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Green Credit, Corporate Social Responsibility and Company Value: Evidence From Indonesia and China Banks

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Article info

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Corporate Social Responsibility, Company Value, Green Credit, and Profitability.

Abtract

The objective of this study is to investigate the influence of green credit and Corporate Social Responsibility (CSR) on company value, with profitability as a mediating factor, in banks in Indonesia and China from 2019 to 2022. This research uses a purposive sampling method in selecting the sample. The objects in this research are banks in Indonesia and China. Data analysis in this research uses multiple linear regression analysis. The findings reveal that green credit significantly affects profitability, whereas CSR does not. Neither green credit nor CSR directly impacts company value, but profitability as a mediating variable significantly influences company value. Indirectly, green credit through profitability significantly affects company value, while CSR does not. TThis research provides interesting contributions to stakeholders, related to green credit and sustainability programs.Therefore, this study can offer new insights. Limitations include the study's focus on a limited sample of banks that offer green credit and CSR, the restriction to four years of data without accounting for external factors like the COVID-19 pandemic, and the use of a single analytical tool.

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1. Introduction

The public's attention to environmental issues is increasing due to climate change, particularly global warming. According to NASA's official website, www.climate.nasa.gov, recent temperature data indicates rapid warming over the past few decades, with 2021 being the hottest year since 1880. The issue of environmental sustainability has become a global concern to safeguard human health and promote sustainable development (Wang et al., 2021; ZIiaul & Shuwei, 2023; and Udeagha & Ngepah, 2023). Global economics have shifted towards green, environmentally friendly, and sustainable development since the 1990s. Starting from the Earth Summit in 1992, the Kyoto Protocol in 1997, and culminating in the Paris Agreement in 2015, discussions on green economic development have been on the agenda, signifying a nation's initial commitment to environmental issues (Danye, 2020; Gunawan et al., 2022; Lian et al., 2022). Indonesia, as one of the 195 countries participating in the Paris Agreement, signed the agreement as a testament to its commitment to environmental preservation and the future well-being of its citizens.

The implementation of green economics requires transitional mechanisms, including financing, which necessitates support from various stakeholders, both governmental and private sectors. This support led to the concept of green financing or green financing, where banks play a crucial role in facilitating the transition to green economies, such as financing environmentally impactful activities through green credit or green loans.

Green credit, as part of green financing, allocates financial resources towards green and low-carbon sectors, promoting sustainable development (Wang et al., 2021; Wang et al., 2021, Ngo et al., 2022.). In 2017, the Financial Services Authority of Indonesia (OJK) issued Regulation No. 51/POJK.03/2017 on sustainable finance for financial institutions, issuers, and public companies. OJK's involvement in sustainable banking began in November 2015 through the pilot project "the First Movers on Sustainable Banking," in collaboration with China, recognized by the Sustainable Banking Network (SBN). Eight participating banks formed the Indonesian Sustainable Banking Initiative (IKBI) to implement sustainability principles. Further expansion of IKBI membership occurred, as reported by www.cnbcindonesia.com on Tuesday, November 26, 2019, with Bank Mandiri Syariah, OCBC NISP, CIMB Niaga, HSBC Indonesia, and Maybank joining, increasing IKBI membership to 13 from the previous eight. Based on the Indonesia Sustainable Finance Outlook (ISFO) 2023 report, bank financing for renewable energy companies was assessed by the four largest banks according to assets owned in 2021, in 2018-2021 this financing experienced fluctuations and only contributed 0.9%-5.5% of a total of four sustainable portfolios for commercial banks. Indonesia's sustainable financial achievements were recorded at IDR 913.15 Trillion with green credit distribution amounting to IDR 809.75 Trillion / USD 55.8 Billion.

