Ar-Rasyid: Jurnal Publikasi Penelitian Ilmiah - ISSN:3109-6220
https://e-journal.sahariset.com/index.php/ar-rasyid
Volume 2 Nomor 8, Agustus 2026 - Halaman 110-124

CORPORATE GOVERNANCE BASED ON POJK NO. 17/2023, DIGITAL MATURITY, AND FIRM VALUE: THE MEDIATING ROLE OF ESG PERFORMANCE IN BANKING COMPANIES LISTED ON THE IDX

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ABSTRACT

This study investigates the effects of governance implementation based on POJK No.17/POJK.03/2023 and digital maturity on firm value, with Environmental, Social, and Governance (ESG) performance serving as a mediating variable among banking companies listed on the Indonesia Stock Exchange during 2024–2025. The study is motivated by the condition in which the banking industry maintained relatively strong fundamental performance while experiencing pressure in market valuation, indicating the growing importance of non-financial factors in shaping investors' perceptions. A quantitative approach was employed using secondary data obtained from annual reports, sustainability reports, financial statements, and market data. The sample was selected using purposive sampling, resulting in 30 banking companies and 60 firm-year observations over the two-year observation period. Governance implementation, digital maturity, and ESG performance were measured using content analysis based on a disclosure index, while firm value was proxied by Tobin's Q. The data were analyzed using panel data regression with EViews 13, including model selection, classical assumption testing, partial and simultaneous significance tests, coefficient of determination, and the Sobel test to examine the mediating effects. The findings demonstrate that governance implementation based on POJK No.17/POJK.03/2023 and digital maturity have positive and significant effects on both firm value and ESG performance. ESG performance also has a positive and significant effect on firm value. Furthermore, ESG performance significantly mediates the effects of governance implementation and digital maturity on firm value. The model indicates that governance implementation and digital maturity explain 88.81% of the variation in ESG performance, while governance implementation, digital maturity, and ESG performance jointly explain 94.42% of the variation in firm value. These findings highlight the importance of integrating corporate governance, digital transformation, and sustainability into banking management strategies to strengthen stakeholder confidence and enhance firm value.

Keywords : *Banking Governance, POJK No.17/2023, Digital Maturity, ESG Performance, Firm Value.*

ABSTRAK

Penelitian ini menganalisis pengaruh penerapan tata kelola berbasis POJK No.17/POJK.03/2023 dan digital maturity terhadap nilai perusahaan dengan kinerja Environmental, Social, and Governance (ESG) sebagai variabel mediasi pada perusahaan perbankan yang terdaftar di Bursa Efek Indonesia selama periode 2024–2025. Penelitian dilatarbelakangi oleh kondisi ketika kinerja fundamental industri perbankan relatif kuat, tetapi nilai perusahaan di pasar modal mengalami tekanan, sehingga menunjukkan semakin pentingnya faktor nonkeuangan dalam membentuk persepsi investor. Penelitian menggunakan pendekatan kuantitatif dengan data sekunder yang diperoleh dari laporan tahunan, laporan keberlanjutan, laporan keuangan, dan data pasar. Sampel ditentukan melalui purposive sampling dan menghasilkan 30 perusahaan perbankan dengan 60 observasi selama dua tahun. Pengukuran tata kelola, digital maturity, dan kinerja ESG dilakukan melalui content analysis berbasis disclosure index, sedangkan nilai perusahaan diproksikan menggunakan Tobin's Q. Analisis dilakukan menggunakan regresi data panel dengan bantuan EViews 13, meliputi pemilihan model, pengujian asumsi klasik, pengujian parsial dan simultan, koefisien determinasi, serta uji Sobel untuk menguji efek mediasi. Hasil penelitian menunjukkan bahwa penerapan tata kelola berbasis POJK No.17/POJK.03/2023 dan digital maturity berpengaruh positif dan signifikan terhadap nilai perusahaan maupun kinerja ESG. Kinerja ESG juga terbukti berpengaruh positif dan signifikan terhadap nilai perusahaan. Selanjutnya, kinerja ESG terbukti memediasi pengaruh tata kelola dan digital maturity terhadap nilai perusahaan. Model penelitian menunjukkan bahwa tata kelola dan digital maturity mampu menjelaskan 88,81% variasi kinerja ESG, sedangkan tata kelola, digital maturity, dan kinerja ESG secara bersama-sama menjelaskan 94,42% variasi nilai perusahaan. Temuan ini menegaskan pentingnya integrasi tata kelola, transformasi digital, dan keberlanjutan dalam strategi pengelolaan perbankan untuk memperkuat kepercayaan pemangku kepentingan dan meningkatkan nilai perusahaan.

