

THE INFLUENCE OF FINANCIAL PERFORMANCE AND CORPORATE GOVERNANCE ON GREEN BANKING DISCLOSURE IN SHARIA COMMERCIAL BANKS

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Abstract

Islamic commercial banks do not fully disclose their green banking practices in sustainability reports, with an average disclosure covering only 40% of environmentally friendly activities. This study aims to analyze the impact of financial performance and corporate governance on green banking disclosure in Islamic commercial banks in Indonesia from 2020 to 2023. Data were obtained from annual reports, GCG reports, and sustainability reports of seven banks selected using a purposive sampling approach. Statistical data analysis was conducted using Eviews 10. The results indicate that green banking disclosure is significantly influenced by ROA, CAR, the board of directors, and the Sharia supervisory board simultaneously. Partially, ROA has a negative effect, CAR and the board of directors have a positive effect, while the Sharia supervisory board has no effect on green banking disclosure.

Keywords: *Financial Performance, Corporate Governance, Green Banking Disclosure*

Abstrak

Bank umum syariah tidak sepenuhnya mengungkapkan praktik perbankan hijau pada laporan keberlanjutan dengan rata-rata pengungkapan hanya mencakup 40% dari kegiatan ramah lingkungan. Penelitian ini bertujuan menganalisis pengaruh kinerja keuangan dan tata kelola perusahaan terhadap pengungkapan perbankan hijau pada bank umum Islam di Indonesia periode 2020–2023. Data diperoleh dari laporan tahunan, laporan GCG, dan laporan keberlanjutan tujuh bank yang dipilih melalui pendekatan purposive sampling. Metode untuk analisis data statistik menggunakan Eviews 10. Hasil penelitian menunjukkan bahwa pengungkapan perbankan hijau dipengaruhi secara signifikan oleh ROA, CAR, dewan direksi, dan dewan pengawas syariah secara simultan. Secara parsial, ROA berpengaruh negatif, CAR dan dewan direksi berpengaruh positif, sedangkan dewan pengawas syariah tidak berpengaruh terhadap pengungkapan perbankan hijau.

Kata Kunci: *Kinerja Keuangan, Corporate Governance, Green Banking Disclosure*

Introduction

The issue of the environmental crisis has recently reached an emergency point and requires serious attention from all parties. Besides environmental degradation, the triple

planetary crisis of climate change pollution, and biodiversity crisis face the world. This is increasingly getting attention as a significant threat to environmental sustainability and human welfare. Through the implementation of a green economy, the government seeks to balance economic growth with environmental protection. Islamic banks need to be at the forefront in realizing the goals of sharia, namely human welfare, nature, and a sustainable economy (Sukardi, 2016).

The implementation of sustainable finance in the banking sector is known as green banking. Green banking refers to a system through which banks can carry out their business without causing negative effects on the environment, thus the banks have to adopt environmental activities in conducting their business activities (Setyoko & Wijayanti, 2022). To support environmental sustainability, a number of environmentally friendly banking practices have been implemented such as encouraging digital transactions, providing financing for sustainable projects, and reducing emissions in banking operations (Avivah & Muharrami, 2023).

Empirical evidence on green banking practices is still quite scarce, especially in developing countries that have just begun to introduce and implement this concept in the financial sector (Handajani, 2019). Regulations regarding green banking practices are outlined in PJOK Number 51/PJOK. 03/2017, which addresses the implementation of sustainable finance.

Table 1
Percentage of Green Banking Disclosure of Islamic Commercial Banks 2020-2023

No	Bank Name	Average
1.	Bank Muamalat Indonesia	75%
2.	BTPN Syariah	50%
3.	Bukopin Syariah	59%
4.	Bank Jabar Banten Syariah	38%
5.	Bank Mega Syariah	31%
6.	Bank NTB Syariah	28%
7.	Bank Aceh Syariah	34%
8.	BCA Syariah	38%
9.	Bank Panin Dubai Syariah	22%
10.	Bank Victoria Syariah	13%
11.	Bank Syariah Indonesia	47%
12.	Bank Aladin Syariah	47%
Average		40%

(Source: Data processed 2024)

Green banking disclosure in table 1. is calculated based on 8 indicators presented by (Masud et al., 2018). Table 1 shows that between 2020 and 2023, Islamic commercial banks only disclosed 40% of their financial activities as environmentally friendly activities. The main challenge in the principle of sustainability in Indonesia is the weak enforcement and supervision of regulations, although PJOK 51/POJK.03/2017 has been issued, its implementation is still often inconsistent (Fadilah, 2024). Another challenge that need to be considered the concept is the lack of understanding in both the banking sector and the community regarding the concept and benefits of green banking. In addition, research on green banking disclosure is still limited, ad evidenced by the lack of scientific publications, academic studies, and supporting empirical data.

