

Analysis Of The Mediation Effect Between Corporate Governance On Investor Confidence

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Abstrak

Studi ini meneliti bagaimana Kepercayaan Investor dipengaruhi oleh Tata Kelola Perusahaan, serta peran mediasi dari Kelangsungan Usaha, ESG, dan Pelaporan Korporasi di sektor perbankan Indonesia yang terdaftar di BEI periode 2023-2024. Metode penelitian kuantitatif dengan purposive sampling sebagai dasar pengambilan sampel. Hasil penelitian menunjukkan bahwa Tata Kelola Perusahaan berperan dalam Kelangsungan Usaha dan Pelaporan Korporasi dengan dampak negatif yang signifikan, tetapi berperan positif secara signifikan dalam kinerja ESG dan Kepercayaan Investor. Kelangsungan Usaha menunjukkan hubungan negatif yang signifikan dengan Kepercayaan Investor; namun, secara positif memediasi hubungan antara Tata Kelola Perusahaan dan Kepercayaan Investor. ESG menunjukkan pengaruh positif yang signifikan terhadap Kepercayaan Investor dan secara efektif berfungsi sebagai mediator positif antara Tata Kelola Perusahaan dan Kepercayaan Investor. Kemudian, Pelaporan Korporasi tidak berpengaruh terhadap Kepercayaan Investor dan tidak memediasi hubungan antara Tata Kelola Perusahaan dan Kepercayaan Investor. Temuan ini menunjukkan bahwa kepercayaan investor di sektor perbankan lebih dipengaruhi oleh mekanisme tata kelola yang baik dan praktik berkelanjutan daripada hanya pada pelaporan keuangan berkualitas tinggi. Oleh karena itu, bank-bank didorong untuk lebih meningkatkan struktur dewan dan kualitas tata kelola, memasukkan faktor ESG ke dalam perencanaan strategis jangka panjang, memperkuat manajemen risiko dan ketahanan bisnis, serta membentuk kembali pelaporan perusahaan ke arah pengungkapan yang lebih berfokus pada investor, khususnya untuk pengungkapan risiko dan informasi yang berorientasi ke masa depan.

Kata Kunci: Tata Kelola Perusahaan; Kepercayaan Investor; Kelangsungan Usaha, ESG; Pelaporan Korporasi.

Abstract

This study examines how Investor Confidence is influenced by Corporate Governance, as well as the mediating roles of Going Concern, ESG initiatives, and Corporate Reporting in the Indonesian banking sector listed on the IDX during the 2023-2024 period. Quantitative method of research with purposive sampling was used. The results indicate that Corporate Governance has role to play in Going Concern and Corporate Reporting with significant negative impact, but significantly positive role in ESG performance and Investor Confidence. Going Concern shows a significant negative relationship with Investor Confidence; however, it positively mediates the connection among Corporate Governance and Investor Confidence. ESG demonstrates a significant positive effect on Investor Confidence and effectively serves as a positive mediator among Corporate Governance and Investor Confidence. Then, Corporate Reporting has no effect on Investor Confidence and doesn't mediate the relation among Corporate Governance and Investor Confidence. These findings indicate that banking sector investor confidence is more influenced by good governance mechanisms and sustain-ably practices than on only high quality financial reporting. Accordingly. Banks are encouraged to further improve board structure and governance quality, incorporate ESG factors into long-term strategic planning, reinforce risk management and business resilience, and reshape corporate reporting towards more investor-focused disclosures in particular for risk disclosure and forward-looking information.

Keyword: Corporate Governance; Investor Confidence; Going Concern; ESG; Corporate Reporting.

1. Introduction

Attention to sustainability and environmental responsibility has increased alongside growing global awareness of the impact of economic activities on climate change and social welfare. Companies are now expected to balance profit generation with responsible operations through the implementation of Environmental, Social, and Governance (ESG) principles, which serve as crucial indicators for investors when evaluating long-term performance and risk. In the banking sector, this role is particularly strategic, as banks act both as financial intermediaries and as drivers of sustainable investment. The adoption of digital banking services, such as mobile-based investment platforms, not only improves efficiency and customer convenience but also contributes to environmental sustainability by reducing paper usage and carbon emissions. As a result, digital innovation supports the accomplishment of sustainable development goals (SDGs). At the same time, investors are increasingly considering sustainability factors in their decisions, making companies with strong ESG practices more attractive. Therefore, ESG has evolved from a form of social responsibility into a strategic tool for enhancing corporate reputation, building investor trust, and creating long-term value. The connection among corporate governance and investor confidence is strengthened by corporate reporting quality, according to earlier research by (Hammond & Opoku, 2023). This suggests that investors prioritize transparency and accountability in corporate disclosures over going concern opinions, determined to haven't any significant mediating impact. Despite the fact that this observe offers insightful information about how reporting and governance affect investor confidence, it ignores sustainability factors, especially ESG, which are becoming more and more important in the Indonesian context. A number of banks, including Bank Raya Indonesia (AGRO), Bank IBK Indonesia (AGRS), and Bank Pembangunan Daerah Jawa Timur (BJTM), saw declining stock prices between 2021 to 2024 as seen in Figure 1.