Kata Kunci : *Tata Kelola Perbankan, POJK No.17/2023, Digital Maturity, Kinerja ESG, Nilai Perusahaan.*

INTRODUCTION

The Indonesian banking industry is undergoing significant transformation amid increasingly stringent governance requirements, accelerated digital transformation, and growing attention to corporate sustainability (Haninun et al., 2024). These developments encourage banks to focus not only on financial performance but also on strengthening governance quality, technological adaptability, and the implementation of Environmental, Social, and Governance (ESG) principles. In this context, POJK No.17/POJK.03/2023 represents an important regulatory instrument for strengthening risk-based banking governance, while digital maturity reflects a bank's readiness to integrate digital technologies into its strategies and operational activities. At the same time, ESG performance has become increasingly relevant to investors as it provides an indication of corporate sustainability and the quality of organizational management. Accordingly, governance, digital maturity, and ESG performance constitute strategic dimensions that may shape market perceptions and firm value in the banking sector (Barusman et al., 2021).

The empirical phenomenon during 2024–2025 reveals an interesting divergence between banking fundamentals and developments in firm value in the capital market. Indonesian banking credit continued to demonstrate positive growth, reaching 10.39% year-on-year in 2024 and remaining at 7.77% year-on-year through June 2025. Nevertheless, this positive fundamental performance was not fully reflected in market valuation. Throughout 2025, the share prices of several major banks declined, including BBCA by 14.47% year-to-date, BMRI by 2.01%, and BBRI by 1.98%. This weakening was also accompanied by substantial foreign capital outflows from banking stocks. The condition indicates a divergence between relatively resilient banking operations and declining market valuation. Consequently, non-financial factors, including governance quality, digital capabilities, and sustainability performance, have become increasingly relevant in explaining changes in firm value.

From a governance perspective, the implementation of POJK No.17/POJK.03/2023 requires banks to adopt more comprehensive governance practices through stronger organizational structures, oversight mechanisms, risk management, and compliance. The regulation also incorporates 16 assessment factors concerning the duties and responsibilities of the board of directors, supervisory functions, and integrated risk management. However, differences in implementation capacity and governance quality across banks may generate variations in perceived risk and investor confidence. Meanwhile, banking digital maturity has developed rapidly, as reflected in the 37.1% year-on-year growth in national digital banking transactions in October 2024. Nevertheless, the readiness of infrastructure, technology, and human resources remains uneven, resulting in differences in digital maturity across banks. Such variations may influence banks' ability to improve efficiency, innovation, service quality, and competitiveness.

In addition to governance and digital maturity, ESG performance has emerged as an important factor in the development of the banking industry. During the research period, several banks demonstrated substantial improvements in ESG performance. Bank Mandiri, for instance, recorded a decline in its ESG Risk Rating from 28.2 in 2024 to 9.8 in August 2025, while BNI improved its ESG rating from BBB to A during the same period. However, these improvements in ESG performance were not necessarily accompanied by proportional increases in market valuation. This condition suggests that the relationship between ESG performance and firm value requires further investigation, particularly to understand how ESG may function as a mechanism linking governance practices and digital transformation to firm value.

