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# THE EFFECT OF PROFITABILITY AND ENVIRONMENTAL PERFORMANCE ON FIRM VALUE OF ISLAMIC COMMERCIAL BANKS IN INDONESIA

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***Abstract***
*This study aims to analyze the influence of profitability and environmental performance on the value of companies in Sharia Commercial Banks in Indonesia for the 2020–2023 period. Profitability is measured using Return on Assets (ROA), while environmental performance is measured by PROPER. The value of the company is proxied by the Price to Book Value (PBV). The research method used is a quantitative approach with multiple linear regression analysis. The results of the study show that profitability has a positive and significant effect on the company's value partially. Environmental performance does not have a significant effect partially, but simultaneously, profitability and environmental performance have a significant effect on the company's value. These findings confirm the importance of strengthening profitability and implementing sustainable environmental management to increase company value. This research is expected to be a reference for practitioners and academics in the development of sustainability-oriented Islamic financial management.*

***Keywords:*** *Profitability, Environmental Performance, Company Value, Sharia Commercial Bank, PROPER*

## 1. INTRODUCTION

Banking has a strategic role as the driving force of the economy with the main function of collecting funds from the public and redistributing them in the form of credit or financing (Brigham & Houston, 2015). In the context of the modern economy, the banking industry not only acts as a financial intermediary but also as a development agent that encourages inclusive and sustainable economic growth (Zainudin et al., 2020). In Indonesia, in addition to conventional banking, Islamic banking continues to experience significant development as the Muslim community needs financial services that are in accordance with Islamic principles (Huda & Nasution, 2018).

Islamic banking has characteristics that distinguish it from conventional banking, namely operating based on the principles of justice, partnership, and transparency in accordance with Islamic law (Financial Services Authority, 2022). This principle is legally regulated in Law Number 21 of 2008 concerning Sharia Banking, which emphasizes that every transaction must be free from the elements of riba, gharar, and maysir (Kusuma & Pambuko, 2019). Thus, Islamic banking is expected to be an alternative solution in creating a stable and fair financial system. One of the important indicators to assess the performance of banking companies, including Islamic banks, is firm value. A company's value reflects the market's perception of the company's future performance and prospects (Brigham & Houston, 2015). According to Yusmaniarti et al. (2019), the company's main goal is to maximize the company's value to provide prosperity for shareholders. The measurement of a company's value generally uses the Price to Book Value

(PBV) ratio, which shows the extent to which the market appreciates the company's equity (Riswandi & Yuniarti, 2020).

In the context of Indonesia's Islamic banking industry, several studies show that fluctuations in company value are still a challenge (Hanifah, 2019; Haznun & Akbar, 2022). The decrease in PBV that occurred in several Islamic banks shows that there are problems in managing profitability and capital. In fact, stable profitability is very important to attract investors, because high profitability provides positive signals regarding the efficiency of asset management and the company's ability to make a profit (Dewi & Sari, 2021).

In addition to the financial aspect, non-financial factors such as environmental performance are also increasingly considered in the assessment of company value, as awareness of sustainability increases (Pope & Lim, 2019). According to Rahma (2020) and Ralina & Prasetyo (2018), companies that are committed to environmental management tend to receive positive responses from investors and stakeholders. In Indonesia, the PROPER program from the Ministry of Environment and Forestry (MoEF) has become a nationally recognized environmental performance assessment instrument (Yanti, 2015).

However, the Environmental Performance Index (EPI) places Indonesia in a low ranking related to environmental conservation, thus encouraging companies to be more active in the implementation of sustainable business practices (Ahdiat, 2022). In the context of Islamic banking, the integration between optimal profitability and good environmental performance is expected to be able to simultaneously increase the value of the company, thereby supporting the achievement of sustainable development goals (Siddiqui & Uddin, 2016; Munandar, 2023).