China has had environmental policy regulations in place for managing financial institution credit since 1995, which differs from Indonesia. However, the widespread implementation of green financing and green credit in China did not occur until 2007 when the Guidelines for Providing Credit for Energy Conservation and Emission Reduction were introduced In 2012, the China Banking Regulatory Commission issued the Green Credit Guidelines, promoting ESG practices in the banking sector (Wang et al., 2021; Wang et al., 2021; Yin et al., 2021). Data from the CBRC report indicates stable growth in the green credit portfolios of Chinese banks from 2013 to June 2017, with significant increases in renewable energy and environmental protection sectors. Analysis by Lai et al., 2022, shows that green credit has a positive impact on company value. There is a gap in the numbers and results of previous researchers' analysis. Research on the effect of green credit on company value has still received very little attention. Lai's research only explored the impact of green credits on the value of new ener-gy companies. This research mainly focuses on registered Chinese NECs, which does not include unregistered Chinese NECs or those in other countries. Due to data limitations and the dominance of China's indirect financing system, this study only examines the role of GC in promoting the value of NEC. This research fills the gap by conducting research on the value of banks as distributors of green credit.

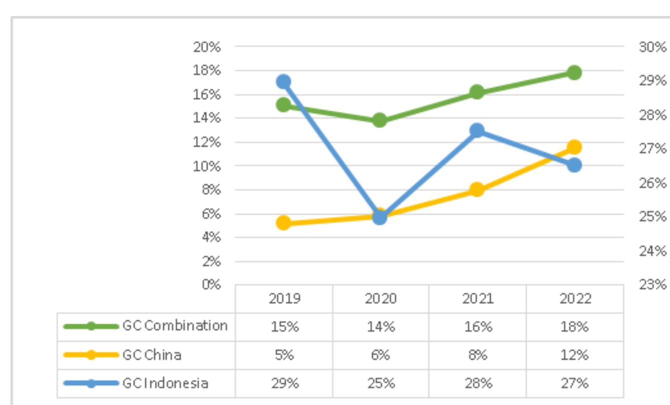

Figure 1 Green Credit Ratio Graph of Banks in Indonesia and China for the Years 2019-2022.

Corporate Social Responsibility (CSR) is another component in this study that can influence a company's value. CSR is an important foundation to ensure that a company's activities impact the e-conomy positively at both macro and micro levels. CSR contributes to increasing a company's profits and sustainable economic growth but also adds to the company's financial burden (Ang et al., 20220). Analysis by Kamaliah (2020), Huang et al., (2022) and Mohammadi & Saeidi (2022) proves that CSR affects a company's value. In contrast, analysis by Harun et al.,(2020),

Lauren et al., (2023) explains that CSR has a negative impact on a company's va-lue. The findings of Nuryana & Bhebhe (2019); Jemunu et al. (2021) show that CSR has no effect on company value.

In this research, an intervening variable, profitability, is utilized. Profitability indicates a company's operational performance, with the Return On Asset (ROA) ratio chosen to represent compre-hensive banking profitability. ROA illustrates a company's profit and efficiency in utilizing its assets, with higher ROA implying more efficient asset utilization for profit generation (He et al., 2019). Analysis by Asad & Khan (2021); Lai et al. (2022) in their researches show that profitability influences a company's value.

Commitment to Corporate Social Responsibility (CSR) and green credit each affects profitabi-lity by influencing a company's reputation, market share, environmental risk, and credit risk (He et al., 2019). To examine the relationship between green credit, CSR, and profitability, analyses by Yin et al. (2021); Lian et al. (2022), and Lai et al. (2022) show that green credit significantly enhances profitability. Furthermore, analyses by He et al. (2019) and Ang et al. (2022) indicate that a company's social responsibility influences its profitability.

Many studies have been conducted on the impact of CSR on company value, yet research on the impact of green credit remains scarce. This study will provide a significant contribution to stakeholders as green credit is still a novel area of research, leading to limited literature available in Indonesia and China. Consequently, the findings and recommendations of this research will offer significant benefits to those in need. Focused on the banking sector in Indonesia and China, this study will provide new and important in-sights for stakeholders.

2. Hypothesis Development

Green credit is a financial instrument sourced from environmental financing or sustainable financing which aims to promote sustainable development financing and pay attention to environmental protection. The implementation of green credit by commercial banks is conducive to improving the bank's core competitiveness, enabling banks to earn green profits and improving their ability to manage environmental risks. The higher the bank carries out lending or financing activities for green and low-carbon fields, it has an impact on reputation, which banks that have a good public image will pay attention to the difference in their bank deposits and loans which ultimately has an impact on bank profitability.