When it comes to green banking transparency, strong financial results may encourage and empower banks to take a more active role in sustainable development. A company's financial performance is its attempt to quantify the efficacy and efficiency of its operations over a certain time frame (Yanthi et al., 2021). Banks with good financial performance have more resources that can be allocated to invest in environmentally friendly initiatives and technologies. More reporting and openness about environmentally friendly banking practices may result from this. In this analysis, the Financial Adequacy

Ratio (CAR) and Return on Assets (ROA) will be used to highlight the profitability and capital adequacy of banking institutions.

Bank governance is important in supporting green banking practices by disclosing sustainability reports. Corporate governance plays a major role in financial institutions when banks face various risks including internal risks, social risks, and environmental risks (Cupian et al., 2023). As a financial institution that prioritizes business ethics, Islamic banking is committed to always providing the best for all stakeholders (Wijaya & Sukardi, 2013). Effective corporate governance ensures alignment between stakeholder interests so that management can make decisions on sustainable issues without disrupting the interests of shareholders in the long term (Handajani, 2019). This study's Board of Directors and Sharia Supervisory Board are manifestations of corporate governance.

Previous researchers have revealed factors that influence banks in green banking disclosure. Results from studies by (Kurniawan, 2021) indicated that financial performance has a significant influence on green banking disclosure. Meanwhile, research by (Walzer et al., 2024) shows that implementing green banking can result in decreased profitability because there are additional costs associated with its implementation it means that green banking disclosure negatively effects profitability. According to research by (Ahmar et al., 2024) good corporate governance can facilitate an increase in green banking disclosure to exert a positif impact.

Research on green banking disclosure in Indonesia is still its early stages and remains largely unexplored. This fact alone may warrant examining the impact of finansial performance and corporate governance on green banking disclosure in this research. This research will provide light on the elements that must be preserved for Islamic banks to obtain more public and regulatory legitimacy, as well as for Indonesian financial institutions to fully adopt green banking transparency.

Literature Review

Legitimacy Theory

According to Dowling & Pfeffer (1975) legitimacy can be considered as an advantage and asset for a company to survive (Pratama & Deviyanti, 2022). Legitimacy theory arises from social interaction between an entity and its environment, because the entity's goals are in line with the values prevailing in society (Badri et al., 2022). A company's legitimacy can be revoked by society at any time if the company does not comply with existing regulations. Ghozali and Chairi (2007) stated that company activities can have social and environmental impacts, so that social and environmental disclosure practices function as a managerial tool used by companies to prevent social and environmental conflicts (Rosyid, 2016).

Stakeholder Theory

The stakeholder theory, according to Freeman (1984) is a situation where the interest of the company is well balance for welfare and success to exist, determined by its stakeholders (Asfahaliza & Anggraeni, 2022). Stakeholders argue the interests of all the parties involed should be included in business policy, even though it is not explained how this will directly impact the organization's operations and performance (Olateju et al., 2021). Disclosure of corporate social, economic and environmental responsibilities in sustainability reports can serve as a tool to establish relationships between companies and stakeholders (Khamilia & Nor, 2022)

Financial Performance

According to Beaver (1967) in (Rahayu, 2020) financial performance is an individual decision made by management consistently which includes investment, operational, and financing decisions. Financial performance is measured to show the at which a bank manages finances in accordance with the right rules (Deliyani et al., 2023). Banking performance assessment requires financial performance evaluation to understand financial activities during a certain period (Setyoko & Wijayanti, 2022).