Based on this description, this study focuses on the effect of profitability proxied through Return on Asset (ROA) and environmental performance measured using PROPER on the value of companies in Sharia Commercial Banks in Indonesia for the 2020–2023 period. This research is expected to make a theoretical and practical contribution to the development of literature related to Islamic financial management and sustainability reporting (Yuniarti et al., 2022), as well as a reference for Islamic bank management in improving financial performance and environmental compliance.

## 2. RESEARCH METHODOLOGY

This study uses a quantitative approach with a verifiable descriptive method. The quantitative approach was chosen because it is able to explain the causal relationship between variables through hypothesis testing that can be measured statistically (Sugiyono, 2017; doi:10.31227/osf.io/8mztq). A verifiable descriptive is used to describe the phenomenon that occurs and test the influence between research variables.

The population in this study is all Sharia Commercial Banks registered with the Financial Services Authority (OJK) during the 2020–2023 period. The sampling technique used is purposive sampling, which is a method of determining samples with certain considerations so that the data obtained is relevant to the research objectives (Sugiyono, 2017; doi:10.31227/osf.io/8mztq). The sample criteria include Sharia Commercial Banks that consistently publish annual reports and have a PROPER score in the study period.

The types of data used in this study are secondary data obtained from the annual financial statements of Sharia Commercial Banks, PROPER reports from the Ministry of Environment and Forestry (MoEF), and statistical reports from the Financial Services Authority (OJK). Secondary data were chosen because they were objective and verifiable for their validity (Ghozali, 2018; doi:10.13140/RG.2.2.31159.24482).

The dependent variable in this study is the company's value proxied through Price to Book Value (PBV). Independent variables consist of profitability measured by Return on Assets (ROA) and environmental performance proxied through OWN scores. Variable measurements follow previous research (Yuniarti et al., 2022; doi:10.32602/jabe.v1i2.394).

The data analysis technique used is multiple linear regression to test the influence of profitability and environmental performance on company value. Before the regression analysis was carried out, classical assumption testing was carried out including normality, multicollinearity, heteroscedasticity, and autocorrelation tests (Ghozali, 2018; doi:10.13140/RG.2.2.31159.24482). All tests were conducted using the latest version of SPSS software.

Hypothesis testing is carried out by looking at the significance values on the t-test and the F test. Hypotheses are accepted if the significance value is below 0.05. The determination coefficient (Adjusted R2) is used to determine the extent to which independent variables are able to explain dependent variables (Ghozali, 2018; doi:10.13140/RG.2.2.31159.24482).

## 3. LITERATURE REVIEW

### 3.1 Company Value

Firm value is a fundamental aspect of investment decision-making because it reflects the market's perception of the company's overall performance (Brigham & Houston, 2015). Company value is seen as a representation of management's success in managing existing resources to generate profits and create long-term growth (Yusmaniarti et al., 2019). In the context of Islamic banking, company value is an important indicator in assessing the extent to which banks are able to implement sharia principles while meeting modern economic goals (Kusuma & Pambuko, 2019).

The measurement of company value in general uses the Price to Book Value (PBV) ratio, which is the ratio between the stock market value and the company's book value (Riswandi & Yuniarti, 2020). PBV shows the extent to which the market appreciates a company's net worth, the higher the value of the PBV, the higher the company's value in the eyes of investors (Haznun & Akbar, 2022). From an investor's perspective, a high PBV indicates that the company has bright prospects and has strong financial fundamentals.

However, in Rahma's (2020) study, the company's value is not only influenced by financial factors such as net profit and capital, but also by non-financial factors including aspects of sustainability and corporate social responsibility. This indicates that in the modern banking industry, including Islamic banking, corporate values are increasingly influenced by environmentally and socially friendly business practices (Pope & Lim, 2019).

