Ianna Journal of Interdisciplinary Studies, Vol. 8, No. 2 (June 2026).

E-ISSN: 2735-9891 DOI: https://doi.org/10.5281/zenodo.20423397

***IANNA JOURNAL OF INTERDISCIPLINARY STUDIES*, Vol. 8, No. 2 (June 2026).**
Journal's website: https://iannajournalofinterdisciplinarystudies.com
Article History: Received 30 October 2025; Revised, 2 February 2026; Accepted, 12 April 2026

Do Customer-Oriented Financial Governance Practices Influence Bank Valuation? Evidence From Global Bank Firms

Muhammad Syahid
Doctoral Students, Faculty of Economics and Business, Universitas Airlangga, Surabaya, East Java 60286, Indonesia.
ORCID: https://orcid.org/0009-0002-1154-8795

*** Wasiaturrahma Wasiaturrahma**
Faculty of Economics and Business, Universitas Airlangga, Surabaya, East Java 60286, Indonesia
ORCID: https://orcid.org/0000-0001-6055-0790
*Corresponding author e-mail: rahma@feb.unair.ac.id

Miguel Angel Esquivias
Faculty of Economics and Business, Universitas Airlangga, Surabaya, East Java 60286, Indonesia
ORCID: https://orcid.org/0000-0002-1282-6163

Abstract

Background: The Customer-Oriented Financial Governance (COFG) model has emerged as a critical driver of structural compliance and asset management within emerging markets where commercial banking frameworks are continually developing. However, rigid corporate hierarchies and asymmetric operational tracking persist, heavily shaping institutional market signalling and profoundly influencing the long-term capital preservation of global financial firms.

Objective: This study examines the impact of customer-oriented financial governance practices on international bank valuations while evaluating the critical moderating variations structural to bank asset scale.

Methodology: The empirical analysis utilises a balanced panel dataset comprising 1,506 firm-year observations from global banking firms spanning the period 2019 to 2023. Bank valuation is operationalised using accounting-based and market-based indicators, with Tobin's Q deployed as the primary metric for robustness. To ensure statistical validity and address severe endogeneity,

E-ISSN: 2735-9891 DOI: https://doi.org/10.5281/zenodo.20423397

the empirical framework incorporates Coarsened Exact Matching (CEM) alongside Generalised Least Squares (GLS) estimators to correct for potential heteroskedasticity and reverse causality within the panel data layers.

Results: The findings indicate that COFG practices are positively and significantly associated with bank valuation, confirming that customer-centric transparency frameworks enhance market value across international banking networks. Furthermore, the interaction between governance configurations and bank size demonstrates that smaller, agile banking entities are significantly more responsive to COFG implementation, whereas the structural valuation effect within larger, highly capitalised institutions remains positive but relatively weaker.

Conclusion: The study concludes that internal customer-centric leadership structures and market-based financial performance functions work jointly in shaping bank asset optimisation. Structural concentration of corporate power yields divergent valuation outcomes when subjected to rigorous external stakeholder-oriented oversight.

Unique Contribution: This research advances stakeholder theory and signalling literature by providing empirical evidence of how customer-focused governance serves as a critical reputational substitute that mitigates asymmetric information friction, explicitly demonstrating that while COFG actively enhances consumer trust, financial profitability remains the primary prerequisite driving overall market valuations within complex institutional environments.

Key Recommendation: It is recommended that corporate bank regulators, financial market authorities, and board committees design governance reforms that incentivize the integration of customer-centric indicators into core financial reporting. Additionally, managers—particularly within smaller banking organisations—should implement tailored consumer protection metrics to safeguard financial transparency, enhance competitive market placement, and foster macro-level systemic stability.

Keywords: Bank Valuation; Corporate Governance; Customer-Oriented Financial Governance; Financial Performance; Tobin's Q

Introduction

Corporate Governance is a key factor in the market valuation of firms and banks. Robust systems featuring risk committees, transparent disclosure, and healthy board structures positively impact bank valuation (Bhimavarapu et al., 2022; Murungu et al., 2022). Besides that, the internal governance directly affects investor perception and market value (Trinh et al., 2023). Recently, Customer-Oriented Financial Governance (COFG) has become integrated into international banking due to growing regulatory strictness and market expectations following the financial crisis and digital revolution. Financial institutions must now prioritise consumer protection, product transparency, and ethical services (Arner et al., 2022). These market demands corroborate reputation and trust as the central building blocks of COFG frameworks to improve bank

E-ISSN: 2735-9891 DOI: https://doi.org/10.5281/zenodo.20423397

performance (Wu et al., 2023). Banks that adapt to consumer demands through digital technology and efficient repayment systems will gain a sustainable competitive advantage (Ltifi & Hichri, 2022). Thus, using COFG is a vital strategy to build long-term value and reinforce bank valuation.

