

Being a Sustainable Bank: The Case in Indonesian Banks

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Abstract

The decline in ecosystems, limited natural resources, population growth and increasing economic inequality are still hot topics discussed in the last few decades. The Triple Bottom Line concept was adopted by many companies, academics, governments in many countries, including the United Nation world organization with the term Sustainability through the dimensions of Environment, Social, Governance (ESG). Sustainable Finance is a support from the financial services sector to create sustainable economic growth by aligning economic, social, and environmental interests. The OJK Regulation Number 51/ POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. Data collection such as income statements, balance reports, literature books, reference journals and other supporting documentation such as financial reports, annual reports, and sustainability reports of banking issuers in Indonesia for the period 2019. The population of this research are banking companies in Indonesia which are listed on the Indonesia Stock Exchange. This study uses a census technique, this is because the population of the research object is not too large, which only amounts to less than 100 units. Census is a way to get the most accurate and comprehensive information. The total population in this study is 44 banking issuers. Based on the results of data processing, various significance values were obtained. Assets Quality on Financial Performance has a t statistic of 1.98 or greater than a t table of 1.684, these results indicate that the hypothesis is proven that there is an influence of Assets Quality on Financial Performance. Then also, based on the results of data processing, Rentability to Financial Performance has a t statistic of 2.50 or greater than the t table of 1.684. So that it shows that the hypothesis is proven that there is an effect of rentability on financial performance.

Keywords

Sustainability, Economic, Social, Environment and Sustainable Finance.

1. Introduction

The decline in ecosystems, limited natural resources, population growth and increasing economic inequality are still hot topics discussed in the last few decades. Sustainability is a major problem today, as can be seen from the increasing attention of the government, media, academia, and industry. Therefore, the direction of future development is sustainable development. Sustainable development is a pattern of resource use, which aims to meet human needs while preserving the environment so that needs can be met not only in the present, but also for future generations (Otoritas Jasa Keuangan, 2015).

Overexploitation of nature by humans has resulted in climate change, conversion of forests to agricultural land resulting in degradation that adversely affects species, and habitat quality. Marine and freshwater ecosystems are also under threat. Freshwater habitats, such as lakes, rivers, and wetlands, are also threatened by habitat modification, fragmentation, destruction, pollution, and disease. Plastic pollution has also been detected in all major marine

environments worldwide. It is estimated that plastic waste from land entering the oceans in 2010 was between 4.8 to 12.7 million tons (WWF, 2018).

Products such as soaps, creams, gels, toothpaste, plastic bags, cigarette filters, balloons, bottles, caps, and plastic straws. On average, there has been a 60% decline in the population of mammals, birds, fish, reptiles, and amphibians over 40 years, according to WWF's Living Planet Report 2018 (WWF, 2018). The report provides a serious picture of the impact of human activities on wildlife, forests, oceans, rivers, and the world's climate.

One of the causes of climate change is the effect of greenhouse gases. The emission of CO₂ gas known as Greenhouse Gas (GHG) is a gas that absorbs and emits thermal radiation, thus creating the greenhouse effect. Since the Industrial Revolution, the consumption of fossil fuels has led to a rapid increase in CO₂ emissions, leading to global warming impacts. Global warming and a constantly changing climate have potential ecological, and health impacts, including extreme weather events, such as floods, droughts, storms, heat waves, sea level rise, and disruption of water systems (WWF, 2018). Global CO₂ carbon emissions in 2017 reached 36,153 MtCO₂ (Metric Tons of Carbon Dioxide). China became the largest emitter of 9,839 MtCO₂, the United States 5,270 MtCO₂, the European Union 3,544 MtCO₂, India 2,467 MtCO₂, the Russian Federation 1,693 MtCO₂, Japan 1,205 MtCO₂, Iran 672 MtCO₂, Saudi Arabia 635 MtCO₂, South Korea 616 MtCO₂, and Canada 573 MtCO₂ (Gilfillan, Marland, Boden, & Andres, 2019).