The concept of legitimacy theory is important when analyzing the relationship between organizations and the business environment. The survival of the company can be improved through legitimacy which can be seen through the resources used, what activities will be carried out, social norms and values, operating methods and outputs to achieve the company's goals (Kuruppu et al., 2019).

Findings from an analysis by Lian et al. (2022), Yin et al. (2021), and Lai et al. (2022) regarding the effect of green credit on profitability where the results of their research show that green credit significantly increases bank profitability.

H_1: Green Credit has a positive effect on profitability

A fundamental principle to ensure the creation of economic benefits at the macro and corporate level is corporate social responsibility (CSR). CSR can improve a company's efficiency, improve external reputation that attracts more talent to serve the company, save costs on hiring and training new employees, and increase workforce productivity which ultimately has an impact on increasing financial success. This is in accordance with the research findings of Ang et al. (2022) and He et al. (2019) showing a relationship between CSR and business profitability.

H_2: Corporate Social Responsibility (CSR) has a positive effect on profitability.

Green credit is the provision of credit made by banks for financing for companies that are environmentally friendly or that will be environmentally friendly as an effort to reduce the risk of envi-ronmental damage for the safety of the earth and hu-mans and for sustainable development. Socially active companies can meet the needs of interest groups at varying levels and allow companies to gain the trust and support of various stakeholders so as to sustain the company for the long term, resulting in more banks having efficiency development funds and resulting in increased bank pro-fitability.

Banks with a high level of profitability make the company's value better in the eyes of the public. Growth in a company's value is an important sign of its ability to obtain long-term financial gains. The findings of a study conducted

in 2022 by Lai et al. with new energy companies listed as the object of research examined the impact of green credit on the value of companies in China where the results showed that green credit significantly increases the value of companies, and this positive impact can last in the long run.

H_3: Green Credit has a positive effect on company value

CSR stands for corporate social responsibility which is a form of organizational responsibility to improve the welfare of society by carrying out good organizational activities and contributing to some business resources (Kamaliah, 2020). Businesses with an increased level of expenditure to improve public welfare by carrying out good or-ganizational activities and contributing some of the resources owned and with the disclosure of corporate social responsibility (CSR) carried out, further increase company transparency, develop corporate image and provide empowered information in decision making investors put money into the business which will increase its value. This is in line with Kamaliah (2020); Huang et al., (2022); and Mohammadi and Saedi (2022); (Putri et al., 2023) who show how a company's value is influenced by its corporate soci-al responsibility.

H_4: Corporate Social Responsibility (CSR) has a positive effect on company value.

The ability of an enterprise to generate income while allocating all its resources is described by its profitability ratio. ROA is chosen to represent comprehensive banking profitability. ROA reflects the company's profits and the company's efficiency in utilizing its assets so that the higher the ROA means that the use of assets in generating profits is very efficient.

It is thought that profitability affects the value of the company. This happens because investors buy more shares of a company which can make more money, thus raising the stock price and increasing the value of the company. This is in accordance with the findings of Kurniawan (2023) which shows that profitability results have a major influ-ence on the value of a company.

H_5: Profitability has a positive effect on the value of the company.

The implementation of green credit by com-mercial banks is conducive to improving the bank's core competitiveness, enabling banks to earn rich green profits. Profitability is expected to increase the value of the company. This happens because more and more investors will buy shares and increase the value of the company if they can increase profits by doing so, thereby increasing the price that a bu-siness can generate. The results of the analysis of Lai et al., (2022) which conducted an analysis of the effect of green credit on company value with the object of research are new energy companies listed in China where the results of the research show that green credit significantly increases company value, and this positive impact can last in the long run. The results of research by Kurniawan 2023, which show the results of profitability have a major impact on the value of the organization.

H_6: Green Credit positively affects company value by mediating profitability.

Companies that implement CSR will create support that affects the survival of the company. Loyal consumers and employees who work optimally are a form of support for companies to improve their financial performance. Investors are more interested in investing in companies that im-plement CSR.

The more a company's achievements in improving its economic, environmental, and social performance, the higher the value obtained by investors. When a company practices corporate social responsibility (CSR), it will provide more information to investors and encourage them to invest in the business. The correlation between so-cial transparency and company value is greater, the better the company's financial performance.