Product transparency, consumer protection, and complaint management procedures are indicators of sustainability and help manage reputational risk (Bhimavarapu et al., 2022; Komath et al., 2023). Banks that embrace corporate governance sensitive to the needs of consumers are more stable and better positioned to manage long-run risks. Consequently, the banks embracing the system of corporate governance not only reduce the risk of customer dissatisfaction or reputational failure but also boost market leadership, bank valuation, and make the banks more investor-friendly (Roy et al., 2024). Nevertheless, suboptimal COFG adoption generates market scepticism and has an inconsequential or negative impact on valuations. Accordingly, there is a necessity to undertake empirical market testing to ascertain the efficacy of the same.

Although extensive research on corporate governance exists, COFG research is limited to a few studies. Most banking sustainability studies relate to comprehensive social and governance dimensions, but do not explicitly ascertain the consumer protection, product transparency, and mechanism of resolving complaints that contribute to investor beliefs regarding firm value. In previous studies, the data used were regional and lacked a cross-country perspective. This study addresses these gaps by integrating a global perspective on COFG and bank valuation. This study draws on 1,506 bank observations from 56 countries spanning five major regions. Understanding of cross-country analysis using Tobin's Q is limited, although this study provides strong grounds for the generalizability of COFG as a strategic driver of value.

This study analyses the impact of COFG on bank valuation worldwide, taking into account external factors influencing this relation. Trinh et al. (2023) say that countries with strict regulations and strong financial stability will have banking sectors that are more resilient to economic crises, which positively impacts market valuation. Otherwise, banking sectors in countries with low political stability tend to be vulnerable to market value declines. This study examines how COFG affects market valuations across countries with varying external conditions and provides insight into how customers can enhance market perceptions. This study also discusses how global phenomena such as the pandemic and regulatory changes affect the association between COFG and bank valuation.

This report combines both stakeholder and signalling theories to explain the relationship between COFG and bank valuation. Stakeholder theory clarifies that considering the interests of customers will boost reputation (Freeman, 1984). Otherwise, the Signalling Theory provides the means of conveying such value into the market (Spence, 1973). The perspective conceptually bridged the two perspectives. Direct communication with the main stakeholders makes a strong statement of stability to investors by banks. Thus, COFG is a "credibility distributor" that minimises misguided information under diverse regulatory frameworks, in which the bank customer relationship is a strategic resource.

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Literature Review

Stakeholder Theory

Stakeholder theory was pioneered by Freeman (1984), who looks at the value of the interests of all the parties engaged in the operations of a firm, that is, the consumers, employees, suppliers, and society, in addition to the shareholders. In the case of the banking sector, the adoption of customer-oriented governance can establish trust among the people, solidify customer relationships, and enhance long-term stability in the finances, which is in tandem with the above-mentioned theory. Wu et al. (2023). Hence, by aligning with stakeholder expectations, COFG reduces risk exposure and enhances investors' trust

Signaling Theory

Signalling theory, proposed by Spence (1973), posits that where there exists uncertainty based on information asymmetry among external and internal actors, the better-informed actor shall communicate or send signals in order to reduce uncertainty among external actors. In the case of banks, transparent, ethical, customer-oriented governance practices, for instance, customer protection, disclosure of risks, and complaints handling, are indicators of stability and credibility in the mind of investors and regulators. The literature has solidified signalling theory as an appropriate conceptual framework. Disclosure of social responsibility and governance in the financial sector is also interpreted by the market as a sustainability signal, resulting in higher market valuation (Komath et al., 2023).

Customer-Oriented Financial Governance

COFG is a governance practices that value consumer protection, transparency in products, and complaint resolution as part of the risk management and long-term value creation of a firm. Open disclosure of risk mirrors the ability of a bank to identify and contain risks, and that helps slash information uncertainty, increasing the credibility of the firm in the investor's eyes (Kresnawati et al., 2024). The bigger the consumer protection, the bigger the investor trust in the sustainability of the bank's business (Dou & Roh, 2024). Banks that show improved consumer protection show improved profitability and reduced non-performing risk (Christine, 2023). International regulators are increasingly focusing on COFG as a crucial governance component for the preservation of the integrity of the banking system (Manachynska & Firchuk-Lukasheva, 2024).