Theoretically, effective corporate governance and high levels of digital maturity should enhance firm value by improving transparency, efficiency, innovation, and investor confidence. However, previous empirical findings have not been entirely consistent. Some studies report positive effects of governance and digitalization on corporate performance and firm value, whereas other studies produce different findings. This inconsistency suggests the presence of an additional mechanism that may explain these relationships. ESG performance has the potential to function as a mediating variable because ESG implementation can strengthen corporate reputation, social legitimacy, transparency, and stakeholder confidence. Therefore, ESG may serve as a transmission mechanism through which governance quality and digital maturity contribute to higher firm value.

The research gap is further reflected in the limited number of studies that integrate governance implementation based on POJK No.17/POJK.03/2023, digital maturity, and ESG performance into a single framework to explain firm value in the Indonesian banking sector. Previous studies have predominantly examined these relationships separately and have not comprehensively incorporated the latest banking regulation together with the mediating role of ESG performance. Moreover, empirical evidence regarding the role of ESG as a mediator remains inconsistent. Therefore, this study introduces a novel framework by integrating governance implementation based on POJK No.17/POJK.03/2023 and digital maturity as determinants of firm value, while positioning ESG performance as a mediating variable.

Based on these phenomena and research gaps, this study aims to examine the effects of governance implementation based on POJK No.17/POJK.03/2023 and digital maturity on firm value among banking companies listed on the Indonesia Stock Exchange, as well as to investigate the effects of these variables on ESG performance and the effect of ESG performance on firm value. Furthermore, this study examines the mediating role of ESG performance in the relationship between governance implementation based on POJK No.17/POJK.03/2023 and digital maturity and firm value. Banking companies listed on the Indonesia Stock Exchange during 2024–2025 are selected as the research setting because this period represents a critical phase following the implementation of POJK No.17/POJK.03/2023, the acceleration of post-pandemic digital transformation, and increasing investor attention to sustainability issues. This study is expected to contribute to the literature on financial management, corporate governance, digital transformation, and sustainability, while providing practical implications for banking management, regulators, and investors in understanding the determinants of firm value.

Literatur Review

Governance Implementation Based on POJK No. 17/2023

Governance implementation based on POJK No. 17/POJK.03/2023 refers to the application of sound corporate governance principles within the banking sector in accordance with the regulatory framework established by the Financial Services Authority (Trommel, 2020).The regulation requires banks to integrate governance practices throughout their business activities, including organizational structure, oversight, risk management, compliance, internal control, and internal audit functions. The regulation emphasizes the principles of transparency, accountability, responsibility, independence, and fairness as the main foundations of good corporate governance. Effective implementation of these principles is expected to strengthen organizational control, improve risk management, and ensure that managerial decisions are conducted in accordance with the interests of shareholders and other stakeholders (OJK, 2023).

From the perspective of agency theory, the implementation of governance based on POJK No. 17/POJK.03/2023 can reduce potential conflicts of interest between management and shareholders by strengthening transparency, accountability, and supervision. Furthermore, signaling theory suggests that effective compliance with governance regulations provides positive information to investors regarding the quality of corporate management and risk control. From a stakeholder perspective, sound governance demonstrates the bank's commitment to fulfilling the expectations of regulators, customers, investors, employees, and the wider community(Rivelino, 2022). Therefore, stronger governance implementation can enhance stakeholder confidence, corporate credibility, and ultimately contribute to the improvement of firm value. The thesis also identifies the implementation of POJK No. 17/POJK.03/2023 as an important aspect of the study because differences in compliance and implementation quality among banks may generate different outcomes in the market.

Digital Maturity

Digital maturity describes the extent to which an organization is prepared and capable of adopting, integrating, and utilizing digital technologies within its business strategy, operational processes, organizational culture, and human resource capabilities (Minh & Thanh, 2022). Digital maturity is therefore broader than merely adopting new technologies because it reflects the organization's ability to strategically utilize digital capabilities to achieve business objectives. Organizations with higher levels of digital maturity are generally better positioned to improve operational efficiency, support data-driven decision-making, develop innovative products and services, and strengthen competitiveness in an increasingly digital business environment (Vial, 2019; Lee et al., 2022; Rossman, 2023). In the banking industry, digital maturity is particularly important because banking activities are highly dependent on information technology, including mobile banking, internet banking, digital payment systems, and other technology-based financial services (Thordsen & Bick, 2023).

