ABSTRACT

This study aims to analyze the effect of digital transformation and risk management on the cost of capital, with ESG performance as a mediating variable in banking companies in Indonesia. This research uses an explanatory research design with a quantitative approach, using secondary data in the form of annual financial reports and sustainability reports obtained from the Indonesia Stock Exchange website. The population consists of all banking companies listed on the Indonesia Stock Exchange during the 2021-2024 period. The sample was determined using purposive sampling, resulting in 22 companies with a 4-year observation period, yielding a total of 88 observations. The data were analyzed using EViews 13 with panel data techniques for hypothesis testing, and bootstrapping with the Hayes Process Macro for mediation analysis.

The results show that digital transformation and risk management do not affect ESG performance, digital transformation has a negative effect on the cost of capital, risk management and ESG performance does not affect the cost of capital. Furthermore, ESG performance is not able to mediate the relationship between digital transformation and the cost of capital, nor the relationship between risk management and the cost of capital.

***Keywords** : Digital Transformation, Risk Management, ESG Performance, Cost of Capital*