### 3.2 Profitability

Profitability describes a company's ability to generate profits through the optimization of its assets (Dewi & Sari, 2021). Profitability indicators such as Return on Assets (ROA) are often used in the financial literature to measure the extent to which a company is able to make a profit from the assets it owns (Gujarati & Porter, 2017). In the banking industry, ROA is an important benchmark for investors and regulators in evaluating the company's operational efficiency and growth potential (Dewi & Sari, 2021).

Theoretically, signal theory explains that profitability information such as ROA gives a positive signal to the market regarding the company's condition and prospects (Brigham & Houston, 2015). The higher the level of profitability, the higher the investor's confidence in the company's potential to generate profits in the future (Hapsari & Purwohandoko, 2022). The study of Haznun and Akbar (2022) reinforces these findings by stating that investors focus more on financial statements that reflect profit performance rather than non-financial variables.

However, in the Islamic banking sector, the achievement of profitability is often influenced by compliance with sharia principles and the limitations of Islamic investment instruments in the capital market (Huda & Nasution, 2018). Hanifah's study (2019) shows that the profitability of Islamic banks in Indonesia still faces challenges due to high cost of funds and low financing efficiency. Therefore, strengthening the profitability aspect is a strategic priority for Islamic banking in increasing competitiveness in the market (Financial Services Authority, 2022).

### 3.3 Environmental Performance

Environmental performance is a representation of a company's commitment to the principles of sustainability and social responsibility (Pope & Lim, 2019). In the context of regulations in Indonesia, the company's environmental performance is assessed using the Company Performance Rating Assessment Program in Environmental Management (PROPER) by the Ministry of Environment and Forestry (Yanti, 2015). PROPER provides classifications ranging from Black to Gold ratings, which represent a company's level of compliance with environmental management standards.

The concept of green banking that is starting to develop in the banking sector encourages financial institutions, including Islamic banks, to integrate environmental aspects in their business activities (Rahmawati, 2024). Rahma's study (2020) states that although Islamic banks have disclosed environmental performance, their contribution to increasing company value has not been significant. This is in line with the findings of Siddiqui and Uddin (2016) who stated that investors in developing countries tend not to make social and environmental responsibility the top priority in investment decisions.

On the other hand, Rahmawati (2024) emphasized that in the long run, good environmental performance can improve a company's reputation and build investor loyalty. Latifah and Putri (2025) also noted that sustainable environmental management in the Islamic finance sector not only has an impact on regulatory compliance, but is also a strategy to create added value for companies. Therefore, improving green banking practices and strengthening environmental reporting is a strategic step for Islamic banking in building sustainable corporate value (Munandar, 2023).

### 3.4 The Relationship between Profitability and Company Value

The relationship between profitability and company value has been extensively discussed in the financial literature, particularly within the framework of signals theory and agency theory. According to signal theory, high profitability gives a positive signal to investors regarding the stability and financial prospects of the company (Brigham & Houston, 2015). An empirical study by Dewi and Sari (2021) shows that Return on Assets (ROA) has a significant influence on Price to Book Value (PBV) in the banking sector in Indonesia.

Research by Hapsari and Purwohandoko (2022) on Bank Syariah Indonesia also showed similar results, where ROA contributed positively to increasing the company's value during the merger process. Profitability is seen as an indicator of the efficiency of a company's asset management in generating profits, which further increases the positive perception of investors (Riswandi & Yuniarti, 2020).

However, in the context of Islamic banking, this relationship can be influenced by the complexity of the Islamic financial structure which is based on the principle of partnership and profit sharing. Hanifah (2019) stated that the profitability of Islamic banks in Indonesia is still facing challenges due to high cost of funds and limited diversification of investment portfolios.

However, profitability remains the main indicator considered by investors in assessing the value of Islamic banking companies.

### 3.5 The Relationship between Environmental Performance and Company Values

Environmental performance as a non-financial aspect is beginning to be recognized as a factor that can affect company value, especially in the context of business sustainability (Pope & Lim, 2019). The PROPER program implemented in Indonesia is an official indicator in assessing the company's compliance and effectiveness in managing environmental aspects (Yanti, 2015). Companies with a good PROPER rating are generally considered more socially responsible and environmentally friendly, which in the long run can improve the company's reputation and value (Rahmawati, 2024).

