

Green Banking, Earning Per Share and Company Value

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ABSTRACT

This study aimed to determine the effect of the implementation of green banking and earnings per share on the company's value. This study uses a sample of banking companies listed on the IDX during 2019-2021. The sampling technique used is purposive sampling. The sample is 15 banks, using panel data regression analysis and statistical tools Eviews.12. the study results indicate that green banking and earnings per share simultaneously affect the company's value. While partially green banking does not affect company value and earnings per share positively and significantly, affect company value. This study uses a rarely studied independent variable, namely green banking. The novelty of this study is that green banking is calculated by adding green banking indicators.

Keywords: Green Banking, Earnings Per Share, Company Value

1. INTRODUCTION

The height of business competitors is increasing, and the economic decline in the conditions of the Covid-19 Pandemic has an impact, especially on all industrial sectors. The government is aggressively trying to recover the national economy in order to revive the national economy during the pandemic. In order for the company to be able to face industrial business competition, it must improve the company's performance. According to T.Pioh et al. (2018), company value is one of the essential things and must be considered by investors to make investment decisions in a company. A high company value is the desire of the company owners because a high value indicates the prosperity of the shareholders is also high. It is what investors want in investing their funds in a company. The following is a graph of the average company value measured using Tobin Q for banking companies listed on the IDX in 2019-2021 as follows:

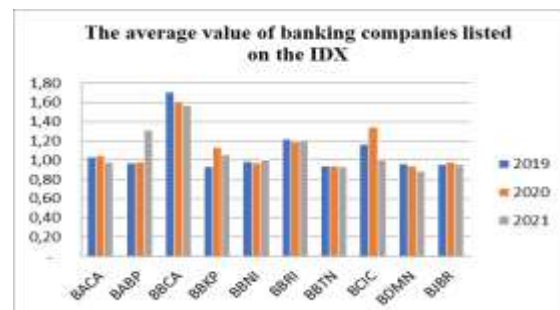


Figure 1: The average value of banking companies listed on the IDX

From the bar graph above, which shows fluctuations in the company value level, many companies still have a low Tobin Q value. It shows that the company is in a bad state. One way to improve the company's image or reputation is the green economy concept applied to the company. With the ever-developing technology and ever-increasing times, many companies often do not keep up with adequate environmental management. The phenomenon that companies are currently facing is aggressively pursuing sustainable economic development. Many of the company's operational activities have an impact that is often faced by the community. This research

focuses on banking companies that implement green banking. Green banking is a policy implemented by banking companies to distribute environmentally friendly loans. The good environmental performance of a company can affect the increase in company value.

Based on the background described, the difference with previous studies is using green banking implementation variables and earnings

2. LITERATURE REVIEW

Kusumaningrum, Hidayati, & Habib (2022) states that this signal theory is a benchmark for shareholders in seeing the company's opportunities for its efforts to increase its value in the future, where shareholders will get information from its management. It theory requires companies to disclose financial reports to outsiders. Financial statements contain various other information in which there are accounting numbers such as EPS (Earning Per Share) which will reflect the company's value. So that by knowing this information, investors will immediately conduct an analysis to make investment decisions to achieve success and profits.

Experts such as Suchman (1995) explain legitimacy theory as an equalization of perception or assumption that the treatment of an entity is an expected and reasonable action to be carried out under socially developed values, beliefs, systems of norms, and definitions. In this legitimacy theory, companies must continuously demonstrate that operational activities are consistent with social values. In this legitimacy theory, companies must continuously demonstrate that operational activities are consistent with social values. It can often be achieved by disclosing it in the company's financial statements.

Corporate value is a company achievement obtained from a sense of public trust in the company's performance from when the company was founded until now. Setiani et al. (2019) and Winarto et al. (2021) stated that Green Banking is an effort by companies, especially in banking, to provide environmental concerns. Mindra & Erawati (2016). States that Earning Per Share or earnings per share is the net profit for each share that the company can

per share. Previous Yuniarti (2013); Setyoko & Wijayanti (2022); Anggraini & Muhammad Iqbal (2022) researchers also focused on dependent variables, such as sustainable development, company performance, stock prices, and others, as well as different objects and periods, namely 2019-2021, so it would be interesting to do testing as a form of research renewal.

achieve when carrying out its operations. Earnings per share is the ratio that shows the income earned by each share. Research Mindra & Erawati (2016) says earnings per share assesses the net income earned by each common share.

