operational efficiency also represents an important performance indicator within the banking industry. Operational efficiency is commonly measured using the Operating Expenses to Operating Income ratio (BOPO). BOPO reflects a bank's ability to manage operational costs relative to operational revenues Anggada and Safitri (2024); Handayani and colleagues (2023). Lower BOPO ratios indicate better operational efficiency and stronger cost management, which may positively influence investor perceptions regarding corporate value.

On the other hand, contemporary business expectations increasingly emphasize not only financial performance but also corporate responsibility toward society and environmental sustainability. Corporate Social Responsibility (CSR) reflects the extent to which companies demonstrate accountability for the social and environmental impacts of their business activities Holyfil and Ekadjaja (2021); Kholis (2020). CSR implementation measured using the GRI Standards 2021 framework has become

an important non-financial indicator believed to contribute to stronger corporate reputation, stakeholder trust, and positive investor perceptions.

Previous studies have produced inconsistent findings regarding the influence of financial performance and CSR on firm value. Febrianti and colleagues (2024) found that ROA significantly affects firm value, whereas ROE does not demonstrate significant influence. In contrast, Lestari and colleagues (2023), as well as Yahya and Fietroh (2021), concluded that both ROA and ROE significantly influence firm value. Similarly, Merllizcha and Triyonowati (2024) reported that ROA significantly affects firm value while ROE does not.

Within the banking context, Wangarry and colleagues (2023) found that BOPO does not significantly influence firm value, contradicting the findings of Haznun and Akbar (2022), who concluded that BOPO significantly affects firm value. Likewise, CSR-related studies have also produced inconsistent results. Karina and Setiadi (2020) demonstrated that CSR significantly influences firm value, whereas Wijaya and colleagues (2021) found that CSR has a negative and insignificant effect on firm value.

The inconsistencies among previous empirical findings indicate the existence of a relevant research gap requiring further investigation, particularly within the Indonesian banking sector during the 2022–2024 observation period. Furthermore, only limited studies have comprehensively examined the simultaneous effects of profitability, operational efficiency, and CSR disclosure based on GRI Standards 2021 on firm value in the banking

industry. Therefore, this study seeks to analyze the effects of Return on Assets (ROA), Return on Equity (ROE), BOPO, and Corporate Social Responsibility (CSR) on firm value among banking companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

METHODS

This study employed a quantitative research approach using secondary data collected through documentation techniques. Quantitative methods were selected because the study aimed to empirically examine the relationships between measurable financial and non-financial variables and firm value within the banking sector.

The population consisted of all banking companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period, totaling 47 listed banks Sugiyono (2023). The study utilized purposive sampling techniques based on several criteria, including:

Banking Companies Listed on the IDX During The 2022–2024 Period.

Companies consistently publishing annual financial statements and sustainability reports throughout the observation period. Companies implementing GRI Standards 2021 within their CSR reporting practices.

Based on these criteria, 21 companies were selected as research samples, resulting in a total of 63 observations over the three-year period (21 companies × 3 years). The research data were obtained from the official IDX website and the respective annual reports of each company.

The study involved independent and dependent variables. The

independent variables consisted of Return on Assets (ROA), Return on Equity (ROE), BOPO, and Corporate Social Responsibility (CSR), while firm value served as the dependent variable.

Data analysis was conducted using SPSS statistical software through several stages, including descriptive statistical analysis, classical assumption testing, multiple linear regression analysis, and hypothesis testing.

RESULTS AND DISCUSSION

The Effect of Return on Assets (ROA) on Firm Value

The hypothesis testing results indicate that ROA has a significance value of $0.029 < 0.05$. Therefore, the hypothesis is accepted, meaning that Return on Assets significantly affects firm value in banking companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

The findings suggest that the company's ability to generate profits from its assets plays an important role in shaping investor perceptions regarding firm value. However, the relationship between profitability and firm value requires deeper interpretation because higher profitability does not always guarantee positive market responses.

From the perspective of agency theory, the separation between ownership and managerial control creates opportunities for managers to pursue interests that may not fully align with shareholder objectives. High ROA increases the availability of corporate resources and cash flows, which may encourage managers to engage in opportunistic behavior such as overinvestment, risky expansion, or resource allocation toward projects that

primarily benefit management rather than shareholders.

Such conditions increase agency costs and strengthen information asymmetry because investors cannot fully monitor how management utilizes corporate profits. As a result, the market may respond cautiously to increasing profitability when strong governance and transparency mechanisms are absent. Investors may perceive high profitability as insufficient evidence of managerial quality if concerns regarding resource misuse remain unresolved.

These findings reinforce agency theory by demonstrating that high profitability does not always produce positive implications for firm value when accompanied by potential managerial opportunism. The results are consistent with previous studies conducted by Yahya and Fietroh (2021), as well as Arrahman and colleagues (2023), which found that ROA significantly influences firm value.

The Effect of Return on Equity (ROE) on Firm Value

The hypothesis testing results show that ROE has a significance value of $0.000 < 0.05$. Therefore, the hypothesis is accepted, indicating that Return on Equity significantly affects firm value in banking companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

According to Isnaeni and Raharjo (2020), higher returns generated from shareholder equity tend to increase investor confidence and market valuation. The greater the returns provided to shareholders, the higher the perceived value of the company within the capital market.