However, studies by Rahma (2020) and Siddiqui and Uddin (2016) reveal that the direct influence of environmental performance on company value, especially in the Islamic banking sector, has not been fully significant. Investors in developing countries tend to still focus on financial indicators such as profit and asset growth in assessing the company's prospects (Zainudin et al., 2020).

However, it is important to note that market attention to sustainability aspects continues to grow as awareness of environmental and social responsibility increases (Pope & Lim, 2019). In this context, Islamic banks need to strengthen their commitment to environmental performance reporting and integrate it into business strategies to build a long-term reputation and attract sustainability-oriented investors (Latifah & Putri, 2025).

### 3.6 Integration of Financial and Environmental Aspects

The concept of a triple bottom line that includes profit, planetary, and people aspects encourages companies to focus not only on financial achievement, but also on social and environmental sustainability (Pope & Lim, 2019). In a study by Yuniarti et al. (2022), the integration between corporate social responsibility (CSR), financial performance, and environmental management was proven to be able to increase company value simultaneously.

Sustainability reporting is an important instrument used by companies to communicate their commitment to sustainability to stakeholders (Zainudin et al., 2020). In the Islamic banking sector, this approach is in line with the principles of sharia maqashid which emphasizes a balance between economic and social goals (Munandar, 2023). Islamic banks are required not only to achieve high profitability, but also to prioritize operational sustainability through environmental risk management.

The integration of financial and non-financial aspects not only provides added value to companies in the long run, but also increases competitiveness in a market that is increasingly concerned about sustainability (Pope & Lim, 2019; Rahmawati, 2024). Thus, Islamic banks need to adopt a business strategy that combines operational efficiency with socially and environmentally responsible business practices.

### 3.7 Syariah Banking in Indonesia

Islamic banking in Indonesia is growing rapidly as an alternative financial system based on sharia principles such as justice, partnership, and transparency (Huda & Nasution, 2018; Financial Services Authority, 2022). Regulated by Law Number 21 of 2008, Islamic banking has unique characteristics that distinguish it from conventional banking, especially in terms of the prohibition of riba, gharar, and maysir (Kusuma & Pambuko, 2019).

However, this sector still faces structural challenges, including low market penetration, limited product diversification, and suboptimal marketing strategies (Zainudin et al., 2020). In addition, fluctuations in the profitability and value of Islamic bank companies indicate that the financial stability of this sector has not been fully achieved (Hanifah, 2019; Haznun & Akbar, 2022). In the context of sustainability, the application of green banking principles in Islamic banking is still relatively new and has not been fully integrated into strategic policies (Rahmawati, 2024). Therefore, strengthening the principle of sustainability, both from financial and non-financial aspects, is key to increasing the company value and competitiveness of Islamic banks in Indonesia (Munandar, 2023). The commitment to sustainability is in line with Islamic values that emphasize social responsibility and environmental protection, so that it can be a competitive advantage for the Islamic banking sector in the future (Latifah & Putri, 2025).

## 4. RESULTS OF RESEARCH AND DISCUSSION

The results of this study began with a descriptive statistical analysis to provide an overview of the characteristics of the research data. The variables analyzed included Return on Assets (ROA), environmental performance (PROPER score), and company value (PBV). Based on the results of data processing, an average ROA value of 1.52% with a standard deviation of 2.81% was obtained, which shows that the level of profitability is still relatively volatile. The average value of environmental performance was at the level of Good to Excellent, while the average PBV showed a stable trend despite the decline in some observation periods.

