

# **The Effect of Sustainability Management Practices, Green Intellectual Capital, and Enterprise Risk Management on Indonesian Banking Sustainable Growth**

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## **Abstract**

In Indonesia, bank sustainability received special attention after the issuance of the Sustainable Finance Roadmap Phase 1 in 2014 by the Financial Services Authority (*Otoritas Jasa Keuangan*). This roadmap is based on the criticism of development which solely targets economic growth but is not followed by attention to the issue of environmental degradation and social inequality. The negative impact of unsustainable economic development has prompted the initiation of sustainable development that prioritizes the harmony of economic, environmental, and social aspects, or in other words the triple bottom line. This study aims to examine and analyze the effect of sustainability management practices, green intellectual capital, and enterprise risk management toward Indonesian banking sustainable growth. Multiple regression analysis with panel data was used for hypothesis testing in this study. The sample in this study consists of 50 observations from 10 banks listed on the Indonesia Stock Exchange between 2016 and 2020. The results showed that sustainability management practices have a negative effect on Indonesian banking sustainable growth whereas green intellectual capital and enterprise risk management positively affected the sustainable growth of Indonesian banking.

## **Keywords**

Sustainability management practices, green intellectual capital, enterprise risk management, sustainable growth, Indonesian banking

## **1. Introduction**

Recently, many companies have implemented sustainable business practices to fulfill stakeholders demands and expectations (Handajani et al. 2021). The same expectations are also found in the banking industry. The banking industry is one of the industries that plays an important role in supporting sustainable development practices, one of which is as a driver of inclusive economic growth and development in a country (UNEP FI, 2016). Alinska et al. (2018) argue that active participation from banking sector is also needed in the sustainable development process which is the responsibility of the government. The existence of social issues that are inseparable from environmental issues also has a significant impact on the financial performance of banks (Ward and Naude, 2018). This has become one of the triggering factors for the emergence of issues regarding sustainable banking. In addition, the statement from Ward and Naude (2018) also implies that sustainable banking will have good financial performance. The existence of good financial performance will surely be followed by sustainable business growth as well. Therefore, banks need to implement and pay attention to sustainable practices by integrating environmental, social, and governance aspects as part of their business strategy. In Indonesia, the regulation regarding sustainable finance has been issued by the regulator through the Financial Services Authority Regulation Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. However, currently there are only 8 public banks in Indonesia that have committed to implementing sustainable banking practices (WWF, 2020).

To be able to implement sustainability management practices, companies certainly need adequate and qualified resources, one of which is intellectual capital. Intellectual capital is a knowledge-based resource that creates value for the company (Dumay, 2016). Intellectual capital is one of the important determinants of a company's competitive advantage (Chen, 2008). The increasing environmental awareness of consumers and the increasingly stringent trend of international environmental regulations have resulted in changes to the rules and patterns of global industrial competition. Therefore, Chen (2008) stated that companies need to respond to those issues through the development of green intellectual capital as one of their competitive advantages. Based on the framework proposed by Chen (2008), green intellectual capital is the intellectual capital that can create value or competitive advantage related to green innovation or environmental management. Green intellectual capital consists of green human capital, green structural capital, and green relational capital. Thus, the increasing trend related to environmental awareness can bring opportunities for companies to be able to develop green intellectual capital which will increase the company's competitive advantage and sustainable growth.

In addition, every company will face several risks, including companies engaged in the banking industry. ISO 31000 defines risk as the effect of uncertainty on objectives. Based on a Copy of the Financial Services Authority Regulation Number 18/POJK.03/2016 concerning Application of Risk Management for Commercial Banks Article 4 Paragraph (1), there are 8 risks faced and must be managed by banks. Those risks consist of credit, market, liquidity, operational, legal, reputation, strategic, and compliance risk. Puspitasari et al. (2021) stated that the turmoil and failure of Indonesian banking during the Asian Crisis in 1997-1998 period also showed the weakness of enterprise risk management of the national banking industry. In fact, the Indonesian banking sector has an important role in the financial system and the country's economy as a whole (Raz, 2018). Therefore, research related to the topic of enterprise risk management in the Indonesian banking industry is an interesting topic to explore in more depth. This is because the implementation of enterprise risk management practices can be one of the factors that influence bank growth.