Bank Valuation

Bank valuation reflects how the market values the bank's performance, stability, and long-term future. Tobin's Q, the ratio of the market value of the firm to the replacement cost of the assets, is a popular measure that has, in the literature, been applied in order to evaluate market expectations regarding the long-term potential of the firm in creating value (Kwiatkowska, 2023). In banking, the measure is squarely based on reputation, transparency, and quality governance. Disclosure of risk and quality governance shall enhance the investor's confidence (Kresnawati et al., 2024). In addition, disclosure of complaints by consumers to the public has also served as a way of mitigating interest in the submission of the application for credit to failing banks (Dou & Roh, 2024). In addition, good governance enhances the accuracy of the bank valuation as well as market expectations concerning the bank's stability (Onorato et al., 2021). Therefore, the inclusion of

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COFG remains an overriding determinant of bank market valuations. COFG, however, is not just an ethical practice, but a significant competitive positioning strategy of the bank and the bank's value as well.

Global Market Trends and Dynamics

Globalisation, combined with post-crisis regulatory reforms and digitalisation of the banking process, has changed the basic structural framework of the global financial market (Arner et al, 2022). This reform has altered the competitive balance rights and market integration, besides altering the governance structures, risk preference and had immediate repercussions in the valuation of financial institutions. The high speed of such financial technology development and the overall technological shift have accelerated the digitisation process. The concept of COFG is a concept that has emerged as an important tool in the new financial environment due to the convergence of market and information disclosure.

Previous Research

Prior studies have examined the impact of general governance on bank valuation. Tobin's Q is a measurement of the market value that is commonly applied in attempting to ascertain these effects. The result of previous research works was that the ownership structure, board composition and transparency of information disclosure are important factors that impact on the Tobin's Q (Kwiatkowska, 2023; Pandey & Sharma, 2025). Bhargave and Tandon (2023) found out that the announcement of mergers and acquisitions does not necessarily have an impact on Tobin Q in India, with most of the banks in the non-banking financial sector generating a healthy market response to the news. Conversely, Maswadeh (2021) found that institutional ownership and ownership concentration positively affect the bank market valuations in Jordan, and managerial ownership has a negative impact on the bank market value.

This study reaffirms that good corporate governance has a very important function in improving the bank market valuations and financial stability. Despite this, the clear connection between COFG and bank valuation in the marketplace has not been adequately explored in the literature. This research tries to redress the balance by empirically examining the direct connection between COFG and market valuation in the international banking industry across nations, employing Tobin's Q as the prime proxy.

Hypothesis Development

The COFG integrates consumer protection, product transparency, and robust complaint management into a strategic framework to build trust and mitigate reputational risks. According to Stakeholder Theory (Freeman, 1984), addressing consumer interest provides banks with the social legitimacy necessary for long-term value creation. This study links this perspective to Signalling Theory (Spence, 1973), positioning COFG as a strategic signal of managerial credibility to the market.

This hypothetical synergy means that as the main stakeholders are met, banks will send a strong signal of moral fortitude to external stakeholders, thus lessening information asymmetry. Given

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that transparency and customer satisfaction are positively associated with market perceptions, Tobin's Q serves as an ideal proxy for quantifying how the market rewards such governance quality (Pandey & Sharma, 2025). Therefore, COFG serves as a value-boosting indicator that enhances bank valuation by minimising perceived risk and strengthening sustainability commitments. According to that, the hypotheses are:

H1: Customer-Oriented Financial Governance has a positive effect on bank valuation.