The results of the research conducted and show that Laili et al. (2019); Machmuddah et al. (2020). Corporate Social Responsibility affects the value of the company mediated by profitability. The results of this study are different from the research conduc-ted showing that the influence of Akal et al., 2023 and Qonita et al. (2022) Corporate Social Responsibility on company value mediated by profitability does not have a significant effect or in other words profitability does not act as a me-diating factor between CSR and company value.

H_7: Corporate Social Responsibility (CSR) positive-ly affects corporate value mediated by profi-tability.

2. Data and Methods

The type of research used in this study is qu-antitative research. The data source utilized is se-condary data obtained from sustainability reports and CSR reports of each bank in

Indonesia and China, accessed directly from the official websites of the respective companies.

The population in this study consists of all banks listed on the Indonesia Stock Exchange (IDX) and supervised by the Financial Services Authority (OJK) from 2019 to 2022, as well as all banks under the supervision of the China Banking Regulatory Commission (CBRC) from 2019 to 2022. The determination of the population of banks in Indonesia in this study is further specified due to Indonesia's recent support for green credit portfolios in 2017, despite having joined the Paris Agreement in 2015. Consequently, out of the 108 banks listed and su-pervised by the Financial Services Authority (OJK) until 2022, not all banks in Indonesia have disbursed green credit.

Therefore, the population of banks in Indonesia in this study consists of 13 banks, comprising 8 first mover banks, namely Bank Central Asia, Bank Artha Graha, Bank Mandiri, BRI, BNI, Bank Muamalat, BPD Jabar – Banten, and BRI Syariah, along with 5 banks that joined in 2019.

Unlike the determination of the number of bank populations in Indonesia, based on the publication report "Listed Bank in China" issued by Ernst and Young (EY), one of the four largest audit firms in the world, it is explained that there are 58 banks listed in China and under the supervision of CBRC until 2022, which then becomes the popu-lation in this study.

The criteria chosen are by using purposive sampling strategy to generate research samples: 1) Banks in Indonesia and China that disburse Green credit. 2) Banks that allocate funds for Corporate Social Responsibility (CSR) activities. 3) Banks that consistently publish sustainable reporting, financial reporting, and CSR reports during the observation period, from 2019 to 2022.

3. Result

Description of Company Value

The development of the company value of the sampled banks in the study from 2019 to 2022 can be described through Figure 2. The figure 2 ex-plains that 1) The development of the average com-pany value of all 24 banks in the research sample experienced a decline from 2019-2022. 2) The development of the value of banking companies in Indonesia has experienced fluctuations, namely in 2019-2021 there was a decline, in 2022 there was an increase. 3) The development of the value of bank-ing companies in China has decreased from 2019-2022.

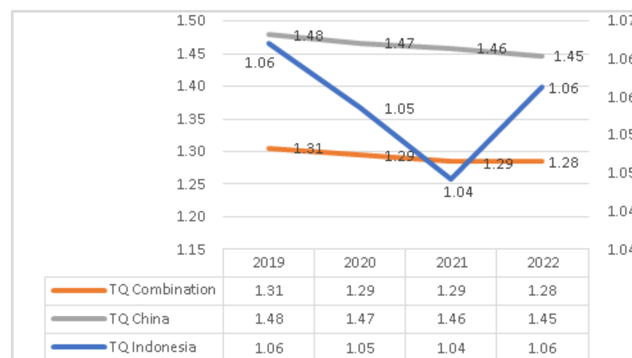

Figure 2 Development of Company Value of 24 Observed Banks from 2019 to 2022

Based on the results of the data normality test, it shows that the data is normally distributed. Data normality testing uses the Kolmogorov-Smirnov test. Classical assumption testing includes heteroscedasticity, multicollinearity. Based on the results of the classical assumption test analysis, the data has met the classical assumptions. This regression model does not show heteroscedasticity and there is no multicollinearity between independent variables.

Hypothesis Testing

The F-statistic test is conducted to determine whether all independent variables used in the regression equation have a combined influence on the dependent variable. Based on the test results in table 1 above, it can be seen that the simultaneous test yields an F value of 12.243 and

a significance level of 0.0000 it can be concluded that simultaneously or collectively, Green Credit, CSR, and ROA have a significant effect on company value.