Corporate Governance

Cadbury Committee (1992) stated that corporate governance is explained as a structure tasked with regulating and managing a company (Dwiridotjahjono, 2009). Corporate governance is a system, process, and series of rules designed with the aim of creating good, fair, and transparent relationships between various parties involved and having interests (Dwiridotjahjono, 2009). The application of corporate governance principles can avoid unethical practices and encourage the creation of a healthy competitive environment with open information (Kusmayadi & Badruzaman, 2015).

Green Banking Disclosure

Green banking according to Leonard (2015) in (Pusva, 2017) is a financial institution that emphasizes sustainability in its operations. The concept of green banking emerged in response to public demand for the financial industry to play a role in overcoming the increasingly severe environmental crisis and global warming (Rahmiati & Agustin, 2022). The term "green banking disclosure" refers to the practice of organizations, particularly banks, disclosing their environmentally conscious operations (Rachmawati & Jayanti, 2023). When discussing green banking disclosure, this research uses the Global Reporting Initiative's (GRI) G4 standard as a point of reference. GRI is an independent organization that develops sustainability reporting standards to assist in the preparation of reports on economic, environmental, and social impacts.

Researchers consider 8 GRI indicators based on research (Masud et al., 2018). These indicators are considered in this study because banks contribute to sustainable environmental management, especially climate change, as follows:

Table 2
GRI environmental code adapted for green banking reporting

GRI Code	GRI Code Name
EN3	Energy aspect (energy consumption in the organization)
EN6	Energy aspect (reducing energy consumption)
EN15	Emissions aspect (direct greenhouse gas emissions)
EN16	Emission aspects (indirect greenhouse gas emissions)
EN19	Emissions aspect (reduction of greenhouse gas emissions)
EN27	Product and service aspects (level of environmental impact mitigation of products and services)
EN29	Compliance aspects (monetary value of significant fines and total amount of non-monetary sanctions for non-compliance with environmental legislation)
EN31	Other aspects (total expenditure on natural environmental protection)

(Source : (Masud et al., 2018))

Measurement of the level of disclosure of green banking using one the concepts of (Masud et al., 2018) in order to gauge the extent to which green banking information is disclosed. If green banking information is disclosed, the disclosure will be rated as 1, and if it is not disclosed, the revelation will be scored as 0. This measurement uses the formula:

$$GBD = \frac{\sum Xi}{n}$$

Return on Asset (ROA) and Green Banking Disclosure

Return on Assets (ROA) describes the profitability obtained by the bank. Return on Asset (ROA) is an indicator that shows how well bank management utilizes its assets (Sudarsono, 2017). High ROA means the bank is good controlling its assets to make good profit. Banks that are active in green banking disclosure can gain operational and reputational benefits that ultimately increase asset efficiency and profitability as reflected in ROA. Banks that have a high return on assets may have more resources to put toward sustainability projects and be more forthcoming about their green banking efforts. Consistent with study (Hoque et al., 2022) this one finds that ROA has a positive effect on green banking disclosure, with more information regarding green banking operations disclosed by banks when they are very profitable.

H₁: Return on Asset (ROA) significantly influences green banking disclosure

Capital Adequacy Ratio (CAR) and Green Banking Disclosure

Capital Adequacy Ratio (CAR) refers to ratio that express the adequacy of a bank's capital to cover potential risks of losses that may happen (Kurniasari & Zunaidi, 2022). According to (Dietrich & Wanzenried, 2009), Banks with more capital are often seen as safer than those with less capital, since the former typically needs less investment from outside sources. Green banking methods may be more successfully implemented by banks with a high capital adequacy ratio when it comes to compiling sustainability reports (Siregar & Haryono, 2023). Research (Alim & Sina, 2020) CAR describes the capability of the bank in providing funds to support business growth and overcome potential risks of losses that may occur during bank operations. Bank operational activities include green banking which aims to support environmental sustainability.

H₂: Capital Adequacy Ratio (CAR) significantly influences green banking disclosure

Board of Directors and Green Banking Disclosure

The board of directors has a great influence on the development of green banking because it has a direct relationship with external parties, where every activity involves the community so that the board of director's desicions will greatly influence the success of this program. (Irawati et al., 2024). The more directors there are on the board, the more precisely duties may be assigned, which in turn improves the company's efficiency (Intia & Azizah, 2021). The board of directors may guarantee the successful implementation of environmental disclosures by implementing policies that encourage sustainability and manage environmental risks. Research (Bose et al., 2018) found that smaller boards of directors disclose less about their environmental practices than larger ones.