### **1.1 Research Objectives**

Based on the research background described above, this paper aims to examine and analyze the impact of sustainability management practices, green intellectual capital, and enterprise risk management toward Indonesian banking sustainable growth. The remaining work is divided into four sections section 2 describes the literature review used in this study. Section 3 describes the research methodology used for this study. The results of analysis are discussed in Section 4. Finally, Section 5 presents the conclusion of this study.

## **2. Literature Review**

### **2.1 Sustainable Growth Rate**

A company's sustainability can be judged by its growth prospects (Teng et al. 2021). The company's sustainable growth is important for the company's sustainability in today's competitive business market (Teng et al. 2021). The company's sustainable growth rate refers to the revenue growth obtained by the company with the current operational performance and financial constraints (Babcock, 1970). Sustainable growth rate is the company's long-term target (Patel et al. 2020). If companies have sustainable growth, they will have the potential to increase their contribution to sustainable development. This is based on the consideration that economic responsibility is a responsibility that businesses have at a basic level (Carroll et al. 2018). Furthermore, Carroll et al. (2018) also state that without economic sustainability, all other stakeholder interests will not be resolved.

### **2.2 Sustainability Management Practices**

Seuring and Muller (2008) define sustainable supply chain management as the management of the flow of raw materials, information, and capital, as well as cooperation among companies along the supply chain by considering the three dimensions of sustainable development originating from the needs of consumers and stakeholders. The definition emphasizes two important aspects of sustainable development practice. The first aspect is the importance of cooperation between companies and stakeholders to achieve sustainable development. The second aspect emphasizes the importance of managing the company by considering sustainable development aspects. By considering these two aspects, it can be concluded that sustainability management practices are corporate management practices that consider the interests of stakeholders in order to achieve sustainability goals. Buvanewari et al. (2015) define sustainability management practices as incorporating social, economic, and environmental aspects into business decisions. Sustainability management can also be defined as an effort to accelerate the application of management

principles, models, and practices across operating systems and enable the environment to achieve sustainable development (Kuei and Lu, 2013).

Based on stakeholder theory, management needs to pay attention to the interests of individuals and groups that can affect the achievement of organizational goals (Phillips et al. 2003). Because companies have benefited from the community and the environment around them, they have a responsibility to society that goes beyond mere economic and legal obligations (Carroll et al. 2018). One of these responsibilities is to pay attention to aspects of sustainable development in running their business. Companies can choose the option to ignore external demands and pressures related to sustainability issues. However, this has the potential to cause companies to lose their legitimacy (Suchman, 1995). Based on these facts, the following is the first hypotheses proposed in this study.

H1: Sustainability management practices have a positive effect on the sustainable growth of banks in Indonesia.

### **2.3 Green Intellectual Capital**

One of the things that companies need in implementing sustainable management practices is green intellectual capital. Green intellectual capital is a framework that was first proposed by Chen (2008). Intellectual capital itself is a collection of intangible resources, knowledge, experience, and intellectual property that can be owned and used to create value (Dumay, 2016). According to the view of resource-based theory, a company's competitive advantage results from intellectual capital and the way they are developed (Pirozzi and Ferunalo, 2016). For companies engaged in the banking industry, intellectual capital is a vital asset because their activities are related to services that require intellectual capital (Ahuja and Ahuja, 2012). Therefore, intellectual capital has a positive effect on bank performance (Hameed and Anwar, 2018; Ousama et al. 2019; and Poh et al. 2018). Along with the development of environmental issues and problems, the existence of environmental management and well-developed green innovation will provide a competitive advantage for a company (Hart, 1995). Taking into account these facts, the following is the proposed research hypothesis.

H2: Green intellectual capital has a positive effect on the sustainable growth of banks in Indonesia.