Environmental damage has become a serious problem for the world today, along with the growth of the human population and the development of companies in various countries. The causes of environmental damage include overexploitation of resources to obtain maximum economic benefits. In addition, the company's production activities also cause environmental pollution which has a negative impact on habitats and ecosystems. If this condition is allowed to continue, the survival of human life in the future will be threatened. While modern human life is still dependent on nature. Starting from the needs of food sources, water, land to energy needs.

Companies, governments, and the financial industry in many countries are beginning to question how global environmental risks will affect their countries' macroeconomic performance (Taticchi, Carbone, & Albino, n.d.). The production process that destroys the environment is currently unacceptable, to realize a sustainable global economic condition. Companies now also must pay attention to social and environmental responsibilities, for the sake of the company's business sustainability in the future, besides the company getting the trust and support of the surrounding community.

The Triple Bottom Line concept introduced by Elkington in 1998, namely people (people), planet (earth), profit (profit), then became an important aspect for companies in maintaining a balance between the company's business and nature (Elkington, 1998). Elkington initiated the Triple Bottom Line concept, when many companies only run their business processes for profit, without paying attention to the negative impact on the environment. This Triple Bottom Line (TBL) approach or abbreviated as 3P considers ecological and social performance in addition to financial performance (Taticchi et al., n.d.). The Triple Bottom Line concept was also later adopted by many companies, academics, governments in many countries, including the United Nation world organization with the term Sustainability through the dimensions of Environment, Social, Governance (ESG).

The United Nations Global Compact has created the United Nations Principles for Responsible Investment (UN-PRI). UN-PRI's aim is to understand the implications of ESG and put it into practice in their investments. UN-PRI asks investors to consider ESG issues when evaluating company performance. In 2016, the United Nations scheduled 17 Sustainable Development Goals (SDGs) to be achieved by 2030. This means that countries cannot pick and choose which elements to address but all countries must work towards achieving all these goals. The SDGs balance the three dimensions of sustainable development: environmental, social and governance (LST).

In many previous studies, Corporate Sustainability has been based on Stakeholder Theory which explains the company's efforts to protect the environment by involving the surrounding community so that a strong relationship with stakeholders (stakeholders) can be established and the company's goals can be achieved. (Aras, Tezcan, & Kutlu Furtuna, 2018). Stakeholder theory explains that the company is not an entity that only operates for its own sake but must also provide benefits to all its stakeholders such as shareholders, creditors, consumers, suppliers, government,

society, analysts, and other parties. Stakeholder theory helps companies in value creation and minimizes losses that may arise.

Sustainable Finance is a comprehensive support from the financial services sector to create sustainable economic growth by aligning economic, social, and environmental interests. The objectives of Sustainable Finance are Provide the necessary Funding to achieve the SDGs; Improving competitiveness through mitigating social and environmental risks; Reducing social inequality and protecting the environment; Developing sustainable financial products and services (Cui, Geobey, Weber, & Lin, 2018). The implementation of Sustainable Finance in financial institutions will certainly create more value, so that the objectives of financial institutions can be achieved, and the balance between economic and social benefits can be maintained. The banking industry has a unique position in terms of sustainable development due to the intermediary function between depositors and borrowers. Banking has a major role in the economy, an effective and sustainable banking sector is closely related to the country's sustainable development goals (Aras et al., 2018).

Sustainable Finance is very important in the banking sector because banks generate profits from lending, from funds collected from the public. Sustainable Finance is a means for banks to pay back to the public, to improve the bank's reputation and gain greater trust from customers (Liang, Chang, & Shao, 2018). The banking sector needs to understand that incidents related to negative Environmental, Social and Governance (ESG) impacts are also related to irresponsible lending or financing decisions to customers (Ramnarain & Pillay, 2016). It is important to realize that this mistake can cause damage to the customer's reputation, including the bank as a creditor. To ensure long-term financial stability and global economic development, the banking sector needs to significantly change its attitudes and actions to promote more responsible and sustainable business practices (Otoritas Jasa Keuangan, 2015).

The Financial Services Authority (OJK) has issued OJK Regulation Number 51/ POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. This POJK is also an implementation of Law Number 32 of 2009 concerning Environmental Protection and Management, namely, to implement activities that care about the social and environmental environment for the banking industry, capital market, including the non-bank financial industry. POJK on Sustainable Finance was issued as a regulation that binds the financial services sector to realize a financial system that applies sustainable principles (Otoritas Jasa Keuangan, 2017).