Table 1 Analysis of Hypothesis

Variabel	F test		T test		T test	
	F	Sig.	Independent of Mediation		Independence and Mediation towards Dependents	
			t	Sig.	t	Sig.
	12.243	0.000b	12.243	0.000b		
(Constant)			4.950	0.000	61.170	0.000
GC			5.328	0.000	-3.283	0.002
CSR			0.881	0.381	1.360	0.178
Profitability					3.729	0.000

The t-statistic test is conducted to determine the influence of each independent variable on the dependent variable. The testing is performed at a significance level of 0.05 (α=5%). Based on the test results in table 1, it shows that The variable green credit has a t-value of 5.328 with a significance level of 0.000, which is smaller than 0.05 or 5%. This indicates that green credit has a significant influence on profitability. Thus, it can be concluded that H_1 is accepted, meaning that green credit significantly affects the profitability of banks in Indonesia and China during the observation period of 2019-2022.

The variable Corporate Social Responsibility has a t-value of 0.881 with a significance level of 0.381, which is greater than 0.05 or 5%. This indicates that Corporate Social Responsibility does not have a significant effect on profitability. Thus, it can be concluded that H_2 is rejected, meaning that Corporate Social Responsibility does not significantly affect the profitability of banking companies in Indonesia and China during the observation period of 2019-2022.

The variable green credit has a t-value of -3.283 with a significance level of 0.002, which is smaller than 0.05 or 5%. This indicates that green credit does not have a significant influence on company value. Thus, it can be concluded that H_3 is rejected, meaning that green credit does not significantly affect the company value of banking institutions in Indonesia and China during the observation period of 2019-2022.

The variable Corporate Social Responsibility has a t-value of 1.360 with a significance level of 0.1781, which is greater than 0.05 or 5%. This indicates that Corporate Social Responsibility does not have a significant effect on profitability. Thus, it can be concluded that H_4 is rejected, meaning that Corporate Social Responsibility does not significantly affect the profitability of banking companies in Indonesia and China during the observation period of 2019-2022.

The profitability variable has a t-value of 3.729 with a significance level of 0.000, which is smaller than 0.05 or 5%. This indicates that profitability significantly affects company value. Thus, it can be concluded that H_5 is accepted, meaning that profitability significantly affects the company value of banking institutions in Indonesia and China during the observation period of 2019-2022.

Based on the beta calculation results of direct and indirect effects, it was concluded that Green Credit through profitability had an effect on company value, with the indirect effect value being greater than the direct impact value. Based on the beta calculation results of the direct influence and indirect influence, it is known that the direct influence value is 0.052 and the indirect influence value is 0.014, which means that the direct influence value is greater than the indirect influence value. This result shows that the influence of CSR through profitability is not significant on company value.

5. Discussion

Influence of Green Credit on Profitability

The test results show that green credit has an effect on profitability. This suggests that the more green credit disbursed by banks, the higher the profitability of the company. Green credit is considered to play an important role in transitioning companies' activities towards green initiatives, which can influence the capacity and po-

tential of green sectors to receive environmentally friendly funding. Additionally, green credit can support a country's adaptation to climate change and enhance financial resilience to climate risks (Lamperti et al., 2021; Dafermos & Nikolaidi, 2021; and Naifar, 2023). Banks and financial markets as sources of funding for green investments are key to the success of financial policy greening. Greening in the financial sector has not been actively pursued by all companies. The positive trend in recent years is assumed to affect the volume of green credit disbursed by banks, thus green credit will also affect bank profitability (Sutrisno & Furqan, 2024).

Low-carbon industry shows great market potential and provides new opportunities for commercial banks to develop their green finance business. Green credit helps commercial banks to capture the opportunities presented by green economic growth, expand new profit growth points, and gain competitive advantages.

Currently, the banking industry experiences homogeneous competition, and green credit as a new business form has not been widely developed. Thus, commercial banks active in green finance can leverage their first-mover advantage to enhance their brand reputation, gain access to profitable green project resources, and increase their revenues from green credit.

This finding is supported by studies conducted by Lai et al. (2022); Lian et al. (2022); Yin et al. (2021), which mentioned that green credit signi-ficantly affects company profitability. In contrast to Lai et al. (2022); Lian et al. (2022); Yin et al. (2021), this study's results are inconsistent with those of Zhou et al. (2022) and Andaiyani et al. (2023) which stated that green credit does not affect company profitability.