### **2.4 Enterprise Risk Management**

On the other hand, companies also experience and need to manage risks in running their business. Therefore, companies need to implement enterprise risk management to be able to understand and take the necessary actions to deal with these risks (Iswajuni et al. 2018). ISO 31000 defines risk management as a coordinated activity to direct and control a company related to risk. ERM is integrated risk management to identify and assess risk, integrate various types of risk, and coordinate risk management across all operating units within an organization (Iswajuni et al. 2018). ERM consists of methods and processes by which organizations manage risks and capture opportunities that are consistent with their strategic goals (Malik et al. 2020). Several studies have been conducted and have succeeded in proving that enterprise risk management practices have a positive effect on the long-term performance of banks (Nasr et al. 2019). This indicates that the implementation of enterprise risk management will have a positive impact on bank growth. Other studies have also succeeded in proving that the implementation of enterprise risk management has a positive effect on banking performance and value (Soltanzadeh et al. 2016 and Phan et al. 2020). Based on these facts, the following is the hypothesis of this study.

H3: Enterprise risk management has a positive effect on the growth of banks in Indonesia.

## **3. Methods**

### **3.1 Sample and Data Collection**

This study takes the population of banking sector companies in Indonesia. To improve accuracy as well as effectiveness and efficiency, research will be conducted using sample data. Sample selection was carried out using purposive sampling method with the following criteria:

- a. Banks listed on the Indonesia Stock Exchange for the period 2016-2020 in a row.
- b. Banks that publish Sustainability Reports for 2016-2020 in a row.

Based on those criteria, a sample of 10 registered banks on the IDX was obtained with an observation of 50 data during the 2016-2020 period. Below are samples used in this study (Table 1):

Table 1. Research Sample List

No	Kode	Nama Perusahaan
1	BBCA	PT Bank Central Asia Tbk

2	BBNI	PT Bank Negara Indonesia (Persero) Tbk
3	BBRI	PT Bank Rakyat Indonesia (Persero) Tbk
4	BBTN	PT Bank Tabungan Negara (Persero) Tbk
5	BJBR	PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk
6	BJTM	PT Bank Pembangunan Daerah Jawa Timut Tbk
7	BMRI	PT Bank Mandiri (Persero) Tbk
8	BNGA	PT Bank CIMB Niaga Tbk
9	BNII	PT Bank Maybank Indonesia Tbk
10	NISP	PT Bank OCBC NISP Tbk

### 3.2 Data Analysis

The data analysis process will be carried out using a multiple regression model on the condition that the data does not violate the classical assumptions. Because the data used has the characteristics of time series and cross-section (panel), the selection of the data model will be carried out using the Chow, Hausman, and Lagrange Multiplier tests. Finally, the data model will be tested statistically to prove the proposed research hypothesis. Thus, researchers will be able to draw conclusions and recommendations from the research that has been done.

This study will use Sustainability Management Practices (SMP), Green Intellectual Capital (GIC), and Enterprise Risk Management (ERM) as independent variables. The SMP variable was measured from index which is developed from 4 dimensions in the 10 principles of sustainability issues by UNGP (Monteiro et al. 2021, Parsa et al. 2018, Amran et al. 2017, UNGP, and Chatzitheodorou et al. 2021). The GIC variable was measured using an index from the green intellectual capital measurement proposed by Chen (2008). The ERM variable was measured using index with indicators that are guided by the enterprise risk management framework published by ISO 31000 in 2008 and used by Utami (2015) and Agista and Mimba (2017) in their research. The dependent variable is Sustainable Growth Rate (SGR), which is calculated by multiplying ROE (Return on Equity) and RR (Retention Rate) according to Reilly and Brown (2012).

The research model is a panel data equation as follows:

$$SGR = \alpha + \beta_1SMP + \beta_2GIC + \beta_3ERM + \varepsilon$$

## 4. Results and Discussion

In this part, the results of the analysis are presented and divided into four sections. Section 4.1 present the test to determine the best panel data model which will be used for the research. Section 4.2 discusses the classical assumption test on the selected panel. The third section presents the descriptive analysis to provide an overview of the research data. Section 4.2 discusses the classical assumption test carried out in this research. The last section presents the discussion of research.