H₃: The board of directors significantly influences green banking disclosure

Sharia Supervisory Board and Green Banking Disclosure

In the implementation of corporate governance, the fundamental thing that distinguishes Islamic and conventional banking is the focus on sharia compliance as the

main foundation of Islamic banks which is realized through the sharia supervisory board (Salsabila et al., 2021). One of the most essential functions of the sharia supervisory board is to oversee the bank's services and products and make sure that the bank's operations follow sharia principle (Nurhikmah et al., 2018). The sharia supervisory board has the potential to play a pivotal role in promoting Islamic finance sector sustainability via its efficient oversight and encouragement of sustainability innovation. Research (Mokoginta et al., 2018) discovered that performance reporting is positively affected by sharia supervisory boards.

H4: The Sharia Supervisory Board significantly influences green banking disclosure

Research Method

Quantitative This study uses a quantitative approach. A quantitative approach is a type of research that uses numerical data and statistical analysis to reach conclusions (Sugiyono, 2013). The source of research data was obtained through the official website of Islamic commercial banks in the form of annual reports, Good Corporate Governance (GCG) reports, and sustainability reports from 2020 to 2023. Islamic commercial banks are the population in this study. Using the purposive sampling method, seven Islamic commercial banks were selected as samples, including Bank Muamalat, Bank BTPN Syariah, Bank Syariah Bukopin, Bank Jabar Banten Syariah, Bank Mega Syariah, Bank Aceh Syariah, and Bank NTB Syariah. Data analysis used the Eviews 10 application.

Result and Discussion

Panel Data Regression Model Selection

a. Chow Test

When deciding between a common effect and a fixed effect model, the Chow test is used. The common effect model will be chosen for this research if the probability value is more than 0.05, and the fixed effect model will be chosen if the probability value is less than 0.05.

Table 3
Chow test results

Redundant Fixed Effect Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.298596	(6,17)	0.0030
Cross-section Chi-square	29.521642	6	0.0000

(Source: Secondary data, processed 2024)

The Cross-section Chi-Square probability value is 0.0000 in table 3. The chosen model is a fixed effect, as shown by the test results, which reveal that $0.0000 < 0.05$. Next, we need to run the Hausman test to see whether it is a fixed effect.

b. Hausman Test

If given the choice between a fixed-effect and a random-effect model, the Hausman test would choose the former. The chosen model would be a random effect if the probability value is more than 0.05, and a fixed effect if the probability value is less than 0.05.

Table 4
Hausman test results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.154449	4	0.0861

(Source: Secondary data, processed 2024)

The chosen model is a random effect one, as shown in table 4, where the cross-section random probability value is 0.0861. This value is more than 0.05. The third test, the Lagrange Multiplier test, was carried out despite the fact that the chosen effect is a random one.

c. Lagrange Multiplier (LM) Test

To determine whether of the two models the common effect or the random effect is more suitable, the Lagrange Multiplier (LM) test is used. The chosen model is considered a common effect if the probability value is more than 0.05, and a random effect if the probability value is less than 0.05.

Table 5

Lagrange Multiplier test results

Lagrange multiplier (LM) test for panel data

Date: 10/24/24 Time: 17:10

Sample: 2020 2023

Total panel observations: 28

Probability in ()

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan	3.804046 (0.0511)	0.476525 (0.4900)	4.280571 (0.0386)
Honda	1.950396 (0.0256)	-0.690308 (0.7550)	0.891017 (0.1865)
King-Wu	1.950396 (0.0256)	-0.690308 (0.7550)	0.562428 (0.2869)
GHM	-- --	-- --	3.804046 (0.0629)

(Source: Secondary data, processed 2024)

According to table 5, the Breusch-Pagan probability is 0.0511. This study's best-fitting model was the common effect model, as shown by the fact that $0.0511 > 0.05$.

Classical Assumption Test

a. Multikolinearitas Test

According to Ghozali (2016), states that the best of multicollinearity is the way identify any problems in the regression model due to the strong linear relationship between independent variables (Sugiyanto et al., 2022).