The research results from various researchers stated that most of them showed that Green Banking and Earning Per Share affect Company Value because Green Banking is one of the reports which must be reported in the annual report of a banking company. This reporting is used to convey information to the public and owners to gain legitimacy with good results in the view of policymakers. Green Banking Disclosures should be integral to the company's operational activities.

H₁: Green Banking Implementation and Earning Share significantly affect Company Value

Research conducted by Winarto et al. (2021) states the results of his research that companies that implement Green Banking affect company value as measured by the Tobin's q ratio. The company's concern for the environment is one of the indicators that can help the company improve its performance because the community's environmental trust in the company will increase, as seen from the area of Green Banking. The disclosure of information obtained from Green Banking is done to increase the legitimacy of the company-to-company owners or investors who are not only looking for profit but must pay attention to environmental conditions.

H₂: Green Banking Implementation Effects on Company Value

Research conducted by Haryati & Ayem (2014) states that research shows earnings share



has a positive effect on company value. Earnings Per share or earnings per share is the net profit level for each share the company can achieve when carrying out its operations. These results are the same as those of researchers Nafisah et al. (2018), where the results of their research show that EPS has a positive effect. Where EPS is useful for measuring the success of management in achieving profits for shareholders and a ratio that can show the net profit that the company has earned for each unit of share during a specific period in the form of money, so the higher the EPS value will increase the interest of investors to invest, the

greater the investment amount made, the company will experience an increase in company value. With a high level of ratios, the welfare of shareholders will increase; in other words, the rate of return on the company will also be high. A low ratio means that management has not been successful in satisfying shareholders; therefore, if you want to provide a high level for shareholders, then the EPS ratio must be further increased so that investors are interested in investing higher.

H₃: Earning Per Share Effects on Company Value

3. RESEARCH METHOD

The data type is processed as quantitative data or from annual and financial reports, then processed and analysed statistically.

3.1. Data Collection Techniques

Data collection techniques in this study were literature and documentation studies using various literature such as books, journals, and articles, these and other literature related to this

research by taking secondary data in the form of financial and annual reports, which were obtained on report Annual banking company published by the Indonesia Stock Exchange and publication of annual reports on the company's official website during the 2019-2021 period which is the object of this research.

3.2 Operational Definitions of Variables

Table 1: Variable Measurement

Variables	Measurement
Dependent Variables:	
<i>Company Value</i> <i>Romli dan Zahputr, (2021)</i>	$TobinQ = \frac{\text{Market Value of Equity} + \text{Debt}}{\text{Total Assets}}$
Independent Variables:	
<i>Green Banking</i> <i>Romli dan Zahputr, (2021)</i>	<i>Value of 1 if the company has implemented the green banking program, and a value of 0 otherwise.</i>
<i>Earnings Per Share</i> <i>Kasmir (2019)</i>	$\text{Earnings Per Share} = \frac{\text{Net Profit}}{\text{Total Outstanding Shares}}$

3.3 Sample Collection Techniques

Based on the criteria determined using the purposive sampling method consisting of 15 banking companies used as samples with a total number of samples during the study period of

45 samples in the annual financial statements. This study conducted a selection of populations to obtain target selection according to predetermined criteria so that the research obtained population data as follows:

Table 2: Sample Selection

Description	No. of companies
Number of banking companies listed on the Indonesia Stock Exchange (IDX) in 2019 and 2021.	46
Banking companies delisting on the IDX that have information on consecutive stock prices for the 2019-2021 period.	(18)

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Banking companies that do not reported consecutive profits during the 2019-2021 period	(13)
Final sample	15
Duration study	3 Years
Total observations	45