Sustainability reporting guidelines provide guidance for determining report content, quality, and limits as well as indications for elements of disclosure standards, which include organizational strategy and profiles, and standard indicators related to economic, environmental, and social performance. The social dimension includes labor practices, human rights, society, and product responsibility. In terms of report content and quality, the GRI framework is based on ten principles, namely: materiality, stakeholder inclusiveness, sustainability context, completeness, balance, comparability, accuracy, timeliness, clarity, and reliability (Taticchi et al., n.d.). Currently, more than 4,900 companies have adopted the GRI Guidelines as the basis for their sustainability reports. The Dow Jones Sustainability Indexes (DJSI) is the first global index to assess the financial performance and sustainability performance of leading companies around the world. Bloomberg is a provider of ESG data for more than 5,000 companies worldwide (Taticchi et al., n.d.).

For the company to be sustainable or long-lived (sustainable), the company must prioritize profit or profit for the company, minimize negative impacts on the planet or the environment and pay attention to the impact on people or society, or known as the Triple Bottom Line. This concept was first introduced by John Elkington in 1997, who divided the company's focus into 3 (three) elements, namely Profit, People and Planet. This concept emphasizes that companies are responsible for economic, social, and environmental aspects.

1.1 Objectives

Knowing the impact of implementing Sustainable Finance in the Banking Industry can encourage banking financial performance so that in the long term it can make banking sustainable. This research is expected to contribute theoretically, practically and for regulators. Theoretically, they can better understand the factors that can explain phenomena in banking, so that academics are able to contribute scientifically, to answer industrial problems through an academic approach. Practically, the industry can be assisted through academic research so that it can be applied to the banking industry, so that banks can survive in a sustainable manner. This research is also expected to be able to

provide useful input for financial industry regulators in Indonesia, so that the policies issued by regulators, or the government can be more effective.

2. Literature Review

The Triple Bottom Line (TBL) started with accounting standards which were developed into three parts, namely social, environmental, and financial. Most companies in the world today have adopted this TBL in their company performance reporting. John Elkington introduced the TBL concept of People, Profit, Planet in 1997 through his book *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. In traditional accounting standard financial reporting, the term bottom line generally refers to profit or loss, which is usually the bottom line of the company's income statement. So far, for example, a mining company has recorded profits, but on the other hand, the company's mining location has caused damage to forest ecosystems, damaged and polluted rivers, which in turn harmed many parties, causing the government to spend huge costs for health care and river cleaning. This means that the profit generated by the mining company causes considerable damage and losses. Therefore, in the new TBL concept, two bottom lines are added, namely social and environmental issues.

The TBL concept emphasizes the company's responsibility more to stakeholders than to shareholders or shareholders. Stakeholders referred to here are parties who relate directly or indirectly to the company, such as employees, customers, suppliers, communities around the company, government agencies to creditors. According to Stakeholder Theory or stakeholder theory, the business entity should be used as a vehicle for coordinating the interests of stakeholders, and not just maximizing shareholder profits.

One of the main theories that is widely used in research on sustainability reporting is the Stakeholder Theory. Donaldson and Preston (1995), one of the proponents of this theory argue that stakeholder theory extends organizational responsibility, not only to investors or company owners but also to all stakeholders. So, stakeholder theory is the manager's response to the current business environment (Laplume, Sonpar and Litz, 2008).

Freeman and Reed (1983) say that the initial Stakeholder Theory was introduced by the Stanford Research Institute (SRI), namely groups without the support of which the organization would no longer exist. Stakeholders include shareholders, employees, customers, suppliers, lenders, and the community (Freeman & David, 1983). The company is now starting to realize that it is necessary to carry out activities that involve stakeholders. For example, currently there are many company activities to preserve the environment which involve the community around the company. This can indirectly be an added value for the company from external parties.