Table 6

Results of multicollinearity test

	X1	X2	X3	X4
X1	1.000000	0.797561	0.267569	-0.093456
X2	0.797561	1.000000	0.098961	-0.203466
X3	0.267569	0.098961	1.000000	0.336861
X4	-0.093456	-0.203466	0.336861	1.000000

(Source: Secondary data, processed 2024)

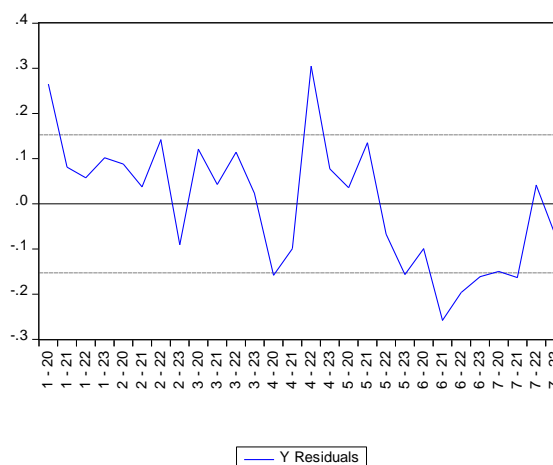
According to table 6, the correlation coefficients for the following pairs of variables are within the given range: X1 and X2 have a value of 0.797561 < 0.85, X1 and X3 have a value of 0.267569 < 0.85, X1 and X4 have a value of -0.093456 < 0.85, X2 and X3 have a value of 0.098961 < 0.85, X2 and X4 have a value of -0.203466, and X3 and X4 have a value of 0.336861 < 0.85. There is no evidence of multicollinearity, hence the conclusion is false.

b. Heteroskedasticity Test

To determine whether the data distribution in the regression model is homogeneous or not, the heteroscedasticity test was performed (Sugiyanto et al., 2022). The present study used the heteroscedasticity test as its residual graph.

Figure 1

Results of heteroscedasticity test



(Source: Secondary data, processed 2024)

As seen from Figure 1, the residual graph does not cross the limits of 500 and -500, it means that the residual variance is constant. It follows that the heteroscedasticity test is passed, or that there is no indication of heteroscedasticity.

Panel Data Regression Analysis

Table 7

Panel data regression analysis results

Dependent Variable: Y
 Method: Panel Least Squares
 Date: 10/24/24 Time: 17:36
 Sample: 2020 2023
 Periods included: 4
 Cross-sections included: 7
 Total panel (balanced) observations: 28

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.480457	0.231940	-2.071466	0.0497
ROA	-0.051742	0.013522	-3.826626	0.0009
CAR	0.014762	0.004498	3.281722	0.0033
DR	0.104585	0.037699	2.774176	0.0108
DPS	0.057370	0.064771	0.885738	0.3849
R-squared	0.470322	Mean dependent var		0.441964
Adjusted R-squared	0.378204	S.D. dependent var		0.193894
S.E. of regression	0.152894	Akaike info criterion		-0.757717
Sum squared resid	0.537658	Schwarz criterion		-0.519823
Log likelihood	15.60803	Hannan-Quinn criter.		-0.684990
F-statistic	5.105659	Durbin-Watson stat		1.151633
Prob(F-statistic)	0.004294			

(Source: Secondary data, processed 2024)

Based on the information in table 7, the following panel data regression equation displays the results:

$$Y = -0.48 - 0.05 \cdot X_1 + 0.01 \cdot X_2 + 0.10 \cdot X_3 + 0.06 \cdot X_4$$

The following is an explanation of the panel data regression equation:

1. The constant value is negative at -0.48. This shows that without the variables ROA (X_1), CAR (X_2), board of directors (X_3), and sharia supervisory board (X_4), the green banking disclosure variable (Y) will decrease by -48%.
2. ROA variable (X_1) coefficient is -0.05 indicates that if the value of the other variables remains constant and a 1% increase in variable X_1 will cause a decrease

- in the green banking disclosure variable (Y) by 5%, and vice versa.
3. The coefficient of the CAR variable (X_2) of 0.01 means that if the value of the other variables remains constant and with a 1% increase in variable X_2 the green banking disclosure variable (Y) increases by 1%, and vice versa.
 4. The board of directors variable (X_3) coefficient is 0.10 indicates that if the value of the other variables are held constant and a 1% increase in variable X_3 will result an increase in the green banking disclosure variable (Y) by 10%, and vice versa.
 5. The coefficient of the sharia supervisory board variable (X_4) coefficient is 0.06, which means that other things being equal, a 1% rise in the variable X_4 leads to an increase in the green banking disclosure variable (Y) by 6% and vice versa.