Digital maturity can also influence corporate performance through greater information transparency, responsiveness, and organizational adaptability. From an agency theory perspective, digitalization can reduce information asymmetry between management and shareholders by enabling faster and more transparent access to corporate information (Thordsen & Bick, 2023). Signaling theory views a high level of digital maturity as a positive signal of a company's ability to adapt to technological change, innovate, and maintain competitiveness in the future. Meanwhile, stakeholder theory emphasizes that digital transformation can improve the quality and accessibility of services provided to customers, investors, and regulators, thereby strengthening stakeholder trust. Previous studies have also indicated that digital transformation can improve operational efficiency and organizational performance, including within the Indonesian banking sector (Vial, 2019; Kurniawan et al., 2024; Dunan, 2021).

ESG Performance

Environmental, Social, and Governance (ESG) performance represents the extent to which a company integrates environmental, social, and governance considerations into its business activities and decision-making processes (Kalender & Žilka, 2024). ESG performance provides a comprehensive framework for evaluating corporate sustainability by considering not only financial outcomes but also the company's long-term impact on the environment, society, and governance quality. The three ESG dimensions collectively provide an assessment of a company's resilience and ability to create sustainable value over the long term. Consequently, ESG performance has become increasingly relevant to investors because information concerning environmental responsibility, social practices, and governance quality can influence assessments of corporate risk, reputation, sustainability, and future prospects (Yoon et al., 2018)

ESG performance is also closely associated with stakeholder expectations and corporate legitimacy. Stakeholder theory emphasizes that companies are responsible not only to shareholders but also to customers, employees, regulators, communities, and the environment. In this context, strong ESG performance reflects the company's ability to respond to the interests and expectations of its broader stakeholder groups (Ochoa-Urrego & Peña, 2020). Signaling theory further suggests that transparent ESG reporting can provide positive information regarding a company's commitment to ethical, responsible, and sustainable business practices. From the perspective of agency theory, ESG implementation may also indicate management's orientation toward long-term corporate sustainability rather than short-term financial gains. Previous research has demonstrated that strong ESG performance can improve corporate reputation, legitimacy, stakeholder trust, and firm valuation. Therefore, this study positions ESG performance as a mediating variable that explains how governance implementation and digital maturity can contribute to firm value (Suwanda, 2019).

Firm Value

Firm value reflects the market's assessment of a company's current performance, future prospects, risk profile, and ability to generate sustainable economic benefits. It represents an important indicator of management effectiveness because increasing firm value is closely associated with the objective of maximizing shareholder wealth. From a signaling theory perspective, firm value reflects the market's response to both financial and non-financial information disclosed by the company, including information concerning corporate governance, digital capabilities, and sustainability practices (Soi & Buigut, 2020). Agency theory views firm value as an indication of the extent to which managerial actions are aligned with shareholder interests, while stakeholder theory emphasizes the company's ability to meet the expectations of its various stakeholders as a basis for creating sustainable value (Kalender & Žilka, 2024)

Firm value can be measured using various market-based indicators, including Price to Book Value (PBV) and Tobin's Q. PBV compares the market price of a company's shares with its book value, whereas Tobin's Q compares the market value of a company with the value of its assets. Tobin's Q is considered particularly relevant for capturing investors' expectations regarding future growth because it incorporates market valuation and can better reflect intangible factors such as technological capabilities, digital transformation, corporate reputation, and ESG performance. Accordingly, this study uses Tobin's Q as a proxy for firm value because it is considered more representative of market perceptions of banking companies. The use of Tobin's Q is also consistent with the characteristics of this research, which examines the relationships among governance implementation based on POJK No. 17/POJK.03/2023, digital maturity, ESG performance, and firm value.

