

Green Banking: Operating Costs on Operating Income, Capital Adequacy Ratio, Financial Slack, Sustainability Officer, and Sustainability Committee

Green Banking: Biaya Operasi pada Pendapatan Operasional, Capital Adequacy Ratio, Financial Slack, Sustainability Officer, dan Sustainability Committee

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ABSTRACT

This study aims to investigate and analyze the effect of Operating Expenses Operating Income (BOPO), capital adequacy ratio (CAR), financial slack, sustainability officer, and sustainability committee on green banking disclosure in Islamic banks registered with the Financial Services Authority (OJK) during the period 2017-2021. In this study, panel data regression data analysis techniques were used with the help of Eviews 10 software. The results of this study show that partially the variables Operating costs in operating income (BOPO), capital adequacy ratio (CAR), financial slack, and sustainability officer have no effect on green banking disclosure. While the variable Sustainability Committee has a positive and significant effect on Green Banking disclosure. At the same time, the variables BOPO, CAR, Financial Slack, Sustainability Officer, and Sustainability Committee have a significant effect on Green Banking disclosure. The implication of this research for science is to contribute to the literature related to the factors that influence green banking disclosure. In addition, this research is also expected to help banks in improving their governance, and for the government is expected to help in making policies related to green banking disclosure.

Keywords: Operating Expenses on Operating Income, Capital Adequacy Ratio, Financial Slack, Green Banking, Sustainability

Article History

Received: 12-05-2023

Revised: 25-05-2023

Accepted: 10-09-2023

Published: 30-09-2023

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ABSTRAK

Penelitian ini bertujuan untuk mengkaji dan menganalisis pengaruh dari Biaya Operasional Pendapatan Operasional (BOPO), Rasio Kecukupan Modal (CAR), Financial Slack, Sustainability Officer, dan Sustainability committee terhadap pengungkapan green banking pada bank syariah yang terdaftar di OJK selama periode 2017-2021. Teknik sampling yang digunakan adalah Purposive Sampling dengan kriteria tertentu, sehingga sampel didapat sebanyak 45 data dari 9 Bank syariah yang sesuai kriteria. Dan menggunakan teknik analisis data regresi data panel dengan bantuan software Eviews 10. Hasilnya menunjukkan bahwa secara parsial variabel BOPO, Capital Adequacy Ratio (CAR), Financial Slack dan Sustainability Officer tidak berpengaruh terhadap pengungkapan Green banking. Sedangkan variabel Sustainability Committee berpengaruh positif dan signifikan terhadap pengungkapan Green Banking. Secara simultan variabel BOPO, CAR, Financial Slack, Sustainability officer dan Sustainability Committee memiliki pengaruh dan signifikan terhadap pengungkapan Green banking

Kata Kunci: Biaya Operasi pada Pendapatan Operasional, Capital Adequacy Ratio, Financial Slack, Green Banking, Sustainability.

I. INTRODUCTION

The development of paradigms in the industrial era 4.0 is expected to take into account the needs of modern people, and any successful adaptation is expected to have an impact on the environment. The triple bottom line theory is a theory that explains issues related to profit, people, and the earth (Rahmayati et al., 2022). Social and environmental problems generally result from rapid and uncontrolled economic growth (Romli & Zaputra, 2021).

In recent times, the awareness of the global community on issues related to the environment has increased, and they realize the importance of preserving the environment. This awareness is caused by the threat of environmental disasters that will have an impact on human health, especially endangering human lives and their descendants.

Banks that want to maintain their existence in the capital market must be able to improve their performance, especially those related to the environment. Banks are the engine of the economic strength of a nation in an era of climate change, which requires banks to be able to contribute to the economy and the environment (Solekah, 2019).

Banking is one of the sources of development finance in Indonesia (Sahetapy et al., 2018). Based on data from the World Wildlife Fund (WWF) in the Sustainable Banking Assessment, it shows that the performance of banks in Indonesia continues to improve year after year. In addition to these achievements, the findings of TUK Indonesia (2019) For sustainable finance reforms in Indonesia show that Indonesian banks have provided about Rp 262 trillion or US\$ 19 billion in loans and guarantees to companies involved in forest fire cases in 2019-2020.

From the phenomenon described above, one of the strategies that can be made by banks in dealing with sustainable issues in banking activities is green banking (Lymeropoulos et al., 2012). Green banking is the bank's efforts to enhance risk management, especially those related to the environment, by enhancing credit or lending to customers who are concerned about environmental sustainability (Romli & Zaputra, 2021). Green banking as a form of more responsibility of banks to the environment through the development of comprehensive strategies to ensure economic growth (Lymeropoulos et al., 2012). The main purpose of green banking is not only in the form of profit but also with responsibility for social welfare, environmental sustainability, and conservation of natural resources (Sahetapy et al., 2018).

In Indonesia, green banking is considered important after the Financial Services Authority (OJK) formulated the concept of sustainable finance. Sustainable Finance in Indonesia is defined as the financial services industry's full support for sustainable growth, which comes from the alignment of economic, social, and environmental interests (Malinton & Kampo, 2019). The Indonesian government has emphasized the role of banks in environmental and social issues in POJK Number 51/POJK.03/2017 on the implementation of sustainable finance for financial services institutions, issuers, and public companies. The obligation to implement green banking and its disclosure in a sustainable report, which is then announced to the public regarding the impact of the company's operations and policies on economic, social, and environmental sustainability (OJK, 2017).