3.4 Data Analysis Techniques

The data analysis technique in this research is quantitative data using E-views. In this study, the data used is panel data, namely that is time series and cross-sectional, where the data method in this study uses statistical calculations with the application of E-views. The regression model in this study is as follows:

$$y = a + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Information:

- α = Konstanta
- $\beta_1 - \beta_2$ = Koefisien regresi
- X_1 = Green Banking Implementation
- X_2 = Earnings Per Share

4. RESULTS AND DISCUSSIONS

4.1. Results

Table 3: Statistic Descriptive

Variables	N	Mean	SD	Min	Max
Dependent variables:					
<i>Company Value</i>	45	1.0442	0.2146	0.4600	1.7100
Independent variables:					
<i>Green Banking Implementation</i>	45	0.8333	0.3062	0.0000	1.0000
<i>Earnings Per Share</i>	45	214.0691	264.8856	0.4300	1,158.5900

Source: Proceed by E-views, 2022

Based on Table 3 of the results of the descriptive statistical test, the table is a part that contains explanations and descriptions of each research variable, namely as follows:

The company value variable is the dependent variable in this study. Based on Table 3, it can be seen that the company value variable in banking companies listed on the Indonesia Stock Exchange during 2019-2021 has a minimum value of 0.46, which PT Bank National Nobu Tbk owns, and a maximum value of 1.71, which Bank Central Asia Tbk owns. The average value is 1.04, and the median value is 0.97.

The green banking variable in banking companies listed on the Indonesia Stock Exchange during 2019-2021 has a minimum

value of 0.00 owned by Bank Central Asia Tbk and a maximum value of 1.00 owned by the company Bank Permata Tbk Bank Sinarmas Tbk, Bank National Pension Savings Account Tbk, Bank Mega Tbk, Bank OCBC NISP Tbk, PT Bank Nationalnubu Tbk., Bank Pan Indonesia Tbk, PT Bank Woori Saudara Indonesia 1906 Tbk. The mean value is 0.83, and the median value is 1.00.

The earning per share variable has a minimum value of 0.43, owned by Bank Sinarmas Tbk, and a maximum value of 1158.59, which Bank Central Asia Tbk owns. The average value is 214.06, and the median value is 128.83.

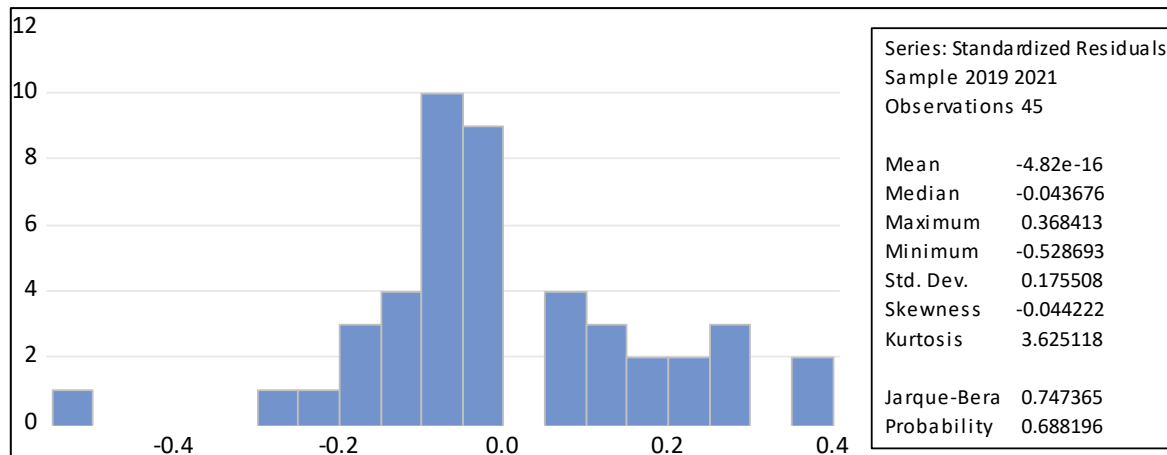


Figure 2: Normality Test Results

From the results of statistical testing of the normality test that obtained a Jarque Bera value of 0.74 > 0.05 and a probability of 0.68

> 0.05, the residual data is normally distributed.