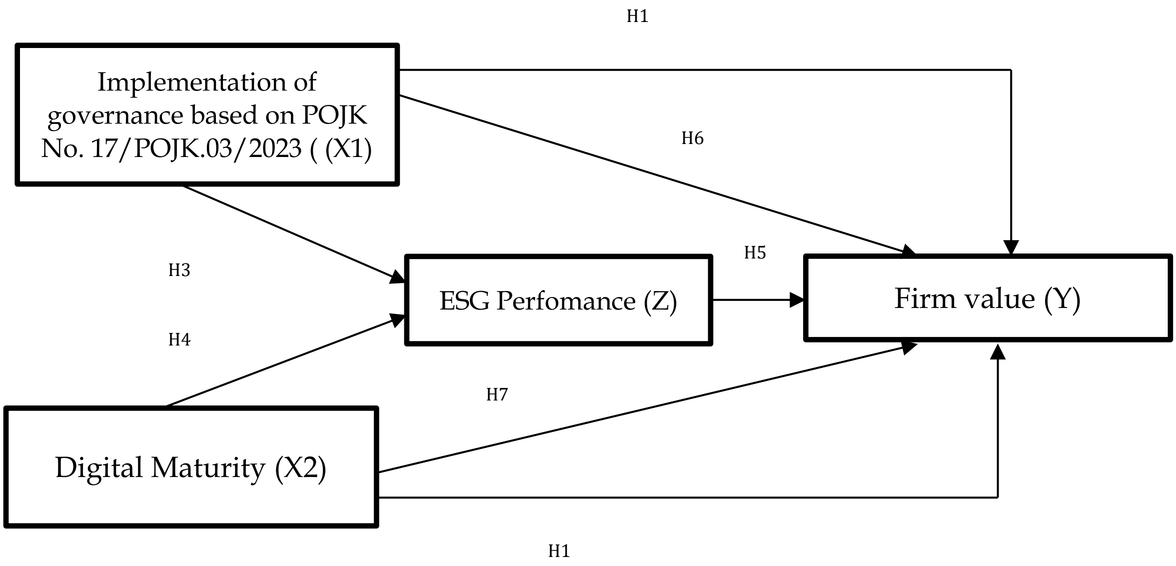

Figure 1. Framework

Hyphothesis

H1: The implementation of POJK No. 17/POJK.03/2023-based corporate governance has a significant effect on firm value.
H2: Digital maturity has a significant effect on firm value.
H3: The implementation of POJK No. 17/POJK.03/2023-based corporate governance has a significant effect on ESG performance.
H4: Digital maturity has a significant effect on ESG performance.
H5: ESG performance has a significant effect on firm value.
H6: ESG performance mediates the effect of POJK No. 17/POJK.03/2023-based corporate governance on firm value.
H7: ESG performance mediates the effect of digital maturity on firm value.

RESEARCH METHODOLOGY

This study employs a quantitative approach with a causal research design to examine the effects of governance implementation based on POJK No. 17/POJK.03/2023 and digital maturity on firm value, with Environmental, Social, and Governance (ESG) performance as a mediating variable. The population comprises banking companies listed on the Indonesia Stock Exchange (IDX) during 2024–2025. The sample was selected using purposive sampling based on the availability and completeness of annual reports, financial statements, and sustainability reports, as well as the availability of data required to measure the research variables. From 41 listed banking companies, 30 companies met the criteria, resulting in 60 firm-year observations. The study uses secondary data collected through documentation and literature studies from annual reports, financial statements, sustainability reports, and market data(Rana et al., 2021).