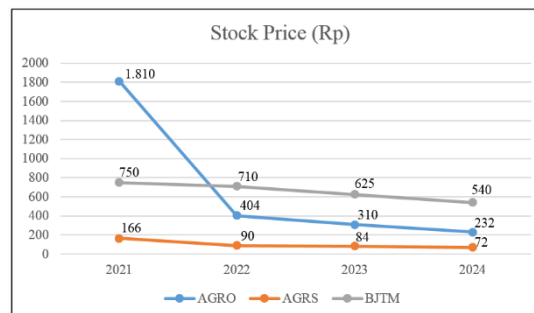


Figure 1. Closing Stock Price of 2021-2024

This is because some banks have not yet fully implemented ESG practices, which has damaged their reputation and public trust, other banks, on the other hand, have started to show their positive commitments by implementing eco-friendly digitalization programs that increase productivity while lowering carbon emissions. Despite these advancements, there are still few empirical studies looking at how investor confidence in finance institutions is impacted by ESG implementation, particularly green digital innovation. So that to give a greater thorough knowledge of the connection among corporate governance, corporate reporting, and investor confidence within the context of a green and digital economy, more research that explicitly integrates ESG variables is imperative. Most previous studies, including (Hammond & Opoku, 2023), mainly examined the relationship between corporate governance, corporate reporting, and investor confidence without considering sustainability aspects, creating a research gap. Currently, investor assessments are influenced not only by financial performance but also by companies' social and environmental responsibility through ESG practices, especially in the banking sector, which plays an important role in sustainable finance and digital transformation. As awareness of climate change and financial technology increases, investors are becoming more selective toward companies that implement transparent and environmentally responsible practices. Therefore, this study extends the Hammond

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framework by integrating ESG as a key dimension, including sustainable initiatives such as reducing carbon emissions through investment service digitalization, to provide more relevant insights into sustainable investment dynamics and support financial institutions in improving sustainability performance and investor confidence. This study is expected to contribute theoretically to the development of Signaling Theory and Stakeholder Theory by emphasizing the role of Environmental, Social, and Governance (ESG) as both a signaling mechanism and a form of corporate responsibility toward stakeholders. ESG implementation reflects a company's commitment to sustainability, transparency, and ethical governance, which can strengthen stakeholder trust and corporate legitimacy. Practically, the findings of this study are expected to provide valuable insights for banking institutions in strengthening sustainability strategies, improving environmentally friendly practices, enhancing transparent governance, and increasing investor confidence, particularly within the context of the green and digital economy.

2. Literature Review

The theoretical study in this research is based on two main theories relevant to all variables studied, namely Stakeholder Theory by (Freeman *et al.*, 1984) and Signaling Theory by (Jensen & Meckling, 1976) as applied in the research context by (Hammond & Opoku, 2023). Stakeholder Theory emphasizes that companies want to ponder the interests of all parties tormented by the company's operations, including investors, the community, and the environment. Meanwhile, Signaling Theory explains that companies use certain characteristics or information such as company reporting, governance quality, or sustainability practices to send positive signals to investors regarding their stability and long-term prospects. These two theories serve as a basis for understanding the connection between variables in research focusing on the banking sector, especially in the context of ESG implementation and the digitization of investment services.

2.1 Investor Confidence

Investor Confidence reflects the level of trust investors place in a company's ability to maintain financial stability, fulfill its obligations, and generate sustainable future performance, which is influenced by factors such as financial condition, corporate governance quality, and the surrounding regulatory environment (Hammond & Opoku, 2023). This confidence is commonly reflected in stock price movements and market responses, where increasing investor interest raises demand for shares and consequently drives stock prices upward (Valencia *et al.*, 2024). In addition, a company's capital structure also affects investor perceptions, as excessive debt levels may reduce confidence due to higher financial risk, while larger, more stable, and well-established companies generally gain stronger investor trust because they are perceived as more capable of surviving economic uncertainty (Pasaribu *et al.*, 2025). In the context of sustainable business development, investor confidence is no longer determined solely by profitability or short-term financial performance, but also by corporate integrity, effective risk management, ethical behavior, and corporate reputation reflected through Environmental, Social, and Governance (ESG) practices (Moridu & Posumah, 2025). Based on Signaling Theory proposed by (Michael Spence, 1973), investors rely on various corporate signals, such as the quality of financial reporting, going concern opinions, governance credibility, transparency, and sustainability commitments, to evaluate a company's future prospects and reduce uncertainty in investment decisions (Hammond & Opoku, 2023). Empirical evidence further demonstrates that strong corporate governance mechanisms and high-quality financial reporting significantly improve investor confidence because transparent and credible information signals accountability, reduces information asymmetry, and indicates the company's commitment to long-term value creation and sustainable growth (Hammond *et al.*, 2022).