Table 4: Multicollinearity test

	Green Banking Implementation	Earnings Per Share
Green Banking Implementation	1.00000	
Earnings Per Share	-0.564974	1.00000

The basis for decision-making is if the correlation value between the independent variables is <0.9, there is no multicollinearity between the independent variables. Based on the statistical test results in Table 4, the correlation matrix output results above the

correlation between x1 and x2 -0.56 between x2 and x1 of -0.56. There is no correlation between independent variables above > 0.90. So, there is no multicollinearity between independent variables.

Table 5: Regression test

Variables	Coefficient	Sig.
Independent variables:		
Green Banking Implementation	-0.180663	0.1144
Earnings Per Share	0.000167	0.0395*
R-square	11.23%	
Prob(F-statistic)	0.030851	
Observations	45	

Source: Proceed by E-views, 2022

Based on Table 5, it is known: The value of t-table n = 45 is obtained at a significant level of 5% at the error rate ($\alpha = 0.05$) using a 2-sided test obtained by a t-table value (44; 0.025) of 2,000.

Hypothesis 1 states that variable green banking is a variable that affects the value of the company. The results of testing hypothesis 1 obtained a sig value of 0.11 > 0.05. The results of calculations in multiple regression obtained t count -1.6120 < t table of 2.00 in the area where Ho is accepted Ha is rejected then this value shows an insignificant value which means there

is no influence green banking to company value.

Hypothesis 2 states that variable earning per share is a variable that affects the value of the company. The results of testing hypothesis 2 obtained a sig value of 0.03 < 0.05. The results of calculations in multiple regression obtained t count -2.124 > t table of 2.00 in the area where Ho is rejected Ha is accepted then this value shows a significant value which means there is influence earning per share to company value

Table 5 shows that the coefficient of determination (Adjusted R-squared) for

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variables without intervening is $R^2 = 0.1123$. This value can be interpreted as green banking and earnings per share, simultaneously or

4.2 Discussion

The first hypothesis in this study is that green banking and earnings per share have a joint effect on firms. The coefficient of determination (R^2) results produces a value of 11.23%. It means that the independent variable influences 11.23% of the dependent variable. At the same time, 88.77% is influenced by other variables not examined by the author.

The second hypothesis in this study was rejected. This study's results are inconsistent with the results of research conducted by Winanrno et al. (2021) but are in line with the research of Tiara and Jayanti (2022). It could be due to the absence of clear rules regarding green banking or the absence of socialization regarding the importance of green banking by

jointly influencing company value by 11.23%. Other factors influence the remaining 88.77%.

the government as well as the existence of other factors that affect the value of the company, such as stock prices, profitability, and financial performance, and others.

The third hypothesis in this study is accepted. This study's results align with research conducted by Haryanti & Hayem (2014) and Nafisah et al. (2018), which state that earnings per share positively and significantly affect company value. The higher EPS value will increase the interest of investors to invest. The greater the investment amount made; the company will experience an increase in company value.

5. CONCLUSIONS

This study aims to determine the effect of green banking and earnings per share on company value. An empirical study of companies listed on the Indonesian stock exchange for 2019-2021. The following conclusions can be drawn based on the research results: Variable green banking and earning per share simultaneously affect the company value of banking companies listed on the Indonesia Stock Exchange for the 2019-2021 period. Variable green banking does not affect the company value of banking companies listed on the Indonesia Stock Exchange for 2019-2021. Variable earning per share positively and

significantly affects company value in banking companies listed on the Indonesia Stock Exchange for the 2019-2021 period.

In conducting this research, the authors have limitations expected to be improved in future research. The limitations of this study are as follows: The coefficient of determination is still relatively small, which means many other factors can affect stock returns. The number of independent variables studied is small; many other variables still affect company value. In addition, researchers also only use four indicators of green banking.

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