The research variables consist of governance implementation based on POJK No. 17/POJK.03/2023 (X_1), digital maturity (X_2), ESG performance (Z), and firm value (Y). Governance implementation was measured based on the disclosure of five Good Corporate Governance principles: transparency, accountability, responsibility, independence, and fairness. Digital maturity was measured based on disclosures related to digital strategies, technology, operational processes, and digital services, while ESG performance was assessed based on environmental, social, and governance disclosures. These three variables were measured using a disclosure index through content analysis, in which each disclosed item was assigned a score of 1 and each undisclosed item a score of 0. Firm value was measured using Tobin's Q, calculated as the market value of equity plus total debt divided by total assets.

Data analysis was conducted using EViews 13. The analytical procedures included descriptive statistical analysis, classical assumption tests consisting of normality, multicollinearity, heteroscedasticity, and autocorrelation tests, and panel data regression analysis. Three panel data estimation approaches—Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM)—were evaluated using the Chow, Hausman, and Lagrange Multiplier (LM) tests. The selected models were then used to estimate two structural equations: the first examined the effects of governance implementation and digital maturity on ESG performance, while the second examined their effects on firm value with ESG performance included as a mediator. Hypotheses were tested using the t-test, F-test, coefficient of determination (R^2), and Sobel test for mediation effects at a 5% significance level.

RESULTS AND DISCUSSION

The Effect of Governance Implementation Based on POJK No. 17/POJK.03/2023 on Firm Value

The results of hypothesis testing indicate that the implementation of governance based on POJK No. 17/POJK.03/2023 has a positive and significant effect on firm value. The regression coefficient is 0.341128 with a p-value of 0.0016, which is lower than the 0.05 significance level. Therefore, H1 is accepted. This finding indicates that improvements in governance practices are associated with higher firm value among banking companies. A one-unit increase in the governance index is estimated to increase firm value, as measured by Tobin's Q, by 0.341128 units, assuming other variables remain constant.

This finding supports agency theory, which explains that effective corporate governance can reduce conflicts of interest between management and shareholders through greater transparency, accountability, supervision, and improved decision-making. In addition, signaling theory suggests that compliance with credible governance regulations provides a positive signal regarding management quality, risk management, and the company's future prospects. For banking companies, the implementation of POJK No. 17/POJK.03/2023 therefore represents not only regulatory compliance but also an important mechanism for strengthening investor confidence and improving market valuation. The result is consistent with previous studies showing a positive relationship between good corporate governance and firm value.

The Effect of Digital Maturity on Firm Value

he results of hypothesis testing show that digital maturity has a positive and significant effect on firm value. The regression coefficient is 0.163652 with a p-value of 0.0347, which is below 0.05. Therefore, H2 is accepted. This result indicates that higher levels of digital maturity are associated with higher firm value. A one-unit increase in the digital maturity index is estimated to increase firm value by 0.163652 units, assuming other variables remain constant.

This finding indicates that digital transformation has become an important component of value creation in the banking sector. Higher digital maturity enables banks to improve operational efficiency, service quality, innovation, information management, and responsiveness to changing customer needs. From the perspective of signaling theory, strong digital maturity provides a positive signal to investors regarding the company's ability to adapt to technological developments and maintain future competitiveness. Digital maturity can also reduce information asymmetry by improving the availability and accuracy of information, thereby supporting better corporate decision-making and strengthening investor confidence.

The Effect of Governance Implementation Based on POJK No. 17/POJK.03/2023 on ESG Performance

The results show that the implementation of governance based on POJK No. 17/POJK.03/2023 has a positive and significant effect on ESG performance. The regression coefficient is 0.726527 with a p-value of 0.0000, which is below the 0.05 significance level. Therefore, H3 is accepted. This result demonstrates that stronger governance practices contribute substantially to improvements in environmental, social, and governance performance. The relatively high coefficient also indicates that governance is an important determinant of ESG performance among the banking companies examined in this study.

This finding is consistent with stakeholder theory, which emphasizes that companies are responsible not only to shareholders but also to customers, employees, regulators, communities, and other stakeholders. Effective governance provides a framework for balancing these interests through transparency, accountability, risk management, and responsible decision-making. Agency theory also supports this result because strong governance mechanisms encourage management to consider long-term sustainability rather than focusing exclusively on short-term financial objectives. Thus, the implementation of POJK No. 17/POJK.03/2023 can serve as a foundation for strengthening sustainable business practices and improving ESG performance.