Influence of Corporate Social Responsibility on Profitability

The results show that corporate social responsibility (CSR) does not significantly affect profitability. A small increase in CSR will lead to a smaller profitability. CSR, as seen from the standard deviation in the descriptive statistics table, yields a value smaller than the mean value, indicating that the variation in CSR provision is smaller than its average, resulting in no increase in profitability.

In contrast to companies operating in the mining sector which will have a direct influence on nature and the environment, the activities of companies operating in the financial sector, especially banking, do not have a significant impact on the surrounding environment and nature, so that investors ultimately do not pay too much attention to CSR disclosures made by bank. Whether a bank discloses CSR or not will not have an influence on banking financial performance, because measuring a company's financial performance using ROA focuses on how the company uses its assets to make a profit. Improving financial performance cannot only be done by disclosing CSR, there are other components that influence the financial performance of banking companies such as third party funds and BOPO. CSR disclosures made by banks will only impact the company's reputation and be seen as a company that cares about nature and the welfare of its employees.

These findings are supported by studies conducted by Alsartawi (2020) and Zhou et al. (2021), which mentioned that corporate social responsibility does not significantly affect company profitability. In contrast to Alsartawi (2020) and Zhou et al. (2021), these results are inconsistent with those of Ang et al. (2022), He et al. (2019) which stated that corporate social responsibility affects company profitability.

Influence of Green Credit on Company Value

The results show that green credit does not significantly influence company value. This suggests that the higher the issuance of green credit by banks, the lower the company's value. This is supported by the graph, which shows that the company's value tends to decrease due to a decline in stock prices from 2019 to 2022, caused by the crisis conditions since Covid-19, despite the increase in green credit issuance by banks.

Socially active companies can meet the needs of stakeholders at different levels, reduce pressure and dissatisfaction from stakeholders, and enable the company to gain trust and support from various stakeholders, thereby maintaining the company for the long term. This results in more banks having funds for efficiency development and leads to increased bank profitability. Banks with high profitability levels improve the perception of company value among the public. The growth of company value is an important indicator to assess whether a company can obtain long-term economic benefits. But the bank's transition

to distributing green credit requires large funds. Distribution of green credit requires a long time for banks to ensure the portfolio of potential creditors so as to avoid bad credit.

The findings of this study contradict the research conducted by Lai et al. (2022), which states that green credit significantly affects company value. The results of this study can address the literature gap that contradicts the findings of Lai et al., 2022, which explains that there is still a gap in discussing the influence of green credit on company value.

The Influence of Corporate Social Responsibility on Company Value

The results show that corporate social responsibility does not significantly influence company value. This suggests that the higher the allocation of corporate social responsibility by banks, the lower the company's value. Viewing CSR from the standard deviation in the descriptive statistical table yields a value smaller than the mean value, indicating that the variation in CSR provision is small compared to its average, resulting in no increase in profitability, which consequently affects company value.

In addition to being seen from the smaller standard deviation value compared to the mean, this result is supported by the following graph, which shows that company value tends to decrease due to a decline in stock prices from 2019 to 2022, caused by the Covid-19 crisis conditions, despite the increasing allocation of corporate social responsibility by banks.

Corporate social responsibility disclosure transfers the appropriate report value to several capital market participants such as shareholders, investors, prospective shareholders, and financial analysts (Mohammadi & Saeidi, 2022). Corporate social responsibility disclosure plays an important role in business, including enhancing company transparency, developing the company's image, and providing empowering information for investor decision-making (Harun et al., 2020). The direct impact of corporate CSR disclosure can alter company value by influencing managerial decisions and thus varying the distribution of future cash flows. Companies with expanded disclosure levels experience substantial increases in company value (Harun et al., 2020).

These findings are supported by research conducted by Harun et al. (2020), and Lauren et al. (2023), which state that Corporate Social Responsibility does not significantly influence company value. In contrast to Harun et al. (2020), and Lauren et al. (2023) this study contradicts the findings of Kamaliah (2020); Huang et al. (2022); Mohammadi and Saeidi (2022) and Qonita et al. (2022) which claim that Corporate social responsibility affects company value.