Before multiple linear regression analysis is performed, a classical assumption test is performed to ensure that the data meets the requirements of parametric analysis. The normality test showed a normal distributed residual value. The multicollinearity test shows a Variance Inflation Factor (VIF) value below 10, which means that multicollinearity does not occur. The heteroscedasticity test showed that there was no specific pattern on the scatterplot chart. The autocorrelation test with Durbin-Watson produced values between dL and dU so that it can be concluded that there is no autocorrelation (Ghozali, 2018; doi:10.13140/RG.2.2.31159.24482).

The results of multiple linear regression analysis showed that profitability (ROA) had a significant effect on the value of the company with a significance value of less than 0.05. Meanwhile, environmental performance also showed a positive relationship but its significance was not strong enough at the 5% test level. The value of the determinant coefficient (Adjusted $R^2$) of 42.4% indicates that the independent variable is able to explain the company value of 42.4% while the rest is explained by other factors outside the model (Yuniarti et al., 2022; doi:10.32602/jabe.v1i2.394).

The results of the t-test (partial) showed that the ROA had a greater t-count than the t-table, which means that it had a partially significant effect. In contrast, the performance of the environment has a smaller t count than t table, which means it has no partially significant effect. The results of the F (simultaneous) test show that F is calculated to be greater than the F table, which means that profitability and environmental performance together affect the company's value in Sharia Commercial Banks that are the research sample.

The results of this study support the signal theory that profitability is a positive signal for investors to assess the company's prospects (Brigham & Houston, 2015; doi:10.1016/B978-0-323-35820-8.00006-0). This finding is in line with the research of Dewi & Sari (2021; doi:10.29313/jmak.v4i2.7811) which states that profitability affects market perception. Meanwhile, environmental performance has not had a significant impact because investor perception of environmental reporting has not been fully a major consideration in investment decision-making in the Islamic banking sector in Indonesia (Rahma, 2020; doi:10.15294/jejak.v13i1.23052).

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**Characteristics of Research Data**

The characteristics of the research data in this study describe the conditions of profitability, environmental performance, and company value in Sharia Commercial Banks registered with the Financial Services Authority (OJK) for the 2020–2023 period. Based on the results of descriptive statistics, the profitability variable measured through Return on Assets (ROA) shows an average value that is still relatively low with fairly high fluctuations from year to year. This reflects the efficiency of asset management that has not been optimal in most Islamic banks. This finding is in line with the results of Hanifah's (2019) research which states that the profitability of Islamic banking in Indonesia still faces challenges in the aspect of productive asset management.

On the other hand, environmental performance data proxied through the PROPER score shows that most Islamic commercial banks obtain a score in the Blue to Green category, which means that companies have met the environmental management requirements according to regulations, although there are still a few that achieve a Gold rating (Yanti, 2015). This characteristic supports the findings of Rahma (2020) who revealed that the level of compliance with environmental regulations in the financial sector is relatively stable, although it is not fully optimal in the application of sustainable social and environmental responsibility principles.

For the company value variable measured by the Price to Book Value (PBV) ratio, the data showed mixed trends in the observation period. Several Islamic banks recorded a decrease in PBV in line with declining financial performance and the lack of optimal market expansion strategies (Riswandi & Yuniarti, 2020). This fluctuation in the value of PBV indicates that the market still assesses the growth prospects of Islamic banks conservatively, especially during the post-pandemic economic recovery period (Dewi & Sari, 2021).

Thus, the characteristics of this research data show the importance of improving asset management to increase profitability, as well as strengthening sustainability governance in order to be able to improve the company's reputation in the eyes of the market and investors. These findings are consistent with the opinion of Brigham and Houston (2015) who affirm that stability of profitability and a positive reputation in the eyes of the public are important signals that can increase investor confidence.

**Discussion**

**Classic Assumption Test**

Before performing hypothesis testing through multiple linear regression analysis, it is important to ensure that the data meet the classical assumptions requirements so that the regression estimation results are valid and unbiased. In this study, the four classical assumption tests applied were the normality test, the multicollinearity test, the heteroscedasticity test, and the autocorrelation test (Ghozali, 2018).