Since the issuance of POJK Number 51/POJK.03/2017, a significant increase has been observed only in 2019, with the number of disclosures reaching 55.81% from 45 banks, which was dominated by banks with BUKU 3, BUKU 4, and foreign banks (Khamilia & Nor, 2022). Despite the development of regulations and procedures for implementation and special reporting with the issuance of POJK Number 51 / POJK.03 / 2017, the disclosure of sustainability reports in banks has not been maximized, this phenomenon is a fundamental question of this study. Several factors can be the driving force for a bank to adopt the concept of green banking in operational activities, and to disclose it in the form of continuous reports as a form of responsibility to stakeholders. These factors can come from the influence of external parties on the transparency and accountability of the bank to the awareness of the bank's own internal parties (Khamilia & Nor, 2022).

In economics, the Triple Bottom Line (TBL) theory states that companies must be as committed to social and environmental stewardship as they are to making a profit. TBL theory argues that profit, people, and the earth must be sustainable. TBL theory seeks to measure a company's level of commitment to corporate social responsibility and its impact on the environment over time (Rahmayati et al., 2022).

The financial performance of a company, especially in the banking sector, can influence the implementation and sustainable reporting of a company, taking into account the costs of implementing

and disclosing the company's social, environmental, and economic responsibilities. One of the financial performance variables related to green banking is the balance of operating expenses to operating profit (BOPO). BOPO is a comparison of total operating expenses to total operating income. The efficiency of operations is conducted by the bank to see whether all activities of the bank, especially in the main business of the bank, are carried out correctly or in accordance with the expectations of the management and shareholders (Pinasti & Mustikawati, 2018).

Research findings from Saputra (2016) stated that the level of corporate social responsibility disclosure is not only determined by profitability but is more influenced by the combination of all elements of financial performance. This is not consistent with the research results from Utomo et al. (2015) and Hikmah & Abd.Majid (2019), revealed that the smaller the value of BOPO, the more the bank's CSR implementation will increase significantly.

The next factor that affects green banking is the capital adequacy ratio (CAR). CAR is a comparison of the bank's capital to its risk-weighted assets. Research by Alim & Sina (2020) stated that the bank's ability to overcome the risk of operational losses and provide funds for business development can be assessed from the CAR. On the other hand, research results from Pinasti & Mustikawati (2018) stated that bank capital affects bank operational activities such as lending and capital expenditure. Then, the next factor is financial slack. Financial slack is the total amount of cash held by a firm above the minimum level of normal operating requirements (Khamilia & Nor, 2022). Zhang et al., (2018) explained that financial slack provides sufficient resources for a company to invest and carry out corporate social responsibility without sacrificing other demands. Financial slack is a slack that can affect firm performance, including social responsibility.

Research results from Ahlström & Ficekova (2017) and Sugiarti (2020) stated that the level of CSR disclosure is strongly influenced by external requirements, namely the existence of government sanctions so that companies with large and small financial slack will still disclose CSR at a minimum level to fulfill their obligations. These results are different from the studies of Kim et al., (2019); Zhang et al., (2018) and Anggraeni & Djakman (2017), which stated that the improvement in the quality of CSR disclosure is in line with the high value of the company's financial slack.

The next factor is the sustainability officer. The Sustainability Officer is a variable that is still rarely used in green banking disclosures. Sustainability officers in banking companies have duties and responsibilities that often differ depending on the level of hierarchy in the company (Miller & Serafeim, 2014). The growing attention of investors to corporate sustainability is evidenced by the need for transparency on the part of directors regarding the company's approach to social and environmental issues, corporate strategy, governance, risk assessment, and stakeholder disclosure. Companies can specifically consider sustainable governance strategies through sustainability officers to formulate and implement policies related to banking sustainability issues.

Research from Ivada & Fauzi (2019) and Kanashiro & Rivera (2019) stated that sustainability officers do not have a significant influence on the implementation of CSR. While research from Fu et al., (2020) stated that sustainability officers have a positive influence on the implementation of CSR. Also, research from Rossi (2017) found that sustainability officers have a positive influence on the demand for assurance in sustainability reports.

The next variable is the sustainability committee. The role of the sustainability committee is to recommend social and environmental approaches to the company's operations. The existence of a sustainability committee with its knowledge and experience can support the sustainability of the company and is responsible for the sustainability strategy and performance of a company (Khamilia & Nor, 2022). The specific role of the sustainability committee is to oversee programs up to the disclosure of the bank's sustainable activities. According to the research of Rossi (2017) the sustainability committee was found to have a positive effect on the disclosure of greenhouse gas emissions. However, not in line with the research from Burke et al., (2017) the result is that the sustainability committee does not affect the performance of corporate social responsibility.

Based on several previous studies, research gaps were found where the results of previous research were inconsistent, and research related to green banking in Indonesia is still rarely carried out, especially related to green banking disclosure in Islamic banking. This was a research gap in this study, so the author aimed to re-examine related to green banking disclosure in different objects, namely Islamic banking in Indonesia by adding 3 variables that are still rarely used in green banking disclosure research, which was an update or novelty to this study. The 3 variables were: Financial Slack, Sustainability Officer, and

Sustainability Committee. Financial slack indicates adequate resources that allow companies to invest and carry out corporate social responsibility without sacrificing other demands. Financial slack can also affect the company's performance, including social responsibility, therefore financial slack greatly affects the ongoing disclosure of a company. Sustainability officers are needed to formulate and implement policies related to the bank's sustainability issues, which will increase transparency on the company's social, environmental, corporate strategy, governance, and risk assessment issues. The Sustainability Committee is tasked with overseeing programs up to and including disclosure of the bank's sustainable activities.

Based on the described explanation, this study aimed to test and analyze the factors that can increase the disclosure of green banking in the banking sector registered with the Financial Services Authority (OJK) from 2017 to 2021. The purpose of this study started from the fundamental question related to the disclosure of sustainability reports in banks that have not been maximally remembered, the development of regulations and procedures for implementation, as well as special reporting with the issuance of POJK Number 51 / POJK.03 / 2017. Through tests and analysis this study, it was expected to answer the relationship between operating costs in operating income, capital adequacy ratio, financial slack, the existence of sustainability officers, and sustainability committees on green banking disclosure in banks registered with the Financial Services Authority (OJK). In addition, this research expected to contribute to the literature related to factors that affect green banking disclosure and also expected to help banks in improving their governance, and the government expected to help in strengthening policies related to green banking disclosure.