2.2 Going Concern

Going Concern, which is the belief that a company is capable of continuing its operations and fulfilling its obligations in the future. This variable is based on Signal Theory, as explained in the research

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(Hammond & Opoku, 2023), that the auditor's going concern opinion can be an important signal to investors regarding the company's financial stability. (Hammond & Opoku, 2023) asserts that financial institutions that receive a positive going concern opinion are considered more stable and trustworthy. According to (Chiose & Hategan, 2024), evaluating business continuity is a fundamental aspect of the investment decision-making process because it reflects a company's capacity to sustain operations over the long term. In previous research, (Hammond & Opoku, 2023) showed that although going concern doesn't significantly mediate the influence of corporate governance and corporate reporting on investor confidence, this variable remains an important indicator in assessing the quality of signals received by investors. Thus, signal theory is used to explain how going concern can affect investor confidence in the context of banking, which is greatly affected on public trust. The application of good corporate governance can reinforce a company's expertise to sustain its business continuity. An effective governance structure, such as optimal board supervision, transparency in decision-making, and a strong internal control system, can improve the company's operational stability and financial health, thereby strengthening its going concern indicators. In addition, long-term survivability tends to be more trusted by investors as a place to invest capital. This trust arises because investors assess that companies with good sustainability prospects have lower risk levels and more stable potential returns on investment. Therefore, good corporate governance not only directly increases investor confidence but also does so indirectly by improving the company's proficiency to sustain its business prolongation. In other words, the stronger the corporate governance practices implemented, the better the company's going concern condition, which ultimately strengthens investor confidence in the company.

H1: Corporate Governance has a positive and significant on Going Concern.

H2: Going Concern has a positive and significant on Investor Confidence.

H3: Going Concern positively mediates the connection among Corporate Governance and Investor Confidence.

2.3 Environmental, Social, and Governance (ESG)

ESG refers to a set of practices related to an organization's relationship with the environment, its interaction with society and stakeholders, and its internal governance systems such as policies, procedures, and regulations. (Koh *et al.*, 2022). ESG factors include environmental practices, social initiatives, and governance standards, which collectively increase a company's attractiveness to investors (Agustina, 2025). This variable is based on Stakeholder Theory (Freeman *et al.*, 1984), which emphasizes that companies have a responsibility to engage in ethical practices in order to meet the hope of their stakeholders. According to (Pong & Man, 2024), companies that integrate ESG concerns into their strategic vision not only enhance their market position and public reputation but also establish a basis for long-term financial stability (Zahrazova *et al.*, 2025). Corporate involvement in ESG initiatives signals that companies are implementing ethical and socially responsible practices, thereby increasing investor confidence. Meanwhile, (Bukari *et al.*, 2024) asserts that ESG plays a crucial role in modern investment decisions because it reflects companies' dedication to the environment and sustainability. ESG are sustainability application that reflect a corporation's dedication to environmental, social, and governance responsibilities. Based on Stakeholder Theory (Freeman *et al.*, 1984), ESG indicates that companies strive to satisfy broader stakeholder expectations, including society and the environment, not just shareholders. ESG also serves as a positive signal for investors because it demonstrates companies' commitment to creating prolonged value and managing non-financial risks (Bukari *et al.*, 2024; Pong & Man, 2024). In the context of digital banking in Indonesia, efforts to reduce paper usage through online investment services are concrete evidence of ESG implementation, especially in environmental aspects. ESG implementation is expected to strengthen the connection among corporate governance and investor confidence, as investors increasingly value companies that demonstrate concern for sustainability and business ethics. An effective board structure, a robust oversight system, and management's commitment to transparency can increase a company's attention to ESG aspects, thereby encouraging more comprehensive and accountable ESG disclosure. Corporations with strong ESG outcome and disclosure have a tendency to be more trusted by investors because they are reasoned more responsible, have

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better risk management, and have more stable long-term sustainability prospects. Therefore, strong corporate governance not only directly influences investor confidence, but also indirectly through improved ESG practices and disclosure. Thus, the greater the quality of corporate governance implemented by a company, the better its ESG performance will be, which will ultimately strengthen investor confidence in the company.

H4: Corporate Governance has a positive and significant on ESG.

H5: ESG has a positive and significant on Investor Confidence.

H6: ESG positively mediates the connection among Corporate Governance and Investor Confidence.