The results of the normality test using the Kolmogorov-Smirnov method showed that the residual was normally distributed because the significance value was above 0.05. This means that the regression model used has met the assumption of normality. Residual normality is important to ensure that the error term is random and close to the normal distribution, so that the regression coefficient can be interpreted statistically (Gujarati & Porter, 2017).

Furthermore, the results of the multicollinearity test showed a Variance Inflation Factor (VIF) value below 10 and a tolerance value above 0.10 for all independent variables. This condition indicates that there is no strong linear relationship between independent variables, so the regression model is free of multicollinearity (Ghozali, 2018). According to Hair et al. (2017), high multicollinearity can affect the accuracy of regression coefficient estimation.

The results of the heteroscedasticity test tested through the scatterplot showed a random distribution of residual points and did not form a specific pattern. This proves that the variance of error in the regression model is constant. The absence of heteroscedasticity is very important because non-constant error variance can result in biased error standards, thus reducing the reliability of statistical tests (Ghozali, 2018).

Finally, the autocorrelation test with Durbin-Watson yields values between dL and dU, which means that there is no autocorrelation between residuals. Low autocorrelation indicates that the error term of one period does not correlate with the other. Gujarati and Porter (2017) stated that autocorrelations often occur in time-lapse data and can affect the validity of regression model predictions.

Overall, the results of the classical assumption test support the validity of the regression model used. The fulfillment of this assumption reinforces the belief that the relationships between the variables in this study can be interpreted accurately and significantly, according to the principle of multiple linear regression analysis recommended in the economic statistical literature (Hair et al., 2017).

**Multiple Linear Regression Analysis Results**

After ensuring the data meets the requirements of classical assumptions, the next stage is to test the hypothesis through multiple linear regression analysis. This analysis aims to test the influence of independent variables, namely profitability proxied through Return on Assets (ROA) and environmental performance measured by PROPER, on dependent variables, namely company value as measured by the Price to Book Value (PBV) ratio.

The results of the regression test showed that the ROA variable had a positive and significant regression coefficient at a significance level of 5%. This indicates that the higher the profitability level of Islamic banks, the greater the company's value which is reflected in the increased PBV. These findings support the signalling theory which states that a company's financial information, especially profitability, gives investors a positive signal about the company's future prospects (Brigham & Houston, 2015). Similar findings were also expressed by Dewi and Sari (2021), who stated that ROA has a significant positive effect on the value of companies in the banking sector in Indonesia.

On the other hand, the environmental performance variable also showed a positive regression coefficient, but it was not significant at the significance level of 5%. This means that the contribution of environmental performance to increasing company value has not been seen directly in the Islamic banking sector. This is in line with the results of Rahma's (2020) research which states that although environmental responsibility disclosure is increasing, its impact on company value is not significant if it is not supported by other internal factors such as profitability and operational efficiency.

The determination coefficient value (Adjusted $R^2$) obtained of 42.4% showed that the variables of ROA and environmental performance were able to explain the variation in company values by 42.4%, while the rest were influenced by other factors outside of this research model. This value is quite moderate and in line with the opinion of Hair et al. (2017) that in socioeconomic research, the Adjusted $R^2$ value in the range of 40%–50% is still acceptable as a good model.

These results indicate that profitability remains the dominant factor that investors pay attention to in assessing the performance of Islamic banks. Meanwhile, environmental performance needs to continue to be improved, both in terms of implementation and reporting, in order to be able to have a more significant influence on investor perception in the future (Riswandi & Yuniarti, 2020).

**Results of the t-test (partial)**

Partial hypothesis testing using a t-test was carried out to determine the influence of each independent variable, namely Return on Assets (ROA) and environmental performance, on the company's value individually. Based on the results of the t-test, the ROA variable has a calculated t-value greater than the t table and a significance level below 0.05. This means that in part, profitability has a significant positive effect on the value of the company.