Research Methodology

In this research, panel regression models have been used to estimate the impact of corporate supervisory and governance factors (COFG) on the valuation of banking equity, which is measured using the Tobin's Q. The approach includes entity specific fixed effects, which helps the methodology to control the unobserved heterogeneity, to regulatory regimes and firm level characteristics, which then enables the model to disaggregate the observations across banks and time. The fixed effects design is chosen, as it is suitable in the case of heterogeneous cross-national data and allows weakening the biases caused by endogenous and unobservable factors. To achieve robustness, parameter estimates are obtained using Ordinary Least Squares (OLS) with heteroscedasticity-consistent standard errors, Coarsened Exact Matching (CEM) to reduce selection bias, and using Generalised Least Squares (GLS) to adjust to heteroscedasticity and autocorrelation. Adequacy of the model is checked by a set of diagnostic tests such as multicollinearity tests and tests of the quality of inverse probability weighting.
The regression model used here is as follows:

$$TOBINSQ_{I,t} = \alpha + \beta_1 COFG_{i,t} + \beta_2 FSIZE_{i,t} + \beta_3 FAGE_{i,t} + \beta_4 ROA_{i,t} + \beta_5 NPM_{i,t} + \beta_6 PER_{i,t} + \beta_7 CURRENT_{i,t} + \beta_8 LOANDEP_{i,t} + YEAR\ FE + COUNTRY\ FE + \varepsilon_{i,t} \quad \text{.....(1)}$$

Sample and Population

The sample comprises 1,506 global commercial banks listed on international exchanges from 2019 to 2023. It covers 56 countries across five major regions, as shown in Table 1. This geographical dispersion reflects a broad range of institutional environments, encompassing advanced financial centres and emerging and frontier markets.

Table 1. Geographical Distribution Summary

Regions	Frequency (N)	Percentage (%)
Asia Pacific	518	34.38%
Europe	204	13.55%
Latin America	15	1.00%
Middle East & Africa	115	7.64%
North America	654	43.43%

Banks were selected using purposive sampling based on data availability and regulatory prevalence. The wide institutional dispersion allows the model to control for country-specific

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regulatory variations through fixed-effects estimation, thereby enhancing the robustness of the empirical analysis.

Data and Variable Measurement

The secondary data were accessed in credible databases such as MSCI and Osiris to evaluate the COFG and bank valuation measures. The sample contains banks listed worldwide between 2019 and 2023.

Customer-Oriented Financial Governance

COFG is the major independent variable, which is operationalised as the MSCI financial product safety score. This international standard measures the transparency of a bank's product, the soundness of consumer protection, and the minimisation of reputational risks. With a scale of 0 to 10, a higher score indicates better customer-centric governance. The application of this standardised scale guarantees comparability with different levels of implementation worldwide. The variable measures the behaviours of governance, such as complaint management, ethical reporting, and transparency. Previous empirical studies have shown that these practices promote market confidence, minimise losses, and enhance financial stability (Bhimavarapu et al., 2022; Wu et al., 2023).

Bank Valuation

Tobin Q was the valuation of the bank, which is the ratio of the market value of a bank and the replacement value of its assets. Q by Tobin is an anticipated outcome of a bank in the market of its capacity to establish excess value out of assets. High Tobin's Q implies affirmative market values of the steadiness and outlook of a bank (Kwiatkowska, 2023; Pandey & Sharma, 2025). Bhargave & Tandon (2023) demonstrated that Tobin's Q is an appropriate measure of the estimation of the relationship between market valuation and governance in the banking industry. Tobin Q in this study includes financial performance and non-financial risk variables, which are dependent on the COFG practices.

Control Variables

To guarantee the dependability of the estimates, a set of control variables was taken into account, relying on the available literature on the topics of bank valuation and governance (Arner et al., 2022; Kwiatkowska, 2023). These variables capture bank characteristics that can influence market value. Bank size (FSIZE) and bank age (FAGE) represent scale and reputation, while profitability measures such as ROA and NPM indicate operational efficiency. Per reflects growth expectations, the current ratio measures liquidity, and LOANDEP indicates the level of credit risk exposure. By including these control variables, the model is able to isolate the specific effect of COFG on bank valuation, thus preventing bias in the results due to financial or institutional differences between banks. Operational definitions of variables in detail are provided in Table 2.

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Table 2. Operational Definition of Variables