Companies are now also required to maintain relationships with stakeholders such as workers, customers, and owners (Ghozali and Chairiri, 2007). Therefore, the survival of the organization depends on the support of stakeholders. One way is through a sustainability report that covers economic, social, and environmental aspects. It is hoped that this can fulfill the wishes of the stakeholders so that the relationship between the company and stakeholders can be harmonious, and the organization can last for the long term.

Sustainability for the company is about maintaining the interests of various stakeholders, both internal and external to the company, including in this case the triple bottom line, namely People, Profit and Planet. Sustainable Banking is a service of financial products and services that are built to meet human needs (people) but also maintain the environment (planet) while still generating profits (profit). Sustainable bank is not only defined as doing no harm or not damaging the environment, but also actively using the financial system (finance) to do good (Yip & Bocken, 2017).

There have been many studies, which examine the relationship of ESG (Environment, Social, Governance) with Financial Performance. Many previous studies believe that when a company carries out Sustainability activities through ESG, it will immediately have a positive impact on the company's financial performance. Friede et al. in 2015 has conducted a research review of more than 2000 empirical studies on the effect of ESG on financial performance. The results of a research review show that 90% of studies have found a positive relationship between ESG and company financial performance. However, the average correlation value of all studies is only 0.108 to 0.169 or a positive but low correlation (Friede, Busch, & Bassen, 2015).

Based on a survey conducted by BNP Paribas in 2019 of 347 investment managers and investors, the survey results show a strong relationship between ESG and long-term Financial Performance (Spencer, Kearns, & Denys, 2019). Bauer and Hann (2012) say that companies that are concerned about or pay attention to environmental issues are associated with high costs (Bauer & Hann, 2012). So, in this study, the researcher proposes the opposite concept, that after the company performs financially then the next is the company will be able to survive or sustain. This is a novelty or novelty, which has not been found in previous studies.

Research by Nizam et. al in 2019 discussed the impact of access to financing and environmental financing on the financial performance of the banking sector globally. Using cross-sectional linear regression and non-linear threshold regression of 713 banks from 75 countries during the period 2013-2015, this study finds that access to finance has a significant positive effect on bank financial performance. The positive impact on financial performance is channeled through loan growth and management quality. Research finds that for banks with total assets of less than USD 2 billion, access to finance has a significant positive impact on return on equity. (Nizam, Ng, Dewandaru, Nagayev, & Nkoba, 2019). Reddy and Gordon in 2010 examined Sustainability Reporting (SR) on Financial Performance (FP) stating that SR is statistically significant in explaining abnormal returns for Australian companies, but not for New Zealand companies. The results of the combined analysis for the two countries support the view that contextual factors of type of industry have a significant impact on abnormal returns of reporting companies (Reddy & Gordon, 2010). Bartlett's 2012 research on the effects of Corporate Sustainability Reporting (SR) on company valuations states that environmental and social sustainability reporting aspects are significantly positively correlated with market value. Sustainability companies are a very significant factor for market value in the pharmaceutical and automotive industries (Bartlett, 2012). Movassaghi and Bramhandkar's research in 2012 on the sustainability strategy of global companies and financial performance with correlation and regression analysis states that sustainability performance does not affect the profitability of sample companies from different industrial sectors and countries. A sustainable company does not violate its main function to increase shareholder value which is determined by return (profit) and risk. (Movassaghi & Bramhandkar, 2012).

3. Methods

The research used is a verification type of research, which is a research design to identify causal relationships, according to the research objective, namely measuring the effect of the independent variable on the dependent variable. Data collection is done through documentation methods, such as income statements, balance reports, literature books, reference journals and other supporting documentation. The data in this study is a type of secondary data, namely data derived from financial reports, annual reports and sustainability reports of banking issuers in Indonesia for the period 2019 and are available in the Indonesian Capital Market Directory (ICMD) including from the Stock Exchange website. Securities Indonesia <https://www.idx.co.id/> or from the websites of each issuer, as well as GRI G4 Index data obtained from observations and assessments of ESG (Environment, Social, Governance) disclosures of banking issuers.