2.4 Corporate Reporting

Corporate Reporting (CR), which is the activity of exposing a establishment's finance and non-finance information to its stakeholders. This variable is based on Signal Theory, as stated (Hammond *et al.*, 2022), which explains that credible and transparent company reports serve as a signal of quality to investors. (Hammond & Opoku, 2023) shows that corporate reporting mediates the connection among corporate governance and investor confidence, so that high-quality reporting can increase investor confidence in financial institutions. CR provides a transparent picture of a company's performance through annual reports and financial statements. Within the framework of Signaling Theory, credible, timely, and accurate reporting serves as an important signal for investors to assess management quality and company health (Hammond *et al.*, 2022). Effective corporate governance is empirically shown to enhance the quality of corporate reporting, as well-governed companies exhibit greater responsiveness to transparency and accountability requirements. (Hammond & Opoku, 2023) found that corporate reporting significantly mediates the connection among corporate governance and investor confidence, indicating that quality financial reports are one of the primary sources of investor confidence. In the context of this research, corporate reporting is expected to once again play an crucial role as a mechanism that links governance to the level of investor confidence, especially in banks that have adopted digital transparency. The execution of GCG can enhance the quality, transparency, and accountability of company reporting. An effective supervisory structure through the board of directors and commissioners can encourage the preparation of reports that are more accurate, relevant, and trustworthy for stakeholders. Thus, transparent and informative company reports can help investors assess the establishment's financial condition, performance, and prospects, thereby increasing their confidence in making investment decisions. Therefore, good corporate governance not just enhance investor confidence directly, but also indirectly through improving the quality of corporate reporting. Thus, the robust the execution of corporate governance, the better the quality of corporate reporting, which will ultimately strengthen investor confidence in the company.

H7: Corporate Governance has a positive and significant on Corporate Reporting.

H8: Corporate Reporting has a positive and significant on Investor Confidence.

H9: Corporate Reporting positively mediates the connection among Corporate Governance and Investor Confidence.

2.5 Corporate Governance

Corporate Governance (CG) is defined as the framework of rules, mechanisms, and procedures designed to direct and control companies, ensuring they operate in alignment with the interests of shareholders and other stakeholders. This concept is grounded in Stakeholder Theory (Freeman *et al.*, 1984), which emphasizes that companies must implement accountable and ethical governance to meet stakeholder expectations. In line with (Hammond & Opoku, 2023), CG is a key pillar influencing the stability of financial institutions, as strong governance mechanisms provide positive signals regarding a company's reliability and integrity. Furthermore, corporate governance supports the development of high-quality corporate reporting and credible going concern assessments, which in turn enhance investor confidence (Hammond & Opoku, 2023). In this study, CG is reflected through board structure and the number of board members as indicators of accountability and transparency. From the perspective of Signaling Theory (Michael Spence, 1973), governance mechanisms act as signals of a company's

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integrity and risk management capability. Empirical evidence from (Hammond & Opoku, 2023) also confirms that strong corporate governance positively and significantly affects investor confidence by improving perceptions of stability, credibility, and financial security, particularly in the highly regulated banking sector.

H10: Corporate Governance has a positive and significant on Investor Confidence.

3. Research Methodology

This research uses an associative quantitative approach, which aims to analyze the causal connection among the variables of Corporate Governance (X), Going Concern (Z1), ESG (Z2), Corporate Reporting (Z3), and Investor Confidence (Y). This approach is in line with the theoretical understanding in Signaling Theory (Michael Spence, 1973) and Stakeholder Theory (Freeman *et al.*, 1984) which asserts that the relationship between variables can be tested empirically through quantitative analysis. This design was chosen to capture how signals in the form of governance, reporting quality, business continuity, and ESG implementation can affect investor confidence in the banking sector. The associative research framework is illustrated in Figure 2.

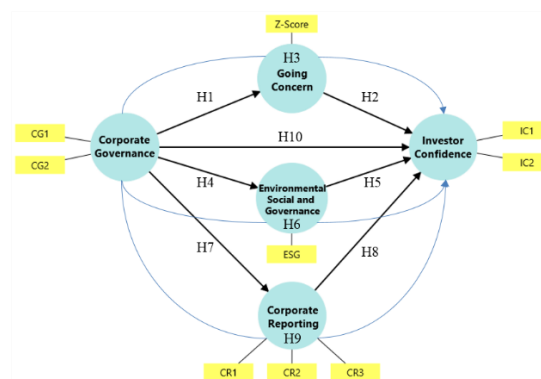


Figure 2. Research Design

The population of this research consist of all banks listed on the Indonesia Stock Exchange (IDX), totaling 57 banks. The research sample includes 49 banks, chosen using a purposive sampling technique. The sampling criteria are as follows: (1) banks must publish complete annual reports and sustainability reports for the 2023-2024 period that are publicly accessible through the IDX; (2) banks must have issued shares to the public; and (3) banks must provide publicly accessible summaries of General Meeting of Shareholders (GMS) minutes. This research utilizes secondary data, collected from publicly sources, including annual reports, sustainability reports, and summaries of GMS minutes issued by the sampled banks. Data were collected from the Indonesia Stock Exchange (IDX), official bank websites, and other relevant public documents such as ESG disclosures and financial statements. Secondary data were employed to measure all research variables in accordance with the predetermined indicators. The indicators for each variable are shown in Table 1.