II. LITERATURE REVIEW

Stakeholder Theory

The development of a company at this time makes the company pay more attention to stakeholders. Stakeholder theory is one of the theories widely used as a basis for sustainability report research. The first originators of this theory were Freeman & McVea (1984) that explained stakeholders are groups that have a significant impact on the success or failure of an organization. Freeman briefly defines stakeholder theory as a manager's response to his company's environment.

According to Agoes & Ardana (2017) stakeholders are all parties, both individuals and institutions, whose existence can affect the company or can be affected by the company's actions. The link between the company and its stakeholders can be facilitated by disclosing the company's commitments in the annual report, including those related to social, economic, and environmental areas.

Donaldson & Preston (1995) said that stakeholder theory extends the company's responsibility not only to investors but also to all stakeholders. The success of a company depends on how satisfied all stakeholders are, because shareholders are only one of the various parties with an interest in the company (Freeman & McVea, 1984).

Legitimation Theory

Legitimacy theory is a theory that explains the motivation of managers or companies to disclose continuous reports. If stakeholder theory is motivated by accountability to stakeholders, then legitimacy theory uses motivation to gain community approval or acceptance (Van Der Laan, 2009).

Legitimacy theory explained that the company will continuously ensure that its operational activities always follow the value limits as well as the norms of the surrounding community (Tarigan & Semuel, 2015). The company will voluntarily report on the company's activities when the management perceives that these activities have met the expectations of the surrounding community (Deegan, 2022).

According to Ghozali & Chariri (2007) legitimacy theory is a social agreement that occurs between the company and the community in which the company operates. This can strengthen the idea that legitimacy theory can be widely used as a theory to explain environmental and social disclosure by companies. Legitimacy theory holds the idea that companies and societies have a binding social contract.

Resource-Based Theory

Resource-based theory is a theory that describes a firm that can achieve competitive advantage by relying on resources to guide the firm to be sustainable continuously (Barney, 1986). The resource-based theory considers the relationship between resources, capabilities, and competitive advantage. A firm's valuable resources and capabilities are an important source of competitive advantage (Ahlström & Ficekova, 2017).

This theory was first proposed by Wernerfelt (1984) in his work entitled "A resource-based view of the firm", which explained that firm resources help firms improve the efficiency and effectiveness of firm operations. The approach of the resource-based theory is an understanding of the relationship between resources, capabilities, competitive advantage, and profitability, in particular being able to understand the mechanisms by which competitive advantage is maintained over time. Bourgeois (1981) explained how corporate involvement in social responsibility and sustainability, this theory explains whether social responsibility and sustainability are driven by an increase in the search for competitive advantage.

Operating Expenses to Operating Income (BOPO)

Operating expenses to operating income (BOPO) is a comparison between total operating expenses and total operating income. According to Dendawijaya (2005) operating expenses to operating income is the ratio of operating expenses to operating income. Operating expense ratio is used to measure the level of efficiency and ability of the bank to carry out business activities. The ratio of operating expenses to operating income (BOPO) is a component of the bank's profitability ratio. A low BOPO ratio indicates that a bank's operating income is greater than its operating expenses. Companies with high profitability can increase the company's credibility in terms of disclosing information to attract the attention of investors (Pinasti & Mustikawati, 2018).

Operating efficiency is a bank's ability to ensure that all of its activities, especially its core business, are carried out correctly and in accordance with the expectations of its management and shareholders, while operational efficiency is a bank's ability to ensure that all of its production factors are used appropriately. The smaller the BOPO, the more efficient the bank's operating costs. With its cost efficiency, it will increase the bank's profits (Pinasti & Mustikawati, 2018).

Capital Adequacy Ratio (CAR)

Capital Adequacy Ratio is a ratio that shows how much of a bank's risky assets (loans, securities, bills with other banks) are financed by its own capital, in addition to funds obtained from external sources such as public funds, loans, etc. Banks that maintain their CAR will ensure customer protection and overall financial stability of the bank. The higher the CAR of a bank, the higher the ability of the bank to deal with the risk of loss (Astuti, 2022). CAR is one of the problems faced by internal banking. The bank must have sufficient capital to support its activities. Capital plays a role in supporting the operational activities of the bank so that they are always smooth. Banks that do not have sufficient capital are categorized as unhealthy banks, so the bank is included as a bank under special supervision.

In order to increase the bank's ability to absorb risk, it is necessary to improve the quality and quantity of capital as a cushion in times of financial crisis or when banks incur losses. The provision of minimum capital is referred to as the Capital Adequacy Ratio, which is regulated in POJK Number 11 / POJK.03 / 2016 as a guarantee of the bank's safety in facing these risks. The higher the level of CAR, the better the ability of the bank to deal with the risk of its assets at risk (Alim & Sina, 2020).

Financial Slack

Financial slack is a phenomenon in which firms have financial availability in excess of their needs. Financial slack is the amount of cash held by the company above the minimum level of normal operating needs (Lewis, 2013). Financial slack is also defined as unused cash and securities of the company. This condition causes the company not to issue risky debt or securities to finance investments (Ashwin et al., 2015). Financial slack has a positive effect on the firm's performance. Financial availability will also encourage companies to experiment more with implementing new strategies for business development. In addition, financial slack will also reduce unnecessary activities for the firm. Financial slack is able to overcome crises resulting from market turmoil, the effect of which is to increase company profits (Bradley et al., 2011). Financial slack can be a useful resource for companies to help companies achieve their goals (Vanacker et al., 2013). Financial slack can provide companies with more flexible resources that are most likely to be used as a medium for corporate responsibility activities. Thus, companies can use financial slack to minimize coordination costs within the firm and improve firm performance (Lewis, 2013).