Table 1. Banking Issuers

No.	Banking Issuers	Code	No.	Banking Issuers	Code
1	Bank Rakyat Indonesia Agroniaga Tbk.	AGRO	23	Bank Maspion Indonesia Tbk.	BMAS
2	PT Bank IBK Indonesia Tbk	AGRS	24	Bank Mandiri (Persero) Tbk.	BMRI
3	Bank Artos Indonesia Tbk.	ARTO	25	Bank Bumi Arta Tbk.	BNBA
4	Bank MNC Internasional Tbk.	BABP	26	Bank CIMB Niaga Tbk.	BNGA
5	Bank Capital Indonesia Tbk.	BACA	27	Bank Maybank Indonesia Tbk.	BNII
6	Bank Central Asia Tbk.	BBCA	28	Bank Permata Tbk.	BNLI
7	Bank Harda Internasional Tbk.	BBHI	29	Bank BRIsyariah Tbk.	BRIS
8	Bank Bukopin Tbk.	BBKP	30	Bank Sinarmas Tbk.	BSIM
9	Bank Mestika Dharma Tbk.	BBMD	31	Bank of India Indonesia Tbk.	BSWD
10	Bank Negara Indonesia (Persero) Tbk.	BBNI	32	Bank Tabungan Pensiunan Nasional Tbk.	BTPN
11	Bank Nusantara Parahyangan Tbk.	BBNP	33	Bank Tabungan Pensiunan Nasional Syariah Tbk.	BTPS
12	Bank Rakyat Indonesia (Persero) Tbk.	BBRI	34	Bank Victoria International Tbk.	BVIC
13	Bank Tabungan Negara (Persero) Tbk.	BBTN	35	PT Bank Oke Indonesia Tbk	DNAR
14	Bank Yudha Bhakti Tbk.	BBYB	36	Bank Artha Graha Internasional Tbk.	INPC
15	Bank JTrust Indonesia Tbk.	BCIC	37	Bank Mayapada Internasional Tbk.	MAYA
16	Bank Danamon Indonesia Tbk.	BDMN	38	Bank China Construction Bank Indonesia Tbk.	MCCR
17	Bank Pembangunan Daerah Banten Tbk.	BEKS	39	Bank Mega Tbk.	MEGA
18	Bank Ganesha Tbk.	BGTG	40	Bank OCBC NISP Tbk.	NISP
19	Bank Ina Perdana Tbk.	BINA	41	Bank Nationalnobu Tbk.	NOBU
20	BPD Jawa Barat dan Banten Tbk.	BJBR	42	Bank Pan Indonesia Tbk.	PNBN
21	BPD Jawa Timur Tbk.	BJTM	43	Bank Panin Dubai Syariah Tbk.	PNBS
22	Bank QNB Indonesia Tbk.	BKSW	44	Bank Woori Saudara Indonesia 1906 Tbk.	SDRA

Source: Factbook IDX 2019

Secondary data collection is often called the documentation collection method, this is because researchers do not take data directly but utilize data or documents produced by other parties. In this case, secondary data is data obtained by other parties, which have been further processed and presented in the form of tables and diagrams. The data collection technique in this study uses documentation techniques, namely by studying documents related to the data required for this research, such as from financial reports, issuer sustainability reports, and other documents from the Indonesia Stock Exchange.

The population of this research are banking companies in Indonesia which are listed on the Indonesia Stock Exchange. This study does not use a sampling technique but uses a census technique, this is because the population of the research object is not too large, which only amounts to less than 100 units. Census is a count of all elements of data units in the population (Sekaran & Bougie, 2016). Census is a way to get the most accurate and comprehensive information. The total population in this study is 44 banking issuers.

4. Results and Discussion

The hypothesis in this study was tested using structural equation modeling partial least squares through Smart-PLS 3.0 obtained the following equation:

$$Y = \alpha 0 - 0,270 X1 + 0,106 X2 - 0,030 X3 - 0,532 X4 - 0,226X5 + e$$

Information:

- Y = Financial Performance Variable
- X1 = Assets Quality Variable
- X2 = Capital Variable
- X3 = Liquidity Variable
- X4 = Rentability Variable
- X5 = Sustainable Banking Variable
- E = Standard error

Table 2. Matrix Total Effects

	Financial Performance
Assets Quality	-0.270
Capital	0.106
Financial Performance	
Liquidity	-0.030
Rentability	-0.532
Sustainable Banking	-0.226

Source: Processed Data

In the analysis using Smart-PLS, the first step is to analyze the measurement model, also known as the outer model. The criteria that must be met are convergent validity and discriminant validity. Convergent validity criteria can be met if the values obtained on the two instruments have a high correlation. Generally, a loading factor value of 0.6-0.7 is used for explanatory research, but for early-stage research using a value of 0.5-0.6 can be considered sufficient.