Variable	Operational Definition	Data Source
Independent Variable		
Customer-Oriented Financial Governance (COFG)	The bank's transparency of products, consumer protection, and mitigation of reputational risk the bank faces. Scores range from 0 to 10, with higher values representing higher customer-oriented governance	MSCI
Dependent Variable		
Bank Valuation (TOBINSQ)	The ratio between a bank's market value and the replacement value of its assets. Assesses how the market values a bank's ability to generate additional value from its assets.	Osiris
Control Variables		
Bank Size (FSIZE)	Bank size is calculated using the logarithm of the bank's total assets. This variable indicates the bank's relative size within the banking system.	Osiris
Bank Age (FAGE)	The age of a bank is calculated based on the natural logarithm of the year the bank was founded. A bank's age can influence its reputation and stability in the market.	Osiris
Return on Assets (ROA)	Measures a bank's profitability by dividing net income by total assets.	Osiris
Net Profit Margin (NPM)	Measures a bank's operational efficiency in generating profit from earned revenue. It is calculated by dividing net profit by total revenue.	Osiris
Price-to-Earnings Ratio (PER)	Measures the market valuation relative to generated profit, calculated by dividing the stock price by earnings per share.	Osiris
Current Ratio (CURRENT)	Measures a bank's liquidity by dividing current assets by current liabilities.	Osiris
Loan-to-Deposit Ratio (LOANDEP)	Measures a bank's reliance on financing through loans compared to its deposits.	Osiris

Results and Discussion

Descriptive Statistics

Table 3 summarises the descriptive statistics for the 1,506 banks from 2019 to 2023. Tobin's Q, representing bank valuation, had a mean of 0.109 and a standard deviation of 0.103, with a minimum of 0.002 and a maximum of 1.842, indicating a high degree of variation in the bank valuation of the sampled institutions. The COFG has a mean of 4.415 (SD = 1.623), which, when compared to the 0 10 scale, presents an indicator of moderate global implementation. The values of COFG are slightly higher than the average in most banks, implying that, whereas the banking

E-ISSN: 2735-9891 DOI: https://doi.org/10.5281/zenodo.20423397

industry is in the process of adopting customer-oriented structures, most banks are still in the early middle stages of 100 per cent adoption.

Table 3. Descriptive Statistics

	N	Mean	Standard Deviation	Minimum	Median	Maximum
TOBINSQ	1506	0.109	0.103	0.002	0.097	1.842
COFG	1506	4.415	1.623	0.000	4.350	10.000
FSIZE	1506	24.458	1.663	18.848	24.336	28.290
FAGE	1506	2.895	0.771	0.000	3.091	4.159
ROA	1506	1.224	0.803	-0.140	1.155	6.720
NPM	1506	35.267	12.663	-6.180	35.350	74.900
PER	1506	12.394	12.227	0.260	10.620	164.710
CURRENT	1506	30.241	15.520	2.860	26.835	86.890
LOANDEP	1506	0.875	0.400	0.024	0.771	2.952

Pearson Correlation

Table 4 presents the Pearson correlation results for the variables. The primary correlation between Tobin's Q and COFG is 0.085 ($p < 0.01$), suggesting that banks with COFG are likely to experience greater market valuations. Besides that, there was a positive correlation between Tobin's Q and ROA (0.492, $p < 0.01$), suggesting that more profitable banks are likely to have greater bank valuations. COFG has a positive correlation with ROA (0.027). The result was not statistically significant, indicating a weak relationship between COFG and bank profitability. Control variables such as FSIZE and NPM significantly correlated with several other variables. The primary focus remains on the relationship between COFG and Tobin's Q, which illustrates the influence of COFG in bank valuation.

Table 4. Pearson Correlation

	TOBINSQ	COFG	FSIZE	FAGE	ROA
TOBINSQ	1.000				
COFG	0.088***	1.000			
	(0.001)				
FSIZE	-0.294***	-0.190***	1.000		
	(0.000)	(0.000)			
FAGE	0.018	-0.016	0.073***	1.000	
	(0.482)	(0.543)	(0.005)		
ROA	0.492***	0.027	-0.318***	-0.054**	1.000
	(0.000)	(0.287)	(0.000)	(0.035)	
NPM	0.303***	-0.026	-0.104***	-0.073***	0.682***
	(0.000)	(0.305)	(0.000)	(0.005)	(0.000)
PER	0.392***	0.014	-0.131***	0.002	-0.146***

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	(0.000)	(0.579)	(0.000)	(0.951)	(0.000)
CURRENT	-0.148***	-0.074***	0.268***	0.073***	-0.047*
	(0.000)	(0.004)	(0.000)	(0.005)	(0.070)
LOANDEP	0.073***	-0.019	-0.077***	-0.009	0.053**
	(0.005)	(0.452)	(0.003)	(0.732)	(0.039)