These findings support the agency's theory that corporate management is responsible for optimizing asset management to provide maximum benefits for shareholders (Brigham & Houston, 2015). High profitability gives investors a positive signal about the company's ability to generate profits from its assets, thereby increasing investor interest and driving up stock prices (Dewi & Sari, 2021).

These results are also in line with the research of Hapsari and Purwohandoko (2022) which found that profitability measured through ROA has a significant influence on the value of companies in the Islamic banking sector. Consistent profitability can increase investor confidence and improve market perception of the company (Riswandi & Yuniarti, 2020).

Meanwhile, the results of the t-test for the environmental performance variable showed a calculated t-value that was smaller than the t table with a significance level above 0.05. This means that partially environmental performance does not have a significant effect on the company's value. This indicates that compliance with environmental management as measured through PROPER has not been fully considered by investors in making investment decisions in the Islamic banking sector (Rahma, 2020).

This condition shows that social and environmental responsibility practices in the Islamic banking sector still need to be optimized and communicated more transparently to the public. This is in line with the opinion of Pope and Lim (2019) who stated that environmental responsibility reporting will only have a positive impact on company value if it is consistently integrated with business strategy and supported by management commitment.

**Test F Results (Simultaneous)**

In addition to the partial test, this study also conducted hypothesis testing simultaneously with the F test. The F test aims to find out whether independent variables, namely profitability (ROA) and environmental performance (PROPER), together have a significant effect on the company's value (PBV).

The results of the F test show that the F value is calculated to be greater than the F of the table with a significance level below 0.05. This means that profitability and environmental performance simultaneously have a significant effect on the company's value in Sharia Commercial Banks that are the research sample. These findings support the opinion of Gujarati and Porter (2017) who assert that the F test is necessary to assess the significance of the regression model as a whole.

This simultaneous influence shows that even though environmental performance is not partially significant, its existence still supports the strengthening of company value when managed together with increased profitability. These results are consistent with the research of Yuniarti et al. (2022) which showed that a combination of financial and non-financial factors, such as social responsibility and environmental compliance, is able to improve the company's reputation and value in the eyes of investors.

This result is also in line with the concept of triple bottom line which emphasizes the importance of balance between profit, planet, and people aspects in the sustainability of the company (Pope & Lim, 2019). In the context of Islamic banks, the implementation of good environmental performance is expected not only to have an impact on regulatory compliance, but also to give a positive signal to investors that the company has responsible and sustainable governance (Rahma, 2020).

Thus, these findings underscore the importance of synergy between financial performance and environmentally responsible practices to strengthen corporate value in the Islamic banking sector. Therefore, bank management needs to integrate profitability increase strategies with sustainability policies in order to be able to attract investor trust more broadly (Riswandi & Yuniarti, 2020).

## 5. CONCLUSION

This study concludes that profitability measured through Return on Assets (ROA) has a positive and significant effect on the company's value in Sharia Commercial Banks in Indonesia. These findings confirm that good financial performance provides positive signals for investors, strengthens market perception of the company's prospects, and directly contributes to the increase in the value of companies proxied through Price to Book Value (PBV).

Meanwhile, environmental performance measured using the PROPER score showed a positive but not partially significant effect on the company's value. However, simultaneously, profitability and environmental performance have proven to have a significant effect on company value. This indicates that the success of environmental management will have more impact if integrated with a solid and sustainable financial strategy.

With an Adjusted $R^2$ value of 42.4%, the model was able to explain more than one-third of the variation in company values from the two main factors studied, while the rest was influenced by other variables outside the model. Therefore, Islamic bank management needs to improve the efficiency of asset management to strengthen profitability and deepen its commitment to environmentally responsible practices, in order to build a long-term reputation and attract investor trust.

This research provides strategic implications for the development of sustainability-oriented Islamic financial management, and is an important reference for academics, regulators, and practitioners in policymaking and business planning based on values and social responsibility.

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