Table 1. Variable Indicators

Variable	Indicator	Reference
<i>Investor Confidence (Y)</i>	1. IC 1: Natural logarithm of the deposits 2. IC 2: Natural logarithm of total equity	(Hammond & Opoku, 2023)
<i>Corporate Governance (X)</i>	1. CG 1: Non executive board members 2. CG 2: Board members	(Hammond & Opoku, 2023)
<i>Going Concern (Z1)</i>	$z\text{-score} = 3,25 + 3,26RETA + 6,72EBTA +$	(Hammond &

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	1,05VELT	Opoku, 2023)
	$RETA = \frac{\text{Retained Earning}}{\text{Total Assets}}$	
	$EBTA = \frac{\text{Eaning Before Taxes}}{\text{Total Assets}}$	
	$VETL = \frac{\text{Marke Vale of Equity}}{\text{Book Value of Debts}}$	
Environmental Social and Governance (Z2)	$ESG = \frac{\text{number of items reported}}{\text{total items checked}}$	(Bukari et al., 2024)
	Enviroment:	
	1. EP 1: Energy Efficiency	
	2. EP 2: Carbon Footprint	
	3. EP 3: Biodiversity Conversation	
	4. EP 4: Eco-friendly packaging	
	5. EP 5: Waste Management	
	Social:	
	6. SP 1: Community Engagement	
	7. SP 2: Human Right	
	8. SP 3: Labor Practice	
	9. SP 4: Social Influence Investment	
	Governance:	
	10. GP 1: Anti Corruption Practices	
	11. GP 2: Ethics and Transparacy	
	12. GP 3: Diversity and Independence on the Board	
	13. GP 4: Executive Compensation Fairness	
Corporate Reporting (Z3)	$CR1 = \frac{\text{Sales Income}}{\text{Total Assets}}$ $CR2 = \frac{\text{Interest Received}}{\text{Total Assets}}$	(Hammond & Opoku, 2023)
	$CR3 = \frac{\text{Cash and Cash Equivalent}}{\text{Customers deposits}}$	

4. Results and Discussion

4.1 Results

Descriptive statistical analysis was conducted to describe the distribution of each indicator by presenting the mean, minimum and maximum values, and standard deviation (Hamid & Anwar, 2019).

Table 2. Descriptive Statistic Analysis

Name	Mean	Min	Max	St. Dev
CG1	9,163	3	19	4,679
CG2	11,918	5	23	5,01
CR1	0,096	0,052	0,357	0,052
CR2	0,078	0,033	0,268	0,043
CR3	0,276	0,059	1,918	0,313
Z-Score	4,752	2,7	35,562	4,385
ESG	0,83	0,308	1	0,123
IC1	31,087	26,574	34,926	1,785
IC2	30,062	28,143	33,409	1,336

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Based on the descriptive statistics in Table 2, the Investor Confidence variable (IC1 and IC2) ranges from 26.574 to 34.926 and 28.143 to 33.409, indicating that higher values reflect stronger investor confidence. Corporate Governance (CG1 and CG2), representing the number of board members, ranges from 3 to 19 and 5 to 23, where higher values indicate larger board size and stronger governance. Corporate Reporting (CR1, CR2, CR3) ranges from 0.052–0.357, 0.033–0.268, and 0.059–1.918, showing that higher values correspond to better reporting quality. The Sustainability variable (Z-Score) ranges from 2.7 to 35.562, where higher values indicate better business continuity. Meanwhile, the ESG variable ranges from 0.308 to 1, with values closer to 1 reflecting stronger ESG performance.

4.1.1 Convergent Validity

Convergent validity testing was conducted to evaluate the outer loading values and Average Variance Extracted (AVE). The results of the outer loading and AVE tests are presented in Table 3 and Table 4, respectively.

Table 3. Outer Loading Result of Convergent Validity

Indicator	CG	CR	ESG	GC	IC
CG1	0,995				
CG2	0,995				
CR1		0,950			
CR2		0,953			
CR3		0,809			
Z-Score			1		
ESG				1	
IC1					0,969
IC2					0,968

Outer loading values reflect the correlation between indicator scores and their corresponding latent constructs. An indicator is deemed valid when its loading value greater than 0.70. As presented in Table 3, all indicators of Corporate Governance, Corporate Reporting, ESG, Going Concern, and Investor Confidence have loading factor values exceeding 0.70, suggesting that each indicator is valid and sufficiently reflects its corresponding construct.