### 4.1 Panel Data Model Selection Test

Before testing the research hypothesis, the researchers first performed the Cow Test, Hausman Test, and Lagrange Multiplier Test respectively. These tests are needed to determine the panel data regression model which will be used for this research.

The first panel data model selection test is the Chow test. This test is conducted to choose between the common and fixed models. If the probability of Chi-square cross section is greater than the significance level (0.05), then the correct model is the common effect. The following is the result of the Chow test in this study (Figure 1).

Redundant Fixed Effects Tests			
Equation: FEM			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.279137	(9,37)	0.0007
Cross-section Chi-square	35.668840	9	0.0000

Figure 1. Chow Test Result

Based on the results of processing using EViews 9, the probability value of the Chi-square cross section is 0.000 which is smaller than the significance level of 0.05. Therefore, the fixed effect is better than common effect model and the researchers conducted the second test. Because the Hausman test results show that the fixed effect model is better than the common effect, the Lagrange Multiplier test is not necessary because this test aims to choose between the common effect and random effect model. Therefore, the last panel selection test is the Hausman test. Hausman test is used to choose between fixed and random effect models to be used in research. If the probability of random cross section is greater than the significance level (0.05), the appropriate model is the random effect model. Hausman test result is shown in Figure 2 below.

Correlated Random Effects - Hausman Test			
Equation: REM			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.086645	3	0.3785

Figure 2. Hausman Test Result

As indicated in Figure 2, the probability of random cross section is 0.3785 which is greater than the significance level of 0.05. Therefore, it can be concluded that the most appropriate model in this research is random effect model.

#### 4.2 Classical Assumption Test

Based on the results of panel selection test on the previous section, it is concluded that the most appropriate research model for this study is random effect model. Therefore, the rest of the tests in this study will be conducted by using the random effect model. The next step is carrying out the classical assumption test consisting of normality, autocorrelation, heteroscedasticity, and multicollinearity tests. Below is the result of normality test carried out using EViews 9 (Figure 3).

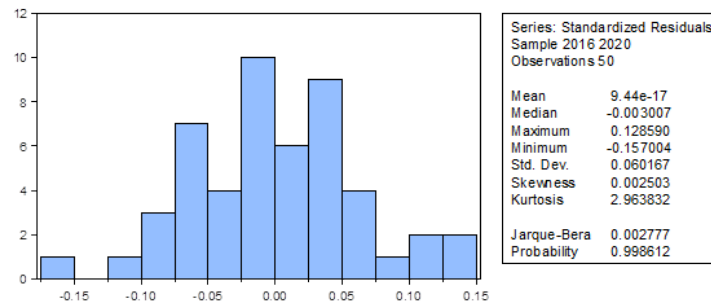


Figure 3. Normality Test Results

The normality test aims to ensure that the data from the sample to be used has a normal distribution (Ghozali, 2016). If the regression model violates the assumption of normality, then the decisions taken using the sample will be less appropriate to be used as decisions for the research population. Therefore, a good regression model is one that has a normally distributed residual value (Mardiatmoko, 2020). Based on the figure 3 above, it is obtained that the Jarque-Bera probability value of 0.99861 is greater than the significance level of 0.05 so the data is declared normal. The next classical assumption test is autocorrelation. The result can be seen through the Figure 4 below.

Weighted Statistics			
R-squared	0.479182	Mean dependent var	0.203858
Adjusted R-squared	0.445215	S.D. dependent var	0.063543
S.E. of regression	0.047330	Sum squared resid	0.103044
F-statistic	14.10751	Durbin-Watson stat	2.129192
Prob(F-statistic)	0.000001		

Figure 4. Autocorrelation Test Result

Mardiatmoko (2020) states that the autocorrelation test aims to prove that there is no relationship between errors in the current period ( $t$ ) and the previous period ( $t-1$ ). This problem is often found in time series data. In this study, the autocorrelation test was carried out using the Durbin-Watson test. Based on Figure 4, it is known that the Durbin-Watson statistical value is 2.12919. This value will be compared with the value from the Durbin-Watson table at a significance level of 0.05 with the number of samples ( $N$ ) is 10 and the independent variable ( $k$ ) is 3. Through this table, the  $dL$  value is 1.42 and  $dU$  is 1, 67. The Durbin-Watson statistical value is between  $dL$  and  $dU$ . Therefore, the data is free from the autocorrelation assumption. The third classical assumption test is heteroscedasticity test. The result of the test is presented below in Figure 5.