In addition to using the validity test, a reliability test was also carried out. Reliability testing is carried out to prove the consistency, accuracy and accuracy of the instruments used in measuring a construct. The measurement of the reliability value of a construct uses Cronbach's Alpha reflection indicators and Composite Reliability. The use of Cronbach's Alpha value in testing the reliability of the construct will give a lower value, so that in testing the reliability of a construct it is advisable to use Composite Reliability. Generally, research uses Composite Reliability values greater than 0.70 for confirmatory research, but a value of 0.60 - 0.70 is still acceptable for exploratory research.

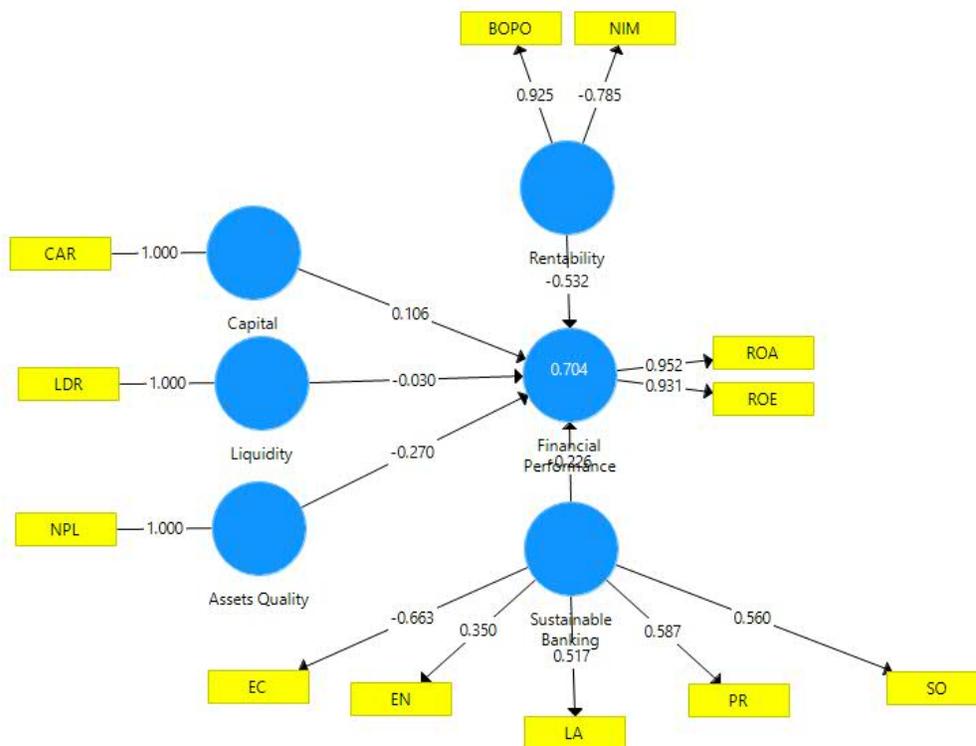


Figure.1. Factor Loading

Source: Processed Data

Based on the results of data processing, the outer loading value of each indicator in the research construct is obtained. Based on the criteria used, several indicators are less than 0.5 such as the NIM indicator on the Rentability variable. Then also indicators EC (Economic Performance) and EN (Environmental Disclosures) on the Variable Sustainable Banking.

Table 3. Outer Loading

	Assets Quality	Capital	Financial Performance	Liquidity	Rentability	Sustainable Banking
BOPO					0.925	
CAR		1.000				
EC						-0.663
EN						0.350
LA						0.517
LDR				1.000		
NIM					-0.785	
NPL	1.000					
PR						0.587
ROA			0.952			
ROE			0.931			
SO						0.560

Source: Processed Data

The reliability test uses composite reliability measurements. Measurement of composite reliability is used to analyze internal consistency, the criterion value used is more than 0.70. Internal consistency assessment criteria can use Cronbach's Alpha values with a value of more than 0.70 but for exploratory research it can use an assessment above 0.60.