The Effect of Digital Maturity on ESG Performance

The hypothesis testing results indicate that digital maturity has a positive and significant effect on ESG performance. The regression coefficient is 0.408774 with a p-value of 0.0000, which is lower than 0.05. Therefore, H4 is accepted. This finding indicates that improvements in digital maturity are accompanied by improvements in ESG performance. Digital capabilities enable banking companies to integrate technology into business processes, information management, monitoring systems, and decision-making, thereby supporting more effective implementation of sustainability-related practices.

The result is consistent with stakeholder theory because digitalization enables companies to respond more effectively to the expectations and needs of various stakeholders. Digital systems can improve transparency, service quality, information accessibility, and monitoring of environmental, social, and governance activities. From the perspective of agency theory, digital technologies can also strengthen supervision and reduce information asymmetry by providing more timely and accurate information. Therefore, digital maturity should not be viewed solely as an operational capability but also as an important organizational resource for strengthening ESG performance and supporting sustainable business practices.

The Effect of ESG Performance on Firm Value

The results of hypothesis testing demonstrate that ESG performance has a positive and significant effect on firm value. The regression coefficient is 0.749239 with a p-value of 0.0000, which is below 0.05. Therefore, H5 is accepted. This result indicates that better ESG performance is associated with higher firm value. The relatively large coefficient suggests that ESG performance has a substantial contribution to explaining firm value in the banking companies included in the study.

This finding supports signaling theory, which views ESG performance as positive information regarding management quality, risk management, corporate responsibility, and long-term business prospects. Strong ESG performance can also enhance corporate legitimacy, reputation, and stakeholder trust, consistent with stakeholder theory. For investors, companies with stronger ESG performance may be perceived as better prepared to manage non-financial risks and maintain sustainable growth. Therefore, ESG performance represents an increasingly important non-financial factor in determining market perceptions and firm valuation.

The Effect of Governance Implementation on Firm Value through ESG Performance

The results of the mediation analysis show that ESG performance significantly mediates the relationship between governance implementation based on POJK No.

17/POJK.03/2023 and firm value. The indirect effect of governance on firm value through ESG performance is 0.544332 with a p-value of less than 0.0001. Therefore, H6 is accepted. This result indicates that effective governance contributes to higher firm value not only through its direct effect but also by strengthening the company's ESG performance.

The finding indicates that governance provides an organizational foundation for integrating sustainability into corporate strategy and operations. Strong governance mechanisms encourage greater accountability, transparency, risk management, and consideration of stakeholder interests, which subsequently improve ESG performance. The improved ESG performance then provides a positive signal to investors and strengthens corporate legitimacy and reputation, ultimately contributing to higher firm value. Thus, ESG performance serves as an important mechanism linking regulatory-based governance implementation with market valuation.

The Effect of Digital Maturity on Firm Value through ESG Performance

The mediation analysis demonstrates that ESG performance significantly mediates the relationship between digital maturity and firm value. The indirect effect of digital maturity on firm value through ESG performance is 0.306266 with a p-value of less than 0.0001. Therefore, H7 is accepted. This result indicates that digital maturity contributes to firm value not only directly through operational and technological improvements but also indirectly by enhancing ESG performance.

This finding suggests that digital transformation creates greater economic value when it is integrated with sustainability objectives. Higher digital maturity improves information management, transparency, monitoring, operational efficiency, and the company's ability to respond to stakeholder expectations, which can strengthen ESG performance. The resulting improvement in ESG performance then provides a positive signal to investors regarding the company's long-term sustainability and adaptability. Therefore, ESG performance acts as an important transmission mechanism through which digital capabilities are translated into higher firm value. This finding is consistent with the theoretical framework of the study, which positions ESG performance as a mediator between digital maturity and firm value.