Sustainability Officer

The Sustainability Officer is defined as a member of the senior management team and executives who are responsible for CSR-related issues within the company. The company appoints a sustainability officer to implement the company's CSR strategy. In general,

sustainability officers and sustainability committees are responsible for formulating, implementing, and monitoring the company's CSR strategy (Fu et al., 2020).

The purpose of the sustainability officer and the sustainability committee is to critically review business practices related to environmental and social needs and formulate strategies that align sustainable development with financial benefits. In addition, sustainability officers and committees are also responsible for managing stakeholder relationships, including promoting a CSR culture within the company (Miller & Serafeim, 2014).

Sustainability officers in banking companies may have different roles and responsibilities, which often differ depending on the level of hierarchy in the company (Miller & Serafeim, 2014). The higher the position of a sustainability officer of a company, the stronger its role in the implementation of disclosure of sustainability activities and corporate social responsibility (Calhyurt, 2020).

Sustainability Committee

The company formed a sustainability committee to formulate policies and manage the company's development. The committee tasked with addressing corporate social responsibility issues is one of the factors that contribute to the success of the company (Mattingly & Olsen, 2018). The existence of a sustainability committee with its knowledge and experience can support the sustainability of the company and is responsible for the sustainability strategy and performance of a company (Risk Check, 2019). The task of the sustainability committee is to recommend social and environmental approaches to the company's operations (Velte & Stawinoga, 2020). At the same time, it monitors the management of the company and the bank's commitment to the implementation of the disclosure of green banking practices.

The characteristics of the Sustainability Committee are having skills and knowledge in the field of CSR, Sustainability is responsible for CSR regulatory strategies, ensuring the conformity of CSR functions and information systems. In addition, the sustainability committee must also control the company's activities related to social, economic, and environmental development (Sekarlangit & Wardhani, 2021).

Hypothesis Development

The Impact of the Operating Expense to Operating Profit Ratio (BOPO) on Green Banking Disclosures

Operating expenses to operating income (BOPO) is a comparison between total operating expenses and total operating income. Dendawijaya (2005) opinion that operating expenses in operating income is the ratio of the ratio between operating expenses and operating income. The operating expense ratio is used to measure the level of efficiency and ability of the bank to carry out company activities.

Operating expenses to operating income (BOPO) is part of the profitability ratio. Based on PJOK number 04/POJK.03/2016 on the health of commercial banks, banks are required to maintain their health and profitability. The BOPO ratio is said to be low when a company's operating income is greater than its operating expenses. The financial effectiveness of a company can be reflected in a high level of income (OJK, 2016).

According to Raharjo, when the profitability of a company is high, the company will increase the disclosure of corporate information in order to attract the attention of investors. The smaller the company's BOPO ratio, the higher the company's profit (Hikmah & Abd.Majid, 2019). According to the stakeholder theory, a company is not only responsible to investors and company owners in maximizing profit, but the company should also be able to provide benefits to society, the social environment, and the government (Hörisch et al., 2014).

The company needs to maintain good relationships with stakeholders, especially stakeholders who have power over the availability of resources needed by the company in its operations, such as labor, customers, and owners. Efforts that can be made to maintain relationships with stakeholders are to publish sustainability reports (Horisch et al., 2020). The company will disclose sustainability report information well if the company has high profitability. This is done in order to explain and convince stakeholders about profitability and management competence (Liana, 2019).

Research by Laskowska (2018) stated that companies will save their internal costs when the implementation of sustainable issues is carried out in the banking business, so the policy will have a positive impact on achieving the maximum financial performance of the bank.

H1 : The ratio of Operating Expenses to Operating Income (BOPO) has a positive effect on Green Banking disclosure.

The Effect of Capital Adequacy Ratio (CAR) on Green Banking Disclosures

Capital Adequacy Ratio is a ratio that shows how much of a bank's risky assets (loans, securities, bills with other banks) are financed by its own capital, in addition to funds obtained from external sources such as public funds, loans, etc. Banks that maintain their CAR will ensure customer protection and overall financial stability of the bank. The higher the CAR of a bank, the higher the ability of the bank to deal with the risk of loss (Astuti, 2022).

Legitimacy theory is used to look at the performance of a company or institution on an ongoing basis. The theory of legitimacy was first put forward by Dowling & Pfeffer (1975), which stated that legitimacy can be said to be a benefit or potential source for the company to be able to survive and thrive. In the theory of legitimacy, the company's performance is ensured by following the limits, values, and norms that apply in the relevant community (Tarigan & Samuel, 2015). When the management wants to describe activities or functions related to the needs expected by the surrounding community, the company will voluntarily communicate its performance. Thus, it can provide information that legitimacy theory is able to explain financial performance in the expression of CSR performed by companies (Campbell et al., 2003).

Financial performance applied to a company, especially in Islamic banking, greatly affects the sustainability report. This is because there are implementation costs to inform social responsibility in the economic environment of a particular company (Selly et al., 2023). The application of financial performance in Islamic banking institutions focuses on capital information, which is measured by the Capital Adequacy Ratio (CAR). Financial performance related to resources is needed to implement sustainability strategies in a company or Islamic banking institution. Therefore, companies urgently need sustainable environmental disclosure information to maximize their financial performance (Selly et al., 2023).