Table 4. Construct Reliability and Validity

	Cronbach's Alpha	Rho-A	Composite Reliability	Average Variance Extracted (AVE)
Assets Quality	1.000	1.000	1.000	1.000
Capital	1.000	1.000	1.000	1.000
Financial Performance	0.872	0.891	0.940	0.886
Liquidity	1.000	1.000	1.000	1.000
Rentability	-1.926	0.765	0.036	0.736
Sustainable Banking	0.776	0.239	0.342	0.298

Source: Processed Data

Based on the results of data processing, the Composite Reliability value above 0.70 is the Assets Quality, Capital, and Liquidity variable, so that it meets the assessment criteria for internal consistency. Meanwhile, there are two variables that have a Composite Reliability value below 0.70, namely Rentability and Sustainable Banking so that they do not meet the assessment criteria for internal consistency. Then also, based on the results of data processing, the Cronbach Alpha value is obtained with a value above 0.70 namely Assets Quality, Capital, Liquidity, and Sustainable Banking, so that it meets the criteria for internal consistency assessment. While the Rentability variable has a Cronbach Alpha value below 0.70 so it does not meet the internal consistency assessment criteria.

The goodness of fit or R-Square test analysis is carried out to measure the value of the variation of the dependent latent variable that can be explained by the independent latent variable. R Square measures the predictive power of the structural model, which is a representation of the amount of variance of the construct that can be explained by the research model. The R-Square value is based on the endogenous variable R-Square value.

Table 5. R-Square

	R Square	R Square Adjusted
Financial Performance	0.704	0.665

Source: Processed Data

The model of the influence of Assets Quality, Capital, Liquidity, Rentability and Sustainable Banking on Financial Performance gives an R-Square value of 0.704 which can be interpreted that the Financial Performance variable can be explained by the Assets Quality, Capital, Liquidity, Rentability and Sustainable Banking variables of 70.4% while the rest is explained by other variables outside the study.

Significance test using t test, aims to determine whether the independent latent variable has a significant effect on the dependent latent variable. The t-test also analyzes the magnitude of the influence contained in each independent latent variable, through path analysis coefficients. The significance test uses a statistical distribution curve to test the critical value of the t statistic, the calculation uses the value of and $df = n - k$, where n is the number of samples and k is the number of categories or the number of variables, the test is carried out on one side or one tail.