	NPM	PER	CURRENT	LOANDEP
NPM	1.000			
PER	-0.264***	1.000		
	(0.000)			
CURRENT	-0.068***	-0.082***	1.000	
	(0.008)	(0.001)		
LOANDEP	0.076***	0.043*	-0.320***	1.000
	(0.003)	(0.098)	(0.000)	

p-values in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Regression Results

The main regression results in this study, which examines the influence of COFG on bank valuation, are presented in Table 5. Three regression models are presented to examine the association between the main variables and the influence of control variables. Model (1) presents the influence of each control variable on the dependent variable (TOBINSQ). The regression results of Model (1) indicate that the variable FSIZE negatively influences TOBINSQ (-0.00347, $p < 0.1$). This validates the fact that larger banks will be much more complex and have less market value. Likewise, CURRENT negatively impacts (-0.00047, $p < 0.05$). Besides that, Return On Assets (ROA), Net Profit Margin (NPM), and Price to Earnings Ratio (PER) positively significantly influence (0.06139, $p < 0.01$; 0.00080, $p < 0.01$; 0.00402, $p < 0.01$) Tobin's Q, indicating that more profitable banks will more likely be valued by the market. FAGE also positively significantly influenced TOBINSQ (0.00798, $p < 0.01$), indicating that the older the bank, the higher the valuation. However, LOANDEP did not significantly influence TOBINSQ.

Model (2) included COFG as the key independent variable, and it was noted that COFG positively significantly influenced TOBINSQ (0.00369, $p < 0.01$). Control variables FAGE, ROA, NPM, and PER all positively influenced TOBINSQ. Besides that, model (3) also tested the effect of COFG on Tobin's Q after adding fixed effects for both year and country. The regression results showed that the effect of COFG on Tobin's Q remained positive and significant (0.0026, $p < 0.05$), although it was a bit smaller than the previous model without employing fixed effects. This research indicates that banks with COFG practices, like greater product transparency and consumer protection, are more valued in the market. Including year and country fixed effects makes the results even more robust by controlling for potential variations in the data across years and countries.

E-ISSN: 2735-9891 DOI: https://doi.org/10.5281/zenodo.20423397

Table 5. Regression Results

	(1) TOBINSQ	(2) TOBINSQ	(3) TOBINSQ
COFG		0.00369***	0.00262**
		(2.806)	(2.064)
FSIZE	-0.00347*	-0.00279	-0.00383
	(-1.824)	(-1.397)	(-1.622)
FAGE	0.00798***	0.00801***	0.00422**
	(3.137)	(3.162)	(2.159)
ROA	0.06139***	0.06140***	0.06151***
	(7.900)	(7.980)	(4.686)
NPM	0.00080***	0.00082***	0.00087**
	(3.271)	(3.389)	(2.068)
PER	0.00402***	0.00403***	0.00330***
	(3.290)	(3.306)	(3.026)
CURRENT	-0.00047**	-0.00046**	0.00056**
	(-2.399)	(-2.335)	(2.121)
LOANDEP	-0.00184	-0.00121	0.00992
	(-0.159)	(-0.104)	(0.555)
_cons	0.03373	-0.00149	0.02941
	(0.597)	(-0.024)	(0.501)
Year FE	No	No	Yes
Country FE	No	No	Yes
r2	0.47821	0.48141	0.64065
r2_a	0.47577	0.47864	0.62391
N	1506	1506	1506

t statistics in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Discussion

Regression analysis indicates that COFG positively influences Tobin's Q. This confirms that governance practices, such as product clarity, customer safeguarding, and grievance redressal, shape market sentiment regarding a bank's reputation. This study confirms the interaction between Stakeholder and Signalling Theories (Spence, 1973). Considering customers' interests is an indication of ethical management and operational stability (Pebrianti et al., 2021), minimising invalid information and increasing bank valuation.

However, the impact of COFG is smaller than that of financial boosters such as ROA and NPM, which remain the primary indicators of bank performance (Bhimavarapu et al., 2022; Pandey & Sharma, 2025). The COFG coefficient has an important value, but its value of 0.00369 proves that this is a strategic improvement and not a value driver. Investors are more interested in financial sustainability (ROA and NPM) as the bottom line, which incentivises COFG as a safeguard against non-financial risks. This is evidenced by the low and insignificant relationship between COFG and

E-ISSN: 2735-9891 DOI: https://doi.org/10.5281/zenodo.20423397

ROA (0.027), meaning that the market does not consider COFG a risk-reduction indicator but a short-term accounting profit driver. Therefore, COFG is managed like a long-term resiliency and brand equity investment and helps against reputational shocks instead of focusing on short-term gains.