A bank is a financial organization whose main function is to raise funds and then reinvest them in the community and must maintain its health in order to maintain the trust of stakeholders. Improving the quality and amount of capital is needed by banks as a safety net in times of financial crisis or when banks experience losses, and also to improve the ability of banks to absorb banking risks. In accordance with POJK Number 11/POJK.03/2016, securities guarantee banks are required to have a minimum capital, which is determined using the Capital Adequacy Ratio (OJK, 2016). The higher the Capital Adequacy Ratio (CAR), the better the bank's ability to bear the risk of risky assets. The bank's efforts to gain more trust and report to more people, including investors, stakeholders, and consumers, have been strengthened by strong financial performance (Safitri & Saifudin, 2019). Banks with high capital adequacy ratios will be able to better implement green banking strategies, which will then reveal sustainability reports.

H2: The Capital Adequacy Ratio (CAR) ratio has a positive effect on Green banking disclosure.

Financial Slack's Effect on Green Banking Disclosure

Financial slack is a phenomenon in which firms have financial availability in excess of their needs. Financial slack is the amount of cash held by the company above the minimum level of normal operating needs (Lewis, 2013). Financial slack is also defined as unused cash and securities of the company. This condition causes the company to not issue risky debt or securities to finance investments (Ashwin et al., 2015). Financial slack can be a monetary tool for companies to address issues in the communities where they operate, therefore, by creating the availability of resources, companies will be able to provide a financial foundation to support development and community welfare (Ahlström & Ficekova, 2017). In the opinion of Bourgeois (1981), the scarcity of resources theory explains that companies must have a good financial position in order to contribute to the social performance of the company. The success of social performance requires funds, which are obtained from the success of the company's financial performance. High financial performance will be able to make the company have large profits and excess funds for investment. It can also be used for environmental management as a form of corporate social responsibility.

In recent years, banking organizations have begun to take steps to focus resources, funding, and investments on green banking practices (Bose et al., 2017). Financial slack, which is a resource that is not used by the organization, can provide greater flexibility of corporate resources that can most likely be used for medium corporate responsibility activities (Anggraeni & Djakman, 2017).

Financial slack can be interpreted as cash that the firm has above the minimum level of normal needs (Lewis, 2013). Research by Zhang et al., (2018) found that the presence of financial slack in firms has a positive effect on green banking disclosure. Financial slack can be a useful resource for companies to achieve their goals (Vanacker et al., 2013). Financial slack can provide companies with more flexible resources that can most likely be used as a medium for corporate responsibility activities (Lewis, 2013).

H3 : Financial Slack Positively Affects Green Banking Disclosure.

The Sustainability Officer's Impact on Green Banking Disclosure

Stakeholder theory is a theory widely used in sustainability reporting research. This theory explains the relationship between business, the environment, and society. Stakeholders' expectations on social responsibility issues have increased, which empowers companies to implement governance structures that are in line with stakeholder expectations and values. The formation of a committee or sustainability officer in the company is one way to achieve this acceptance (Patten, 2019).

The roles and responsibilities of a Sustainability officer in a banking company may vary, depending on the level of the organizational hierarchy within the company. The higher the position of the Sustainability Officer in the company, the higher his or her share in the disclosure of sustainable activities and corporate social responsibility (Ivada & Fauzi, 2019).

The presence of sustainability officers can encourage companies to voluntarily disclose their social responsibility reports. The existence of sustainability officers and sustainability committees is able to encourage companies to voluntarily disclose their social responsibility reports (Velte & Stawinoga, 2020). At the same time, it can monitor the company's management and the bank's commitment in implementing the disclosure of green banking practices.

H4 : Sustainability officers positively influence Green banking disclosure.

The influence of the Sustainability committee on Green banking disclosure

The main problem faced by company management in making decisions about voluntary disclosure of company information is the lack of motivation to serve the interests of stakeholders (Amidjaya & Widagdo, 2020). In some cases, management parties in banking companies or organizations prioritize short-term benefits over environmental, social, and governance policy considerations.

The existence of company oversight is useful to ensure long-term optimization of company value for all stakeholders. The formation of a sustainability committee with high insight and experience can support the sustainability of the company and can also be responsible for the sustainability strategy and performance of a company (Sekarlangit & Wardhani, 2021).

The role of the sustainability committee is to recommend social and environmental approaches to the company's operations (Velte & Stawinoga, 2020). In addition, the sustainability committee must also control the company's activities related to social, economic, and environmental development (Sekarlangit & Wardhani, 2021).

H5 : Sustainability Committee has a positive effect on Green banking disclosure.

III. RESEARCH METHODS

This study was a quantitative study using a descriptive approach. The information used was secondary data in the form of annual reports and continuous reports of Islamic banks registered with the Financial Services Authority (OJK) for the period 2017-2021. The information was obtained from each bank's official website. To collect and identify the data obtained, the authors utilized an approach whereby the data was processed and analyzed using Eviews software version 10. The study's population consisted of all Islamic banks registered with the Financial Services Authority (OJK), while the sampling technique used was purposive sampling. The criteria for banks were that they were registered with the Financial Services Authority (OJK), issued annual and continuous reports consecutively during the 2017-2021 period, and had complete financial and non-financial data required for the study. According to these rules, there were nine Islamic banks that met the criteria, namely Bank Syariah Indonesia (BSI), Bank Tabungan Pensiun Nasional Syariah (BTPN Syariah), Bank Jabar Banten Syariah, Bank KB Bukopin, Bank Mega Syariah, Bank Muamalat, Bank Panin Syariah, Bank Victoria Syariah and Bank Aladin Syariah. This study used the following sample and data source:

Table 1. Samples and Data sources

No.	Code	Bank Name	Sources
1.	BRIS	Bank Syariah Indonesia	https://ir.bankbsi.co.id/
2.	BTPS	Bank Tabungan Pensiun Nasional Syariah	https://www.btpnsyariah.com/
3.	BJBR	Bank Jabar Banten Syariah	https://www.bjbsyariah.co.id/
4.	BBKP	Bank KB Bukopin	https://www.bukopin.co.id/
5.	BSMI	Bank Mega Syariah	https://www.megasyariah.co.id/
6.	BBMI	Bank Muamalat	https://www.bankmuamalat.co.id/
7.	PNBS	Bank Panin Syariah	https://paninbanksyariah.co.id/
8.	BVIS	Bank Victoria Syariah	https://www.bankvictoriasyariah.co.id/
9.	BANK	Bank Aladin Syariah	https://aladinbank.id/

Table 2. Variable Operational Definition

Y	Green Banking	GDB = Number of items disclosed / 44
X1	BOPO	BOPO = Operating expenses / Operating income
X2	CAR	CAR = Bank capital / Risk-weighted assets (ATMR)
X3	Financial Slack	FS = LN Cash and Cash Equivalents
X4	Sustainability Officer	SO = 1 : The company has a Sustainability Officer 0 : The company does not have a Sustainability Officer
X5	Sustainability Committee	SC = 1: The company has a Sustainability committee 0: The company does not have a Sustainability committee

The study used Partial Least Square (PLS) analysis with the help of Eviews 10 software. This research analyzed panel data and there were three estimated model choices, namely Fixed Effect Model (FEM), Common Effect Model (CEM), and Random Effect Model (REM). The model selection was determined through testing, comprising the Chow Test, Hausman Test, and LM Test. It is necessary to ascertain the optimal model selection. The Chow test was performed to determine the best model between FEM and CEM. If the chi-square's probability value is >0.05, the CEM model is chosen. If the chi-square's probability value is >0.05, the CEM model is chosen. If it's <0.05, then FEM is selected. The Hausman test determines which model, FEM or REM, is the best. If the probability value of the cross-section is greater than 0.05, the REM model is chosen for decision making. On the other hand, if the probability value of the cross-section is less than 0.05, the FEM model is selected. After that, the Lagrange multiplier was tested. LM testing, using the Bruesch-Pagan Test method, was used to determine the best model between REM and CEM. If the probability value is greater than 0.05, the CEM model is chosen based on this test. If the probability value is less than 0.05, then the model chosen is REM. Once the model selection test was completed, the researcher conducted a normality and multicollinearity test. Next, regression testing was conducted on the panel data, including t-tests, F-tests, and R-Square.

The panel data regression analysis model in this study is as follows:

$$GB_{it} = \alpha + \beta_1 BOPO_{it} + \beta_2 CAR_{it} + \beta_3 FS_{it} + \beta_4 SO_{it} + \beta_5 SC_{it} + e$$

Information:

- GB : Green Banking
- BOPO : Operating Expenses Operating Income
- CAR : Capital Adequacy Ratio
- FS : Financial Slack
- SO : Sustainability Officer
- SC : Sustainability Committee
- E : Error

IV. RESULTS AND DISCUSSION

Result

Table 3. Common Effect Model (CEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.872720	4.043923	0.957664	0.3441
BOPO	0.005509	0.013531	0.407175	0.6861
CAR	-0.008227	0.011797	-0.697391	0.4897
FS	-0.166517	0.294068	-0.566254	0.5745
SO	16.64327	3.082114	5.399951	0.0000
SC	0.481008	3.108518	0.154739	0.8778

Table 4. Fixed Effect Model (FEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.691387	4.130483	0.409489	0.6850
BOPO	0.007800	0.014462	0.539327	0.5935
CAR	0.002846	0.017706	0.160742	0.8733
FS	-0.065421	0.321017	-0.203794	0.8398
SO	17.88568	2.880637	6.208933	0.0000
SC	-0.844449	2.822690	-0.299165	0.7668

Table 5. Random Effect Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.271326	4.041882	0.561948	0.5774
BOPO	0.007788	0.013566	0.574089	0.5692
CAR	-0.002984	0.014193	-0.210220	0.8346
FS	-0.091149	0.298996	-0.304851	0.7621
SO	17.66305	2.802974	6.301537	0.0000
SC	-0.487909	2.776453	-0.175731	0.8614

Table 6. Chow Test

Effect Test	Statistic	d.f.	Prob.
Cross-section F	868.5959		0.0000
	90	(8,31)	
Cross-section Chi Square	243.7552		0.0000
	68		

Table 6 shows the probability value of the cross-section chi square of $< \alpha (0.05)$ which was 0.0000. H_0 is rejected and H_a is accepted, so it can be concluded that the Fixed effect model (FEM) is more precise in estimating panel data than the Common effect model (CEM).

Table 7. Hausman Test

Test Summary	Chi-sq Statistic	Chi-sq d.f.	Prob.
	6116.2557		0.0000
Cross-section random	75	5	

The table above shows that the probability value of Chi-square of $< (0.05)$ which was 0.0000. Then H_0 is rejected and H_a is accepted, meaning that the Fixed effect model (FEM) is more appropriate to be used in estimating panel data compared to Random effect model (REM).

Table 8. Normality Test

Jarque-Bera	0.089754
Probability	0.956115

Table 8 shows that the probability value of Jarque Bera (JB) $> \alpha (0.05)$ is $0.956115 > 0.05$. Then it can be concluded that the residuals are normally distributed.

Table 9. Multicollinearity test

	BOPO	CAR	FS	SO	SC
BOPO	1.000000	0.495711	0.049621	0.127799	0.182872
CAR	0.495711	1.000000	-0.519513	-0.070431	-0.017289
FS	0.049621	-0.519513	1.000000	0.056320	-0.078596
SO	0.127799	-0.070431	0.056320	1.000000	0.834847
SC	0.182872	-0.017289	-0.078596	0.834847	1.000000

After obtaining the results of the multicollinearity test, then analyze the correlation matrix of independent variables. If there is a fairly high correlation between independent variables (generally above 0.80), then it indicates multicollinearity. However, Table 9 shows that there was no independent variable that correlates above 0.80, so it indicates that there is no multicollinearity between independent variables.