Dependent Variable: RESABS  
Method: Panel Least Squares  
Date: 06/19/22 Time: 09:55  
Sample: 2016 2020  
Periods included: 5  
Cross-sections included: 10  
Total panel (balanced) observations: 50

Variable	Coefficient...	Std. Error	t-Statistic	Prob.
C	0.038608	0.041791	0.923832	0.3604
SMP	0.004919	0.032316	0.152212	0.8797
GIC	0.020236	0.037483	0.539864	0.5919
ERM	-0.037727	0.044547	-0.846912	0.4014

R-squared	0.032995	Mean dependent var	0.021945
Adjusted R-squared	-0.030071	S.D. dependent var	0.013830
S.E. of regression	0.014036	Akaike info criterion	-5.617777
Sum squared resid	0.009062	Schwarz criterion	-5.464815
Log likelihood	144.4444	Hannan-Quinn criter.	-5.559528
F-statistic	0.523185	Durbin-Watson stat	1.876017
Prob(F-statistic)	0.668505		

Figure 5. Heteroscedasticity Test Result

According to Ghozali (2016), heteroscedasticity testing aims to prove that the error or residual variance is heterogeneous from one observation to another. If the error variance is homogeneous, then there is heteroscedasticity in the research data. Heteroscedasticity testing in this study was carried out using the Glejser test on EViews 9. If the probability value of the t-statistics of each independent variable is greater than the significance level of 0.05, then there is no heteroscedasticity. As indicated in Figure 5, the probability value of the t-statistical variables for SMP, SIK, and ERM, is 0.8797; 0.5919; and 0.4014. All of these values are greater than the 0.05 significance level and it is proven the data is free from heteroscedasticity. The last classical assumption test is multicollinearity test. The results of the multicollinearity test can be seen through Figure 6 below.

	SMP	GIC	ERM
SMP	1.000000	0.560606	0.226024
GIC	0.560606	1.000000	0.210800
ERM	0.226024	0.210800	1.000000

Figure 6. Multicollinearity Test Result

Ghozali (2016) states that the multicollinearity test is used to determine whether or not there is a correlation between the independent variables to be tested for their influence on the dependent variable. If the regression model violates the assumption of multicollinearity, then this will cause the effect of the independent variable to be insignificant on the dependent variable. Based on the results in Figure 6, the correlation value between each independent variable is less than 0.8. This indicates that there is no multicollinearity in the research data (Algifari, 2021).

### 4.3 Descriptive Analysis

The variables of this research are SMP, GIC, ERM, and SGR. Figure 1 shows the descriptive analysis of research variables in this study. Descriptive statistical analysis aims to provide an overview of the research data through the mean, standard deviation, maximum, and minimum values. Descriptive statistics can help researchers to obtain information and characteristics of the variables studied but cannot be used to draw certain conclusions (Ghozali, 2016). Based on Figure 7 below, it can be seen the average, maximum, minimum, and standard deviation values of each research variable. Mean value is the average value of each research variable. The maximum value is the highest value of each research variable. The minimum value is the lowest value of each independent variable. Meanwhile, the standard deviation value shows the data distribution of each research variable used in the study (Figure 7).