Moreover, FSIZE plays a negative role in Q of TOBINS, while FAGE plays a positive role. This implies that a "size discount" occurs because of bureaucratic complexity and a "reputation premium" that trades off stability. In this way, the market is more concerned with stability rather than size. Interestingly, smaller banks are more responsive to COFG than larger banks. Smaller banks that lack 'too-big-to-fail' status face a credibility gap in the global capital market and therefore rely more heavily on explicit trust signals, making COFG a high-leverage investment for enhancing ethical resilience and market legitimacy. Through high-quality COFG, smaller banks develop reputational trust and increase their valuation without the inefficiencies of overexpansion.

Robustness tests ensure that the positive effect of COFG is the same across different specifications. The results are verified by reverse causality (coeff = 0.003, t = 2.008) and GLS estimation (coeff = 0.003, t = 2.028), and the heteroscedasticity and autocorrelation by these two techniques. The long-term effect was also confirmed by the CEM analysis (coeff = 0.002, t = 2.107). Although smaller than the OLS baseline, these estimates remain statistically significant at the 5% level, confirming that the COFG-valuation relationship reflects a persistent economic effect rather than a statistical anomaly.

Conceptually, this study contributes to the literature by providing cross-country evidence on COFG and shifting the focus toward customer-centric governance dimensions. Practically, the findings suggest that banks must look beyond profitability by developing robust customer-management systems to enhance long-term competitiveness. This effect is especially acute in the present-day, post-crisis, and digitalised world. Increased regulation has made investors more sensitive to transparency. COFG alleviates these fears through reputation protection. The COFG also addresses unusual risks, such as data privacy in the digital age, such as disclosure and a strong complaints policy. Therefore, digital trust can emerge as a central element in valuation due to investors' perceived ability to view transparent governance as a competitive edge in an automated financial environment.

Conclusion

This study examines the impact of COFG on bank valuation (Tobin's Q) across global banks. The results confirm a two-fold governance mechanism, according to which the fulfilment of customer requirements (Stakeholder Theory) serves as a signal of credibility to the financial market (Signalling Theory). This model posits that the higher the consumer protection by banks, the higher the reward in Tobin's Q. This makes COFG an essential transmission chain between internal morality and external market trust.

Nevertheless, this study acknowledges the gaps in data sources and the absence of macroeconomic effects. The findings suggest that customer-centric governance is a strategic requirement in the

E-ISSN: 2735-9891 DOI: https://doi.org/10.5281/zenodo.20423397

post-crisis digital age to contain operational risk and transparency issues. As long as ROA and NPM are dominant, COFG offers a serious reputational layer for long-term sustainability.

The practical implication is that banks, especially smaller banks, should synchronise their internal structures with international standards, such as the MSCI Financial Product Safety Score. Enhanced transparency and consumer protection are beneficial because banks can signal ethical resilience to investors. This strategy is imperative for smaller banks because the market is more responsive to the implementation of their COFG. In the case of these companies, better governance is a high-leverage investment that develops the reputational trust required to compete with bigger incumbents.

Acknowledgement
The author acknowledges the Indonesian Endowment Fund for Education (LPDP), Ministry of Finance of the Republic of Indonesia, for financial support and sponsorship. Airlangga University (UNAIR) for academic guidance and institutional support throughout this research.

Declarations

AI Use Statement: In the preparation of this work, the author(s) utilised Grammarly and Paperpal for language editing. After using this tool, the author(s) reviewed and edited the content as needed and take(s) full responsibility for the content of the publication.

Data Availability Statement: The data that support the findings of this study are available from the corresponding author upon reasonable request.

Funding Statement: This research was supported by Airlangga University (NA Grant Number).

Conflict of Interest: The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Ethical Approval: This study was conducted in accordance with the Declaration of Helsinki. Formal institutional ethical approval was not required for this study as it involved the collection and analysis of public, open-source institutional and financial data, carrying no physical or psychological risk to human participants.

Authors' Contributions: MS performed the data collection and quantitative analysis; WW conceived the study, structured the conceptual framework, and coordinated the methodology; MAE reviewed the analysis and interpreted the path models. All authors have read and agreed to the published version.

E-ISSN: 2735-9891 DOI: https://doi.org/10.5281/zenodo.20423397

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