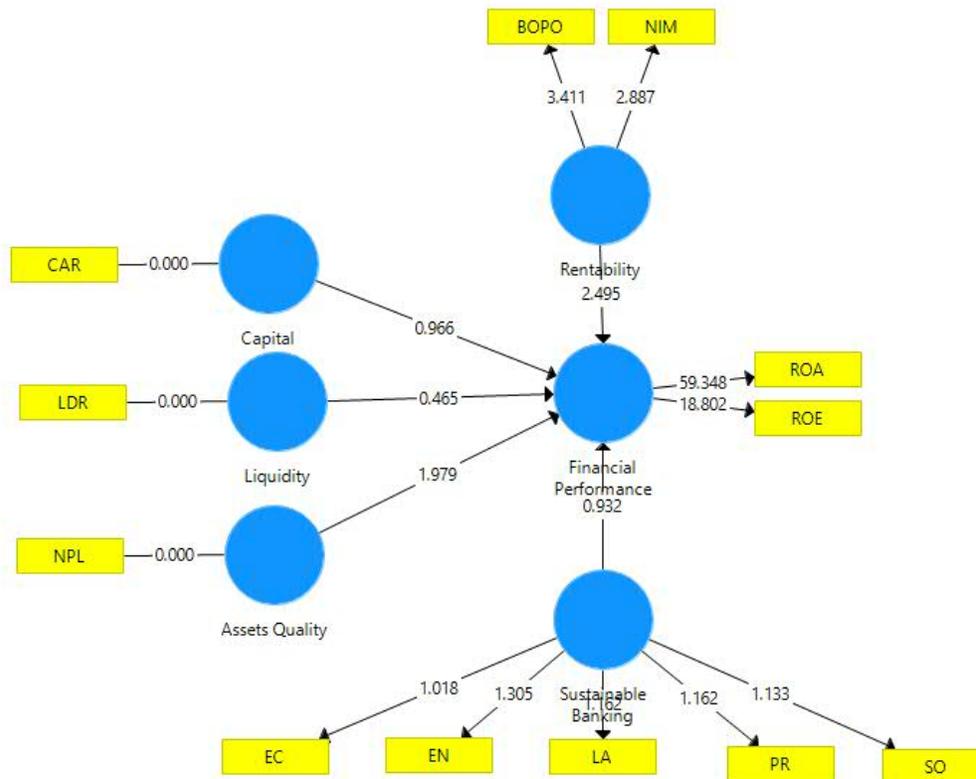


Figure.2. Hypothesis Testing Results

Source: Processed Data

The result of calculating the critical value of the t statistic using $\alpha = 5\%$ and $df = 40$ (from $n - k = 45 - 5$) is 1.684. Based on the results of data processing, various significance values were obtained. Assets Quality on Financial Performance has a t statistic of 1.98 or greater than a t table of 1.684, these results indicate that the hypothesis is proven that there is an influence of Assets Quality on Financial Performance. Then also, based on the results of data processing, Rentability to Financial Performance has a t statistic of 2.50 or greater than the t table of 1.684. So that it shows that the hypothesis is proven that there is an effect of rentability on financial performance.

Table 6. Mean, STDEV, T-Stat, P-value

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P-Values
Assets Quality -> Financial Performance	-0.27	-0.24	0.14	1.98	0.05
Capital -> Financial Performance	0.11	0.08	0.11	0.97	0.33
Liquidity -> Financial Performance	-0.03	-0.04	0.07	0.47	0.64
Rentability -> Financial Performance	-0.53	-0.56	0.21	2.50	0.01
Sustainable Banking -> Financial Performance	-0.23	0.01	0.24	0.93	0.35

Source: Processed Data

Meanwhile, there is a t statistic below the t table value, namely Capital to Financial Performance of 0.97, Liquidity to Financial Performance of 0.47 and Sustainable Banking to Financial Performance of 0.93, so this result shows that there is no effect on Financial Performance.

5. Conclusion

- This study aims to provide empirical evidence whether there is an effect of Assets Quality, Capital, Liquidity, Rentability and Sustainable Banking on Financial Performance. The results of the partial least square test show that the Financial Performance of the banking sector in Indonesia is more influenced by Assets Quality which in this study is proxied by Non-Performing Loans (NPL). Then also the Financial Performance of Indonesian banking is more influenced by Rentability which is proxied by Net Interest Margin (NIM) and also Operating Expenses of Operating Income (BOPO).
- Then other variables such as Capital which is proxied by the Capital Adequacy Ratio (CAR) and Liquidity which is proxied by the Loan to Deposit Ratio (LDR) has less influence on the Financial Performance of banks. Meanwhile, Sustainable Banking in this study is proxied by the GRI Standard practices, namely Economic Performance (EC), Environmental Disclosures (EN), Labor Practices (LA), Human Rights (HR), Society Disclosures (SO), Product Responsibility (PR) towards 44 issuers of banking in Indonesia have not yet affected the Financial Performance of the banking sector in Indonesia. OJK Regulation Number 51/ POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions has not been fully enforced. The obligation of issuers of the Financial Services sector in 2019 to start reporting Sustainability Reports was hampered by the Covid-19 epidemic that hit the world and Indonesia was no exception.
- This study has several limitations, including the relatively small number of samples used, namely 44 banking issuers from 115 banks in Indonesia. Then the high element of subjectivity in determining the disclosure index because there is no standard determination that can be used as a standard or reference. Then also the short span of observation is only one year so that the influence of the independent variable on the dependent variable is inconsistent in both direction and significance. Finally, the low number of banking issuers from this research sample in conducting a Sustainability Report.

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