Table 4. AVE of Convergent Validity Test

Variable	AVE	Result
Corporate Governance	0,99	Valid
Corporate Reporting	0,822	Valid
Investor Confidence	0,939	Valid

The Average Variance Extracted (AVE) serves to evaluate convergent validity for latent variables with more than one measurement indicator. A construct is regarded as valid provided that its AVE value is higher than 0.50. As shown in Table 5, the AVE values for CG, CR, and IC are 0.990, 0.822, and 0.939, respectively. Since all AVE values exceed the minimum threshold, these constructs demonstrate satisfactory convergent validity.

4.1.2 Discriminant Validity

To ensure discriminant validity, the Fornell-Larcker criterion and cross-loading analysis were applied. These tests are conducted to confirm that each latent construct is empirically distinct and that indicators load more strongly on their intended constructs than on others. The results are presented in Table 5 and Table 6.

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Table 5. Fornell-Larcker

Variable	CG	CR	ESG	GC	IC
CG	0,995				
CR	-0,264	0,906			
ESG	0,436	-0,239	1		
GC	-0,179	0,228	-0,073	1	
IC	0,837	-0,313	0,44	-0,312	0,969

The square root of the AVE for Corporate Governance is 0.995, which is greater than its correlations with other latent constructs, namely -0.264, 0.436, -0.179, and 0.837. The Corporate Reporting construct has a square root of AVE of 0.906, exceeding its correlations with other constructs (-0.239, 0.228, -0.313, and -0.264). The ESG construct shows a square root of AVE of 1.000, which is higher than its correlations with other constructs (-0.073, 0.440, -0.239, and 0.436). Similarly, Going Concern has a square root of AVE of 1.000, exceeding its correlations with other constructs (-0.312, -0.073, 0.228, and -0.179). Lastly, Investor Confidence has a square root of AVE of 0.969, which is higher than its correlations with other constructs (-0.312, 0.440, -0.313, and 0.837).

Table 6. Cross Loading of Discriminant Validity Test

Indicator	CG	CR	ESG	GC	IC
CG1	0,995	-0,25	0,437	-0,165	0,825
CG2	0,995	-0,275	0,43	-0,191	0,84
CR1	-0,217	0,95	-0,203	0,139	-0,226
CR2	-0,311	0,953	-0,204	0,191	-0,327
CR3	-0,163	0,809	-0,248	0,297	-0,284
Z-Score	0,436	-0,239	1	-0,073	0,44
ESG	-0,179	0,228	-0,073	1	-0,312
IC1	0,781	-0,437	0,449	-0,407	0,969
IC2	0,841	-0,169	0,404	-0,197	0,968

In addition, the cross-loading analysis shows that each indicator loads more strongly on its intended construct than on any other construct, thereby confirming sufficient discriminant validity.

4.1.3 Construct Reliability

Construct reliability was evaluated through Cronbach's Alpha and Composite Reliability, both using 0.70 as the minimum acceptable value. The results are presented in Table 7.

Table 7. Cronbach's Alpha and Composite Reliability

Variable	Cronbach's alpha	Composite reliability
CG	0,99	0,995
CR	0,889	0,932
IC	0,935	0,968

As shown in Table 7, all constructs exhibit Cronbach's Alpha and Composite Reliability values above 0.70, indicating that all variables demonstrate strong internal consistency and reliable measurement.

4.1.4 Inner Model Evaluation

The inner model evaluation aims to assess the strength and significance of the relationships among latent variables. This evaluation includes the analysis of Adjusted R-square values and hypothesis testing, as presented in Table 8, Table 9, and Table 10.

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Table 8. R-square Test

Variable	R-square adjust	Result
CR	0,06	Low
ESG	0,181	Low
CG	0,022	Low
IC	0,762	Moderate

The results shown in Table 8 that the R^2_{adj} value for Corporate Reporting is 0.060, suggesting that 6% of its variance is explained by the independent variable. The R^2_{adj} value for ESG is 0.181, indicating that 18.1% of its variance is explained by the independent variable. The R^2_{adj} value for Going Concern is 0.022, meaning that 2.2% of its variance is explained by the independent variable. Meanwhile, Investor Confidence has an R^2_{adj} value of 0.726, indicating that 72.6% of its variance is explained by the independent variables, which reflects a moderate to strong predictive accuracy.

Table 9. Path Coefficient Direct Effect

	O	M	STDEV	T	P
CG>CR	-0,264	-0,278	0,055	4,812	0,00
CG>ESG	0,436	0,444	0,062	7,019	0,00
CG>GC	-0,179	-0,187	0,035	5,104	0,00
CG>IC	0,756	0,753	0,063	12,037	0,00
CR>IC	-0,058	-0,052	0,039	1,468	0,071
ESG>IC	0,086	0,09	0,035	2,438	0,007
GC>IC	-0,157	-0,154	0,049	3,219	0,001

Direct Effect analysis is used to examine the strength and direction of direct relationships among latent variables within the research model tested using the SEM-PLS approach. This table presents the path coefficients, t-statistics, and p-values obtained through the bootstrapping procedure, enabling researchers to assess the statistical significance of each direct effect tested in the model.