Date: 06/19/22  
Time: 20:53  
Sample: 2016 2020

	SGR	SMP	GIC	ERM
Mean	0.072941	0.454454	0.570528	0.806921
Median	0.071445	0.442310	0.578950	0.807690
Maximum	0.137110	0.684210	0.684210	0.884620
Minimum	0.007900	0.288460	0.421050	0.653850
Std. Dev.	0.028388	0.077279	0.066710	0.047577
Observations	50	50	50	50

Figure 7. Descriptive Statistics of Research Variables

For the SGR variable, the descriptive statistical test showed the lowest value of 0.0079 and the highest value of 0.13711. The average value obtained is 0.07294 which is greater than the standard deviation of 0.02839. This indicates that the SGR variable has a good distribution and does not vary. The next variable is SMP which is the independent variable in the study. In this variable, the lowest value is 0.28846 and the highest value of 0.68421. The average value obtained is 0.45445 and is greater than the standard deviation of 0.07728, indicating that the SMP variables do not vary and have a good distribution. The third variable in the study is GIC which is an independent variable. The lowest value for this variable is 0.42105. the highest value of this variable is 0.68421. The average value for this variable is 0.57053 and is greater than the standard deviation of 0.06671. This indicates that the GIC variable has a good distribution and does not vary. The last variable in the study is ERM which is the independent variable. For this variable, the lowest value of 0.65385 meanwhile the highest score is 0.88462. The average value of this variable is 0.80692 and the standard deviation is 0.04758. This shows that the ERM variable has a good distribution and does not vary.

#### 4.4 Research Discussion

After the data is free from classical assumptions, the researchers continue with statistical tests to discuss the research hypothesis. The results of the hypothesis test are shown in Figure 8 below.

Dependent Variable: SGR  
Method: Panel EGLS (Cross-section random effects)  
Date: 06/12/22 Time: 09:27  
Sample: 2016 2020  
Periods included: 5  
Cross-sections included: 4  
Total panel (balanced) observations: 50  
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.018480	0.162516	0.113710	0.9100
SMP	-1.101161	0.307244	-3.583999	0.0008
GIC	0.462500	0.140101	3.301186	0.0019
ERM	0.312826	0.175080	1.786762	0.0806

Effects Specification		S.D.	Rho
Cross-section random		0.042132	0.4426
Idiosyncratic random		0.047285	0.5574

Weighted Statistics			
R-squared	0.479182	Mean dependent var	0.203858
Adjusted R-squared	0.445215	S.D. dependent var	0.063543
S.E. of regression	0.047330	Sum squared resid	0.103044
F-statistic	14.10751	Durbin-Watson stat	2.129192
Prob(F-statistic)	0.000001		

Unweighted Statistics			
R-squared	0.393834	Mean dependent var	0.454454
Sum squared resid	0.177382	Durbin-Watson stat	1.236884

Figure 8. Hypothesis Testing Result

As shown in Figure 8, the adjusted R-square value is 0.4452, which means that the independent variables SMP, SGR, and GIC are able to explain the variation in the SGR value of 44.52%. The probability of F statistic value is 0.0000 which is smaller than the significance level (0.05), which means that all independent variables simultaneously affect the dependent variable.

The first hypothesis in this study is that sustainability management practices have a positive effect on the sustainable growth of banks in Indonesia. Based on Figure 7, the coefficient value of the sustainability management practices variable is -1.10116 with a probability t-statistic of 0.0004 (0.0008/2) which is smaller than the significance level. This indicates that sustainability management practices actually have a significant negative effect on the bank's sustainable growth based on the results of this study. The results of this study are in line with research conducted by Zulaecha et al. (2021) and Kartadjumena and Rodgers (2019).

In Indonesia itself, the government through the Financial Services Authority is actively encouraging companies, especially banks, to implement sustainable finance in their business and banking practices. This is proved by the launch of the Sustainable Finance Roadmaps Phase I and II in 2014 and 2021 respectively and the Indonesian Green Taxonomy in 2022. However, the implementation of these standards or national strategies depends on top-level management so these standards are not a guarantee that the process of implementing sustainable management practices has been carried out optimally by banks in Indonesia (Zulaecha et al. 2021). The conditions in this study can be an indication that sustainable management practices have not become a strategy considered by management to improve financial performance (Yawika and Handayani, 2019) or the bank's sustainable growth. In addition, the research results can also be an indication that the implementation of sustainable management practices by bank management only aims to change the company's image so that it appears to pay more attention to the sustainability aspect (Kartadjumena and Rodgers, 2019). With the increasingly stringent regulatory provisions regarding bank sustainability practices in Indonesia, the results of this study can also be an indication that sustainable management practices carried out by banks are only to meet regulatory requirements without being accompanied by internalization of the company's long-term strategy. Therefore, hypothesis 1 (H1) in this study was rejected.