Within agency theory, management acts as an agent responsible for managing shareholder capital efficiently to maximize shareholder wealth. High ROE indicates that management successfully utilizes investor funds to generate profits, thereby reflecting alignment between managerial interests and shareholder objectives.

Strong ROE performance reduces the likelihood of managerial opportunism and lowers agency costs because shareholders directly benefit from increased returns. Furthermore, high ROE serves as a positive signal regarding managerial competence, operational effectiveness, and corporate growth prospects.

Consequently, investors tend to perceive companies with high ROE more favorably, which may increase stock prices and overall firm value. These findings support agency theory by demonstrating that managerial performance capable of maximizing shareholder returns contributes to minimizing agency conflicts and strengthening firm valuation.

The findings are consistent with previous studies conducted by Lestari and colleagues (2023), as well as Isnaeni and Raharjo (2020), which concluded that effective equity management significantly influences firm value.

The Effect of BOPO on Firm Value

The hypothesis testing results demonstrate that BOPO has a significance value of $0.446 > 0.05$. Therefore, the hypothesis is rejected, indicating that BOPO does not significantly affect firm value in banking companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

These findings indicate that operational efficiency measured through BOPO is not the primary determinant influencing investor assessments of banking firm value. Although BOPO theoretically reflects managerial efficiency in controlling operational expenses relative to operational revenues, investors may not perceive BOPO variations as sufficiently informative when evaluating banking performance.

From the agency theory perspective, inefficient operational management theoretically increases agency costs and reduces firm value because higher operational expenses may indicate poor managerial performance. However, the results of this study do not fully support this theoretical expectation.

One possible explanation relates to the characteristics of the banking industry itself. Banking institutions generally operate within highly regulated environments and face relatively homogeneous operational structures. Consequently, operational cost patterns among banks may not differ substantially, reducing BOPO's ability to serve as a strong market signal.

Additionally, investors may prioritize other financial indicators such as profitability, capital strength, and dividend returns rather than focusing primarily on operational efficiency ratios. As a result, BOPO may not significantly influence investor perceptions concerning banking firm value.

These findings are consistent with previous studies conducted by Wangarry and colleagues (2023), as well as Halimah and Komariah (2020), which

found that BOPO does not significantly affect firm value.

The Effect of Corporate Social Responsibility (CSR) on Firm Value

The hypothesis testing results indicate that CSR has a significance value of $0.016 < 0.05$. Therefore, the hypothesis is accepted, meaning that Corporate Social Responsibility significantly affects firm value in banking companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

The findings suggest that investors within the banking sector increasingly consider CSR disclosure when evaluating corporate performance and long-term sustainability. CSR activities demonstrate the company's commitment toward social welfare, environmental sustainability, and ethical business practices, all of which contribute to stronger corporate legitimacy and stakeholder trust.

However, within the agency theory framework, CSR expenditures may also be perceived as agency costs if investors suspect that management utilizes corporate resources for personal reputation-building or social legitimacy purposes without directly maximizing shareholder wealth.

Investors may become cautious because CSR programs often produce long-term benefits that are not immediately reflected in short-term financial performance. Consequently, the market response toward CSR activities may vary depending on investor perceptions regarding the effectiveness and strategic relevance of CSR implementation.

The findings of this study indicate that CSR significantly influences

firm value, suggesting that social responsibility has become an increasingly important component of investor decision-making within the banking industry. Effective CSR implementation based on GRI Standards 2021 may strengthen corporate reputation, improve stakeholder relationships, and enhance market confidence regarding long-term corporate sustainability.

The results are consistent with previous studies conducted by Haryono and colleagues (2025), as well as Sutanto and colleagues (2024), which concluded that CSR significantly influences firm value.

CONCLUSION

Based on the findings of this study, Return on Assets (ROA) and Return on Equity (ROE) significantly influence firm value in banking companies listed on the Indonesia Stock Exchange during the 2022–2024 period. These findings indicate that profitability remains an important factor influencing investor assessments regarding corporate performance and growth prospects.

Corporate Social Responsibility (CSR) was also found to significantly influence firm value, demonstrating that non-financial aspects increasingly contribute to investor decision-making processes when evaluating corporate sustainability and reputation. Meanwhile, BOPO does not significantly affect firm value, indicating that operational efficiency measured through BOPO has not become a dominant consideration in shaping market perceptions within the banking sector.

Based on these findings, banking management is encouraged not only to focus on improving profitability performance through ROA and ROE optimization but also to strengthen CSR implementation and maintain operational efficiency as part of broader strategies for enhancing corporate reputation and market trust.

Investors are also encouraged to consider both financial performance indicators and CSR disclosures when evaluating corporate performance and investment prospects in order to make more objective and comprehensive investment decisions.

Future researchers are advised to incorporate additional variables such as risk management, ownership structure, corporate governance, and company size in order to develop more comprehensive research models. Furthermore, extending the observation period is recommended to obtain broader empirical insights and deeper understanding regarding the determinants of firm value within the banking industry.

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