Table 10. t Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.450549	0.241027	6.018207	0.0000
BOPO	0.000289	0.000844	0.342147	0.7345
CAR	0.001681	0.001038	1.619707	0.1154
FS	0.028364	0.018816	1.507401	0.1418
SO	-0.019797	0.229218	-0.086367	0.9317
SC	19.32509	0.242124	79.81475	0.0000

From Table 10, it can be described that the variable Operating Cost on Revenue (BOPO) got results of $0.7345 > 0.05$ and t-statistics of $0.342147 < 2.02108$. So H_0 is accepted and H_a is rejected. It can be concluded that partially the independent variable (BOPO) has no influence on Green Banking. The probability value of the Capital Adequacy Ratio (CAR) variable was $0.1154 < 0.05$ and the t-statistic value was $1.619707 < t\text{-table } 2.02108$. Then H_0 Accepted and H_a rejected. So it can be concluded that partially the CAR variable has no effect on Green Banking disclosure.

The Financial Slack variable showed a probability value of $0.1418 > 0.05$ and a t-statistic of $1.507401 < 2.02108$. so that H_0 is accepted and H_a is rejected, which means that the Financial Slack variable has no influence on Green Banking disclosure. The probability value of the Sustainability Officer variable was $0.9317 > 0.05$ and the t-statistic value was $-0.086367 < 2.02108$. so that H_0 —accept and H_a are rejected. It can be concluded that the Sustainability Officer variable has no influence on Green Banking disclosure.

The sustainability committee variable showed a probability value of $0.0000 < 0.05$ and a t-statistic value of $79.81475 > 2.02108$ so that H_0 is rejected and H_a is accepted. It can be concluded that the sustainability committee variable has a positive and significant influence on Green Banking disclosure.

Table 11. F Test (Simultaneous)

F-statistic	7426.212
Prob (F-statistic)	0.00000

The simultaneous test or F test can be said to be a model feasibility test. So this test is seen from the F-statistic value of the Fixed Effect Model (FEM) test results with it knowing that the F-statistic was $7426.212 >$ the F table was 2.61 and Prob. (F-statistic) of $0.0000 < 0.05$, so H_0 is rejected and H_a is accepted. So, it can be concluded that independent variables, namely BOPO, CAR, Financial Slack, Sustainability officer, and sustainability committee simultaneously have a significant influence on the dependent variable, namely green banking disclosure.

Table 12. R² Test

R-squared	0.6499679
Adjusted R-square	0.649544

In accordance with the regression results, the Fixed effect model (FEM) gets an R2 value of 0.6499679 or 65%. This explains that the independent variable Sustainability committee affects the green banking variable by 65%. While 35% was explained by other variables outside this research model.

Discussion

Based on the findings of hypothesis testing, BOPO factors do not affect the disclosure of Green banking practices. The income obtained from operations, when compared to high operational expenses, cannot be presented as a guarantee of a bank's disclosure of sustainability reports. If a company increases its revenue or profit, it is less probable to release sustainability reports as it would add to the company's expenses.

A company's desire to share information about environmentally friendly banking in sustainability reports cannot be determined by comparing operating income to costs. Typically, companies avoid submitting sustainability reports unless it contributes to their revenue or profitability as it creates additional expenses. Moreover, a company's profits may come from activities that cause harm to society and the environment. The company or bank must balance the rise in income with actions to boost its worth. This will allow economic, environmental, and social factors to progress alongside or in harmony with the company or bank's growth.

The findings of this research contradict the Stakeholder theory, which suggests that a Company's duty is not solely to shareholders and owners to increase profits, but also to contribute to the community, society, and government. From the explanation of the theory provided, we can see that a good company cares about more than just making a profit. Such a company also benefits the environment and the local community. The company's sustainability report is proof of its efforts to help society and the environment. These findings do not align with research conducted by Utomo et al. (2015) and Hikmah & Abd. Majid (2019) revealed that the lower the value of BOPO, the higher the CSR implementation of the bank.

These influential studies assume that the financial performance ratio of Indonesian Islamic banks has not yet reached its maximum potential. Sustainable reports will be generated and maximized by the company only when all the indicators of its financial performance have been maximized. This aligns with Saputra's (2016) research, which stated that not only profitability can determine the level of corporate social responsibility disclosure, but it is more influenced by the combination of all elements of financial performance.

The variable Capital Adequacy Ratio (CAR) has no effect on Green banking disclosure. Banks as financial institutions whose main activity is to collect funds from the public and then distribute them back,

need to maintain the trust of their stakeholders. One way to gain and maintain stakeholder trust is to disclose the bank's obligations on economic, social, and environmental aspects. The important thing seen by banking company stakeholders is the level of security in facing risks which can be seen from the CAR ratio. The higher the CAR indicates that the company's capital position is getting better. According to the theory of legitimacy, company performance must certainly follow the boundaries, values, and norms that apply in society. Financial performance applied to a company, especially Islamic banking, greatly affects the sustainability report, because there are implementation costs to inform social responsibility in the economic environment of certain companies. However, based on the results obtained in this study, the minimum capital of banks is not able to influence green banking disclosure. The researcher's assumption is that capital cannot influence the disclosure of green banking information directly. This statement is in line with a study conducted by Khamilia and Nor (2022), which stated that bank capital affects the bank's operational activities, such as lending and investment, compared to sustainability activities. It is suspected that CSR disclosure has no effect on the amount of capital acquired by the bank since the bank is likely to prioritize its customers and shareholders. Then the money held by the bank is typically used to finance loans or cover operational costs, which means that the bank may not prioritize disclosing its CSR practices. According to a study by Masrurroh & Mulazid (2017), the CAR does not impact CSR disclosure because the bank has prepared a separate fund for CSR activities during the initial stages of implementation. However, in the subsequent year, there is often insufficient capital available to allocate towards CSR initiatives. Masrurroh and Mulazid (2017) explained that bank management should be more creative in determining CSR programs so that disclosing CSR in the annual report can attract the attention of investors and partners to support the bank's CSR program activities. These findings go against the research conducted by Alim & Sina (2020), who stated that the bank's capacity to manage operational losses and finance business growth can be evaluated through the CAR.