The second hypothesis in this study is that green intellectual capital has a positive effect on the sustainable growth of banks in Indonesia. As shown on Figure 7, the coefficient value of the green intellectual capital variable is 0.46250 with a probability t-statistic of 0.00095 (0.0019/2) which is smaller than the significance level. This indicates that green intellectual capital has a significant positive effect on the bank's sustainable growth in the 2016-2020 period.

This study provides empirical support for previous research (Chen, 2008; Yusliza et al. 2019; and Malik et al. 2020) who stated that green intellectual capital has a positive effect on competitive advantage and company sustainability performance, one of which is economic performance. In addition, this research is also in line with resource-based view theory which aims to analyze the competitiveness and competitive advantage of companies by prioritizing the advantages of knowledge and intangible assets (Firmansyah, 2017). With increasingly stringent regulatory provisions and increasing consumer awareness of various social and environmental issues, the urgency to develop green intellectual capital has also increased (Chen, 2008). Therefore, the management of green intellectual capital that is carried out properly will increase competitive advantage which will have an impact on the bank's sustainable growth. Thus, it can be concluded that the second hypothesis (H2) of the study was accepted.

The final hypothesis in this study is that enterprise risk management has a positive effect on the sustainable growth of banks in Indonesia. As indicated in Figure 7, the coefficient value of the enterprise risk management variable is 0.31283 with a probability t-statistic of 0.0403 (0.0806/2) which is smaller than the significance level (0.05). This indicates that enterprise risk management has a positive effect on the bank's sustainable growth in the 2016-2020 period.

Empirically, this study supports research conducted by Soltanzadeh et al. (2016) and Iswajuni et al. (2018) which states that enterprise risk management has a positive effect on economic performance and firm value. This study also provides empirical evidence that supports the validity of the legitimacy and stakeholder theory. Cohen et al. (2017) state that many company failures in recent years have raised concerns regarding irregularities in the company's risk management process. Thus, the better the level of enterprise risk management you have, the better the reputation of the company (Cornejo et al. 2019) in the eyes of stakeholders. This will certainly make the community willing to acknowledge the existence and give legitimacy to the company. Thus, the third hypothesis (H3) of the study was accepted.

## **5. Conclusion**

This study aims to examine the effect of independent variables, namely sustainability management practices, green intellectual capital, and enterprise risk management on the sustainable growth of banks in Indonesia. The study was conducted using secondary data sources presented in the form of panel data. The sample used is 10 with 50



observations on banks listed on the Indonesia Stock Exchange during the 2016-2020 period in a row. Sample selection was done using purposive sampling technique.

The results of this study indicate that SMP negatively affected Indonesian banking sustainable growth, meanwhile, GIC and ERM positively affected Indonesian banking sustainable growth. The limitation of the study lies in the ability of the independent variable to explain the variation of the bank's sustainable growth of 44.52%. In other words, the remaining 55.48% is still explained by other independent variables that are not used in this study. The second limitation is that the study only covers companies from the banking industry sector listed on the Indonesia Stock Exchange and the period used in this study only covers 5 years from 2016 to 2020.

Based on the conclusions and limitations of the research that has been submitted, the researchers can provide the following suggestions. For bank management, it is hoped that the results of this research can serve as a reference and motivation to consider internalizing aspects of sustainability and risk management in banking strategies and activities. For the Indonesian government, the results of this research are expected to be input to intensify socialization for banks in Indonesia, so that they pay more attention to risk management and sustainability aspects (profit, people, planet) in the strategies and business decisions taken. For further researchers, the results of this study can be used as a reference in future research. For further research, it is expected to increase the research period and other variables that are thought to affect the bank's sustainable growth, as well as expand the scope of the research industry.

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