CONCLUSION

1. The implementation of POJK No. 17/POJK.03/2023-based corporate governance has a positive and significant effect on firm value ($\beta = 0.341128$; $p = 0.0016$). This finding indicates that stronger governance practices, particularly transparency, accountability, and effective oversight, enhance investor confidence and contribute to higher firm valuation.
2. Digital maturity has a positive and significant effect on firm value ($\beta = 0.163652$; $p = 0.0347$). This result indicates that higher levels of digital maturity

strengthen firms' ability to adapt to technological developments, improve operational efficiency, and provide positive signals to the market regarding their future competitiveness.

3. The implementation of POJK No. 17/POJK.03/2023-based corporate governance has a positive and significant effect on ESG performance (β = 0.726527; $p < 0.001$). This finding demonstrates that effective governance strengthens accountability, transparency, and oversight, thereby supporting improvements in environmental, social, and governance practices.
4. Digital maturity has a positive and significant effect on ESG performance (β = 0.408774; $p < 0.001$). This finding indicates that greater digital capabilities enable firms to manage, monitor, and disclose ESG-related information more efficiently, accurately, and transparently, thereby strengthening corporate sustainability practices.
5. ESG performance has a positive and significant effect on firm value (β = 0.749239; $p < 0.001$). This represents the strongest effect among the predictor variables, indicating that superior ESG performance enhances corporate reputation, stakeholder trust, and investor confidence, ultimately contributing to higher firm valuation.
6. ESG performance significantly mediates the effect of POJK No. 17/POJK.03/2023-based corporate governance on firm value ($t = 5.663$; $p < 0.001$), with an indirect effect of 0.544332. This finding indicates that effective corporate governance enhances firm value not only directly but also indirectly through improved ESG performance.
7. ESG performance significantly mediates the effect of digital maturity on firm value ($t = 4.327$; $p < 0.001$), with an indirect effect of 0.306266. This result indicates that digital maturity contributes to firm value both directly and indirectly through improved ESG performance, demonstrating that digital transformation can strengthen sustainability practices and ultimately increase firm value.

IMPLICATION

1. This study contributes to the literature on financial management and corporate governance by strengthening the applicability of agency theory, signaling theory, and stakeholder theory in the context of Indonesian banking. The findings demonstrate that corporate governance, digital maturity, and ESG performance complement one another in explaining firm value creation in the era of digitalization and sustainability. The significant effects of corporate governance on firm value and ESG performance support agency theory, while

the positive effects of corporate governance, digital maturity, and ESG performance on firm value reinforce signaling theory. Meanwhile, the positive influence of corporate governance and digital maturity on ESG performance supports stakeholder theory. Furthermore, the mediating role of ESG performance confirms that sustainability practices represent an important transmission mechanism through which governance and digital capabilities contribute to firm value. The study also extends the literature by providing empirical evidence on POJK No. 17/POJK.03/2023 as a recent corporate governance regulation in Indonesia and by positioning digital maturity as an important antecedent of ESG performance. These findings provide a theoretical foundation for developing more integrated models that incorporate institutional quality, investor financial literacy, and investment climate as potential moderating factors.

2. The findings provide practical implications for banking management, regulators, and investors. Banking management should integrate digital transformation with sustainability strategies through technology-based ESG reporting, data analytics for monitoring environmental and social impacts, and inclusive digital services, given the strong contribution of ESG performance to firm value. Regulators, particularly the Financial Services Authority (OJK), are encouraged to strengthen outcome-based governance supervision, provide incentives for banks with superior ESG performance, and integrate ESG considerations more explicitly into banking governance assessments. Investors should also consider corporate governance, digital maturity, and ESG performance as important non-financial factors in investment decisions rather than relying solely on short-term financial indicators or regulatory compliance. Overall, the findings suggest that the integration of sound governance, digital capabilities, and sustainability practices can strengthen investor confidence and support long-term firm value creation in the Indonesian banking sector.

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