The Influence of Profitability on Company Value

The results show that profitability significantly influences company value. Profitability is believed to have a positive impact on company value. This suggests that the higher the company's profitability, the higher the company's value, and conversely, a decrease in profitability leads to a decrease in company value. The larger the company's profitability, the higher its growth. Increased profits attract investors to invest, thereby increasing company value.

Profitability is generally recognized as an important factor influencing investment decisions among investors. A high level of profitability indicates positive prospects for a company, increasing investor interest and demand for its shares. Investors consider fundamental aspects of the company when buying shares. One important factor for companies is financial performance profitability, which reflects the profitability of financial investments. This happens because the more profit a company can generate, the more investors will buy its shares, thus increasing the stock price and raising the company's value.

These findings are supported by research conducted by Haryanto et al. (2018); Lauren et al., (2023); Kurniawan (2023); and Qonita et al. (2022), which in their studies show that profitability significantly influences company value.

The Influence of Green Credit on Company Value Mediated by Profitability

The results show that green credit significantly influences company value when mediated by profitability. This suggests that the higher the issuance of green credit by banks, the greater the increase in company value. This study also indicates that higher company profitability leads to an increase in company value, whereas a decrease in profitability results in a decrease in company value.

The implementation of green credit by commercial banks is conducive to enhancing the core competitiveness of banks, allowing them to obtain green profits and enhancing their ability to manage environmental risks. Profitability is a ratio that explains a company's ability to generate income by mobilizing all its resources. Profitability is believed to have a positive impact on company value. This occurs because the more profit a company can generate, the more investors will buy its shares, thereby increasing the stock price and raising the company's value.

The research findings can serve as a primary reference for studies on the influence of green credit on company value mediated by profitability because there is still a research gap in this area. However, this study is supported by research conducted by Lai et al. (2022), which states that green credit significantly affects company value. Additionally, this study is also supported by research conducted by Lauren et al. (2023); Kurniawan & Susanti (2023) and Qonita et al. (2022), which show that profitability significantly influences company value.

The Influence of Corporate Social Responsibility on Company Value Mediated by Profitability

The results show that Corporate social responsibility (CSR) does not significantly influence company value when mediated by profitability. This study shows that financial performance cannot mediate the relationship between CSR and company value. This could be due to the financial performance, proxied by ROA, not being able to reflect actual profits.

Other factors should also be considered, such as company cash flow. This condition depends on the company's management's ability to manage company resources to meet stakeholders' interests. The CSR information disclosed by companies still does not fully meet the standards for directly measuring company value. In its application, CSR cannot increase the value of profit-related information, equity book value, or operating cash flow.

These findings are supported by research conducted by Qonita et al. (2022) and Akal et al. (2023) which show that the influence of corporate social responsibility on company value mediated by profitability is not significant, or in other words, profitability does not mediate the effect of CSR on company value.

6. Conclusion and Suggestion

Conclusion

Based on the analysis conducted several conclusions can be drawn. Green credit significantly positively influences the profitability of banks in Indonesia and China during the period from 2019 to 2022. However, corporate social responsibility does not exhibit a significant impact on the profitability of banks in both countries within the same timeframe. Furthermore, green credit does not significantly affect the value of companies in the banking sector of Indonesia and China during the mentioned period, nor does corporate social responsibility. On the other hand, profitability demonstrates a significant positive influence on the value of companies in banks across Indonesia and China during the stated timeframe. Additionally, green credit shows a significant influence on the value of companies when mediated by profitability in both countries' banking sectors during the specified period. However, corporate social responsibility does not exhibit a significant impact on the value of companies when mediated by profitability in banks in Indonesia and China within the mentioned timeframe.

Suggestion

Based on the analysis, several recommendations can be made. Banks in Indonesia and China should actively pursue green credit initiatives, as these significantly enhance profitability, leading to better financial performance and sustainability. While CSR activities are important, they do not significantly impact profitability and should be seen as complementary. Management should focus on profitability as a key driver of company value, integrating green credit into financial operations and marketing strategies to attract investors. Policymakers should encourage green credit adoption by providing incentives and a supportive regulatory environment, amplifying its positive impacts on the banking sector and economy.

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