Financial reserves do not affect disclosure of ethical banking practices. "Financial slack" refers to a company's resources in the form of cash, above the minimum level required for normal operations. The presence of such slack indicates to stakeholders that the bank has ample financial reserves to meet obligations related to environmental and social sustainability. The Slack Resources theory states that firms need a sound financial position to improve their social performance. In order to achieve successful social performance, they require funds from their financial performance. A strong financial performance can generate larger profits and surplus funds for investment. Moreover, it can be utilized for environmental management as a way of demonstrating corporate social responsibility.

In this study, it was discovered that having extra money does not impact the disclosure of environmentally friendly banking practices. This is thought to be due to companies favoring investments over Corporate Social Responsibility (CSR) activities when they acquire and manage more funds. Financial slack is reserved for investment as it generates more resources, adding value to the company. Therefore, companies or banks concentrate more on investing rather than CSR activities. This aligns with past research carried out by Ahlström & Ficekova (2017) which found that external pressures, such as the presence of government sanctions, significantly impact the extent of CSR disclosure. This means that even companies with limited financial flexibility must disclose CSR activities within their obligations. However, this study goes against research conducted by Zhang et al. (2018) and Kim et al. (2019), which found that the improvement in the quality of CSR disclosure is in line with the high value of the company's financial slack.

The Sustainability Officer (SO) does not impact green banking disclosure. According to Stakeholder theory, companies are responsible not only to their investors and owners in maximizing profits, but also to provide benefits to society, the social environment, and government. However, theoretical implications propose that sustainability officers can increase a company's involvement in social and environmental activities. Sustainability officers usually serve as tools to aid companies in enhancing their reputation within the local area and complying with government policies on sustainability. This aligns with research by Ivada & Fauzi (2019) and Kanashiro & Rivera (2019), which showed that 73% of palm oil companies in Indonesia are still in the early stages of sustainability, namely compliance, meaning that the presence of a sustainability officer in the company is only limited to meeting the requirements to obtain a sustainability company certificate. However, this study does not align with the findings of Peters & Romi (2014) and Fu et al., (2020), as they believed that the outcome of a sustainability officer has a positive effect on the implementation of CSR.

The committee for Sustainability has a beneficial effect on the disclosure of green banking. The committee for sustainability is responsible for reporting on the company's strategy and performance

regarding sustainability. The comprehension derived from the sustainability committee can assist management, who are stakeholders of the company, in grasping sustainability concerns better. The sustainability team must suggest a socially and environmentally responsible approach that fulfills the company's social obligations and is implemented throughout its operations. According to this study, the Sustainability Committee has a favorable and meaningful influence on green banking transparency. This is in line with the Stakeholder theory, which suggests that a Company's duty is not just to maximize profits for investors and owners, but to also provide advantages to the community, social environment, and government. These results are consistent with the findings of research carried out by Peters & Romi (2014) and Velte & Stawinoga (2020), which found a positive connection between the Environmental Committee's presence and green banking disclosure. However, this does not align with the findings of Burke et al. (2017), who discovered that the Sustainability committee did not impact the corporate social responsibility performance.

V. CONCLUSION

The findings of this research indicate that out of 5 independent variables and 5 hypotheses studied, just the Sustainability committee factor has a constructive and meaningful impact on green banking disclosure. However, the following variables; Operating costs in operating income, Capital Adequacy Ratio, Financial Slack, and Sustainability Officer do not have any impact on Green Banking disclosure at Islamic banks enlisted with the Financial Services Authority (OJK) for the duration of 2017-2021. The Sustainability Committee (SC) can support management in understanding corporate sustainability as a policy maker in the organization. This tool can help corporate banking in enhancing its corporate governance. Green banking plans should positively and specifically impact the community's well-being and the sustainability of the environment surrounding the organization. The plans should extend beyond mere obligation implementation. The government may use the findings of this study as a basis for regulation and policy-making. This research demonstrates that sustainable financial transparency and green banking can be significantly altered by implementing POJK No. 51/POJK.03/2017. However, further surveys or evaluations are necessary to address the existing deficiencies in the disclosure process. One solution is the enactment of laws and regulations that focus on audits, policy implementation, and sustainability reports by independent third parties for corporations and financial institutions committed to green banking. To raise banks' awareness, regulations requiring strict penalties and rewards for those who have disclosed green banking in their sustainability reports are necessary. If well-organized, government incentive programs can encourage the implementation and disclosure of sustainable finance or green banking. The significance of this study in advancing science is to provide written works related to factors impacting Green banking. Besides, it is anticipated that the findings will better the corporate governance of banks. Similarly, it is hoped that the report will assist the government in creating policies relating to green banking disclosure. Ultimately, it is expected that subsequent research will add moderation variables to reinforce forthcoming studies' outcomes.

ACKNOWLEDGMENTS

The author would like to thank the editors for their constructive criticism and suggestions. I would also like to thank Dr. Slamet Haryono, S.E, M.Si, as a lecturer in the Financial Statement Analysis course who has guided and assisted the author, so that he can complete this paper well. Thank you to all parties who have supported and helped this research which the author cannot mention one by one. The author admits all responsibility for any errors.

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