Hypothesis Test

a. Coefficient of Determination Test (R^2)

(Ghozali, 2018) states that one way to measure the extent to which a model can account for changes in the dependent variable is using the determination coefficient test (R^2). The R-squared value is 0.470322, or 47%, as shown in table 7. According to the figure, Islamic commercial banks in Indonesia can account for 47% of the variation in green banking disclosure using the variables ROA, CAR, board of directors, and sharia supervisory board. The remaining 53% (R-squared value -100) can be explained by other independent variables that were not considered in this study.

b. F Test

One statistical tool for testing the simultaneous effect of independent factors on dependent variables in regression is the F test (Ghozali, 2018). The f table formula is as follows:

$$Df(n_1) = k - 1$$

$$Df(n_2) = n - k$$

Description:

Df = degrees of freedom

n = amount of data

k = number of research variables

The f table's value is 2.991241, as shown in the previous calculation. The F -statistic value of 5.105659 > f table of 2.727765 and the probability value of 0.004294 < 0.05 are derived from the F test results shown in Table 7. This indicates that environmental disclosure at Islamic commercial banks in Indonesia is impacted by ROA, CAR, sharia supervisory boards, and boards of directors as a whole.

c. T-Test (Partial Test)

When doing a regression analysis, the T -test may be used to examine the partial (individual) impact of a single independent variable on the dependent variable (Ghozali, 2018). Here is another way to express the t table formula:

$$Df = n - k$$

Description:

Df = degrees of freedom

n = amount of data

k = number of research variables

Applying the above formula, the t table is 2.05552. Using table 7, results for the T test are:

1. The Return on Asset (ROA) t -value that was computed is -3.826626 > 2.05552, and the probability value is 0.0009 < 0.05. Therefore, ROA has a very detrimental effect on transparency in green banking.
2. The Capital Adequacy Ratio (CAR) has a calculated t value of 3.281722 > 2.05552, and the probability value is 0.0033 < 0.05. Evidence like this suggests that CAR significantly improves green banking transparency.
3. The board of directors has a positive impact on green banking transparency, as shown by the computed t value of 2.774176 > 2.05552 and a Prob. value of 0.0108 < 0.05.
4. The probability value of 0.3849 is more than 0.05, and the computed t value for the sharia supervisory board is 0.885738 < 2.05552. Environmentally responsible banking practices are therefore unaffected by the sharia monitoring board.

The Influence of Return on Asset (ROA) on Green Banking Disclosure

Green banking disclosure is negatively impacted by Return on Assets (ROA), according to the hypothesis test. For sharia commercial banks, a higher Return on Assets (ROA) indicates less of a propensity to disclose eco-friendly banking policies. As part of their evaluation of a bank's health, Bank Indonesia and the Financial Services Authority established a criterion for Return on Assets (ROA). A ROA of 1.5% or more indicates that the bank is effectively managing its assets to generate profits. High ROA indicates that the bank is focused on short-term profits, so it may reduce its focus on long-term green banking initiatives because it feels that its profitability is optimal without the need for additional disclosures related to environmentally friendly practices.

The research finding supports the study by (Walzer et al., 2024) It proves that green banking disclosure has an adverse influence on profitability due to the higher expenses linked with its implementation, leading to a decline in profitability. This goes against the research (Hoque et al., 2022) which finds that high profitability means that banks disclose more information regarding green banking activities. Increasing transparency and disclosure of green banking requires additional resource allocation, such as investment in green technologies or sustainability certification. Banks that place greater emphasis on asset efficiency may avoid spending on activities that do not directly contribute to increased profits, thus reducing the bank's interest in disclosing green banking.