Table 10. Path Coefficient Indirect Effect

	O	M	STDEV	T	P
CG>GC>IC	0,028	0,029	0,011	2,494	0,006
CG>ESG>IC	0,038	0,041	0,018	2,111	0,026
CG>CR>IC	0,015	0,015	0,012	1,274	0,101

The indirect effect analysis is used to examine the non-direct connection among latent variables within the research model through the tested mediating variables. This analysis enables a clearer assessment of the significance and effectiveness of mediation mechanisms in explaining how independent variables influence the dependent variable beyond direct pathways.

4.2 Discussion

The results of the study reveal that Corporate Governance (CG) has a complex influence on various variables within the banking sector. Hypothesis 1 posited that CG has a negative and significant effect on Going Concern, with a path coefficient of -0.179, a t-statistic of 5.104, and a p-value of 0.000, leading to the rejection of this hypothesis. This indicates that governance structures characterized by excessively large board sizes do not necessarily enhance a bank's long-term operational sustainability. Conversely, overly large boards can create coordination challenges, slow strategic decision-making, and reduce managerial agility in responding to risks and environmental changes. Additionally, larger boards tend to incur higher compensation and remuneration costs, which can exert additional pressure on financial performance and weaken key indicators related to going concern.

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These findings diverge from Hammond & Opoku (2023), who reported no significant relationship between Corporate Governance and Going Concern, but are consistent with Jandiya *et al.* (2023), who documented a significant negative effect, reinforcing the notion that poorly designed governance structures may have unintended adverse consequences. Furthermore, Hypothesis 2 suggested that Going Concern negatively and significantly impacts Investor Confidence, with a coefficient of -0.157, a t-statistic of 3.219, and a p-value of 0.001, resulting in the rejection of this hypothesis. These findings imply that, within the banking industry, investors do not rely solely on Going Concern indicators, particularly those measured by z-scores, as the primary basis for their confidence. This phenomenon can be attributed to the unique characteristics of the banking sector, which is subject to strict regulation, intensive supervision, and implicit government backing. These conditions foster a perception of systemic security among investors. Therefore, even when Going Concern signals increased risks or potential instability, investor confidence remains intact. This contrasts with Hammond & Opoku (2023), who found a positive and significant effect of Going Concern on investor confidence, but aligns with Altawalbeh & Alroud (2023), who reported no significant investor reaction to issuing Going Concern audit opinions. Hypothesis 3 confirmed that Corporate Governance has a positive and significant indirect effect on Investor Confidence through Going Concern, with a path coefficient of 0.028, a t-statistic of 2.494, and a p-value of 0.006, thus supporting the hypothesis. This suggests that effective governance structures, especially those reflected in board size and functionality, can improve supervisory and managerial controls, leading to enhancements in Going Concern indicators that signal a bank's ability to sustain operations over the long term. These improvements ultimately foster stronger perceptions of stability among investors. Although Going Concern has a negative direct effect on investor confidence, the presence of strong governance transforms this into a positive mediating pathway, as governance-supported improvements in Going Concern are interpreted as signals of credibility and institutional resilience. This aligns with Hammond & Opoku (2023), who also identified Going Concern as a mediating variable reinforcing the link between Corporate Governance and Investor Confidence.

The study further found a positive and significant relationship between Corporate Governance and Environmental, Social, and Governance (ESG) factors, with a coefficient of 0.436, a t-statistic of 7.019, and a p-value of 0.000, supporting Hypothesis 4. This indicates that robust governance structures, particularly those reflected in board size and roles, enhance a firm's focus and commitment to sustainability practices. Larger boards enable better division of responsibilities and oversight of environmental policies, social responsibility initiatives, and compliance with good governance principles. Moreover, extensive governance encourages comprehensive decision-making regarding ESG strategies and resource allocation, leading to higher transparency, quality disclosures, and stakeholder accountability, thereby strengthening corporate legitimacy and long-term reputation. These findings are consistent with Bukari *et al.* (2024), who demonstrated that effective Corporate Governance positively influences ESG performance. In addition, Hypothesis 5 showed that ESG has a positive and significant effect on Investor Confidence, with a coefficient of 0.086, a t-statistic of 2.438, and a p-value of 0.007. This suggests that higher-quality ESG disclosures and stronger sustainability practices are associated with greater investor confidence. Transparent and comprehensive ESG practices are perceived as signals of a bank's commitment to managing long-term risks, regulatory compliance, and ethical business conduct. Investors tend to view banks actively reporting ESG performance as more stable institutions with sound management and a higher capacity to generate sustainable value amid increasing demands for sustainability and social responsibility. This is supported by Pong & Man (2024), who found a positive and significant relationship between ESG and Investor Confidence. Hypothesis 6 confirmed that Corporate Governance has a positive and significant indirect effect on Investor Confidence through ESG, with a coefficient of 0.038, a t-statistic of 2.111, and a p-value of 0.026. This indicates that higher-quality governance, reflected in larger and more effective boards, enhances ESG practices and disclosures, which in turn strengthen investor trust. Effective governance facilitates oversight, balanced decision-making, and resource allocation for sustainability initiatives, signaling professional management, accountability, and a commitment to sustainability that positively influences investor perceptions.

