

ABSTRACT

The acceleration of digital transformation in Indonesia's banking sector still faces challenges in aligning with corporate sustainability performance. This study aims to analyze the effect of digital finance on Environmental, Social, and Governance (ESG), with green innovation and environmental information disclosure (EID) as mediating variables. The main focus is to understand how digital technology integration can be translated into sustainability performance amid modern economic dynamics.

This research uses a quantitative approach with a population of conventional commercial banks listed on the Indonesia Stock Exchange during the 2020–2024 period. Using purposive sampling, 21 banks were selected, resulting in 105 observations that capture post-COVID-19 pandemic economic dynamics. The data were analyzed using panel data regression and mediation testing through the Sobel test with the support of Stata 17.

The results show that digital finance does not have a significant effect on ESG, indicating that digital transformation in the national banking sector is still primarily focused on operational efficiency and customer service. In contrast, green innovation and environmental information disclosure have a positive and significant effect on improving ESG scores. The mediation test results reveal that EID significantly mediates the relationship between digital finance and ESG. This finding indicates that in Indonesia, the use of digital technology in the banking sector is more effective in enhancing ESG performance through information transparency and accountability rather than through direct green product innovation.

Keywords: *Digital Finance, ESG, Green Innovation, Environmental Information Disclosure, Banking.*