The influence of Capital Adequacy Ratio (CAR) on green banking disclosure

Proof that the Capital Adequacy Ratio (CAR) has a positive and statistically significant effect on green banking disclosure is shown by the findings of the hypothesis test. Thus, the likelihood of a bank disclosing information on its green banking practices increases as the Capital Adequacy Ratio (CAR), an indicator of financial health in Islamic commercial banks, rises. A CAR greater than 8% is deemed indicative of a healthy bank according to Bank Indonesia Regulation Number 10/15/PBI/2008. A bank's financial soundness is indicated by a higher CAR.

These findings are consistent with the studies of (Alim & Sina, 2020) which find that CAR reflects the capacity of the bank to fund the development of the business and overcome potential risks of loss that may arise during bank operational activities. This is in contrast with research by (Siregar & Haryono, 2023) which states that CAR has no effect on green banking disclosure. A high value of CAR describes the financial strength of the bank to extend sufficient support projects including green banking, such as renewable energy and efficiency. In addition, By enhancing openness via disclosure, the bank may better position itself to engage in green banking and satisfy the expectations of stakeholders that value sustainability.

The influence of the board of directors on green banking disclosure

The hypothesis test found that green banking transparency is significantly and positively affected by the board of directors. Islamic commercial banks may benefit from having more board members that advocate for better transparency standards related to green banking. Disclosure of green banking practices by banks is positively impacted by the board, which represents corporate governance. We can have more in-depth conversations about environmental challenges if there are more boards with members from various walks of life and with different perspectives (Tauringana & Chithambo, 2015). So that they may be more successful in promoting more thorough and honest disclosures linked to environmentally friendly activities, they also share responsibility in supervising different elements, such as sustainability and green banking projects.

(Bose et al., 2018) observed that a larger board of directors is associated with more extensive disclosure of green banking practices, which is in line with our results. Green banking is a way for banks to show they care about the environment, which makes them more popular with both the public and other interested parties. To safeguard the bank's image in light of the growing public and stakeholder concern for environmental concerns, a bigger board of directors is likely to be more in favor of green banking policies. This is because the board of directors is also accountable to stakeholders. Banks may improve their image and draw in more investors that care about ESG (environmental, social, and

governance) principles by disclosing their green banking practices. This demonstrates the bank's commitment to sustainability.

The influence of the Sharia Supervisory Board on green banking disclosure

Green banking disclosure is unaffected by the Sharia Supervisory Board, according to the findings of the hypothesis test. The Sharia Supervisory Board may not be very concerned with the environmentally conscious idea of green banking. The following responsibilities of the Sharia supervisory board are established by the MUI's decision in DSN-MUI Number 2 of 2000: (1) acting as a conduit between Islamic Financial Institutions and the Sharia Supervisory Board; (2) monitoring adherence to DSN fatwas on goods or services and corporate operations to ensure they adhere to sharia principles; and (3) offering guidance and recommendations on matters pertaining to sharia aspects.

In accordance with its mandate, the sharia supervisory board is responsible for monitoring the bank's operations to guarantee compliance with Islamic law. They check if everything is sharia compliant. It is hardly surprising that the sharia supervisory board has not had much of an impact on green banking disclosure given their emphasis on the fiqh issue. Research by (Cupian et al., 2023) confirms what these results already suspected: having more sharia supervisory bodies in banks would not lead to more transparency in environmentally responsible practices.

Conclusion

This research discovered that green banking disclosure is impacted by a number of factors at once, including the following: board of directors, capital adequacy ratio (CAR), return on assets (ROA), and sharia supervisory board. While the presence of a sharia supervisory board has no effect on green banking disclosure, ROA and the board of directors both have a negative impact. CAR and green banking disclosure are mutually complementary. The variables that impact sharia commercial banks' green banking disclosure from 2020 to 2023 have not been thoroughly uncovered by this research. The

fact that the independent variable only accounts for 47% of the variation in green banking disclosure is borne up by the R squared value of 0.470, which is 47%.

A limited sample size (28 samples) is a drawback of this research. Due to the fact that Islamic general banks are currently in the voluntary disclosure phase, the sample size is small. Another issue with using the number of directors and sharia supervisory boards as a proxy for corporate governance is that it ignores quality and performance in favor of counting members. Consequently, more samples may be collected in future studies, and more thorough evaluations of the sharia supervisory board and board of directors can be considered.

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