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These findings align with Bukari *et al.* (2024) and Pong & Man (2024), emphasizing that both governance and ESG are critical in fostering investor trust. However, the relationship between Corporate Governance and Corporate Reporting was found to be negatively and significantly related, with a coefficient of -0.264, a t-statistic of 4.812, and a p-value below 0.05, leading to the rejection of Hypothesis 7. This suggests that increasing the number of non-executive directors and the overall size of the board does not necessarily improve reporting quality. Instead, larger boards may face coordination issues, conflicting interests, and slower decision-making, which can weaken oversight and reduce reporting consistency. This result contrasts with Hammond & Opoku (2023), who found a positive relationship, but supports Ary *et al.* (2025), who reported negative effects of large board sizes on firm performance. Furthermore, Hypothesis 8 indicated that Corporate Reporting does not have a significant effect on Investor Confidence, with a coefficient of -0.058, a t-statistic of 1.468, and a p-value of 0.071, leading to its rejection. Although firms may produce comprehensive financial reports, these do not directly influence investor confidence, particularly in the banking sector where investors prioritize strategic and sustainability factors such as governance quality, market stability, and risk management. These findings are inconsistent with Hammond & Opoku (2023), who reported a positive effect, but align with Esmailnozar *et al.* (2025), who found a negative relationship, highlighting the inconsistency in the literature regarding this relationship. Finally, Hypothesis 9 proposed that Corporate Governance exerts a positive but insignificant indirect effect on Investor Confidence via Corporate Reporting, with a coefficient of 0.015, a t-statistic of 1.274, and a p-value of 0.101, thus leading to rejection. This suggests that improvements in reporting quality, driven by governance, are insufficient to significantly boost investor confidence amid global economic uncertainties. Investors tend to focus more on systemic stability, capital resilience, and risk management rather than the quality of financial disclosures alone. These findings are supported by Lestari & Wijayanti (2025), who found no significant mediating effect of Corporate Reporting in this context. In contrast, Hypothesis 10 confirmed that Corporate Governance has a positive and significant direct effect on Investor Confidence, with a coefficient of 0.756, a t-statistic of 12.037, and a p-value of 0.000. This indicates that strong governance practices, especially with a larger and more representative board, enhance perceptions of stability, credibility, and management quality, thereby increasing investor confidence. These findings are consistent with Hammond & Opoku (2023), reinforcing the importance of effective governance in building investor trust.

5. Conclusion

This research was conducted to examine how Investor Confidence is influenced by Corporate Governance, as well as the mediating roles of Going Concern, Environmental, Social, and Governance (ESG) initiatives, and Corporate Reporting within the financial sector, specifically commercial banks listed on the Indonesia Stock Exchange during the 2023-2024 period. The sample was selected using a purposive sampling approach. The empirical results indicate that Corporate Governance has a significant negative effect on Going Concern, while Going Concern also shows a significant negative effect on Investor Confidence. Despite this, Going Concern is able to positively mediate the connection among Corporate Governance and Investor Confidence. Furthermore, the findings reveal that Corporate Governance has a significant positive effect on ESG, and ESG, in turn, has a significant positive influence on Investor Confidence. ESG also functions as a positive mediating variable in the connection among Corporate Governance and Investor Confidence. In contrast, Corporate Governance has a significant negative effect on Corporate Reporting, while Corporate Reporting does not have a significant effect on Investor Confidence and therefore fails to mediate the connection among Corporate Governance and Investor Confidence. Overall, the results confirm that Corporate Governance directly exerts a significant positive influence on Investor Confidence. Despite these contributions, this study faces some limitations. The observation period was restricted to only two years, in line with the study's objective to provide updated empirical evidence using the most recent data available, namely 2023 and 2024. Future research is therefore encouraged to extend the study period to better capture long-term dynamics and to reassess

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the robustness of the relationships identified. In addition, subsequent studies are advised to enrich the measurement of Corporate Reporting by incorporating additional indicators, such as performance projections reflected in credit growth, profitability, and capital adequacy ratios (CAR), as well as risk disclosure measures, including credit risk and liquidity risk, to obtain a more comprehensive assessment of reporting quality.

6. References

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