



## The Influence of Green Banking and Corporate Social Responsibility on Financial Performance

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### ABSTRACT

This study aims to examine the influence of Green Banking and Corporate Social Responsibility (CSR) on the financial performance of banking companies listed on the Indonesia Stock Exchange (IDX) in 2024. The study employs a quantitative approach using secondary data derived from annual reports and sustainability reports. From a population of 47 banks, 31 companies were selected through purposive sampling after excluding outliers. Financial performance is proxied by Return on Assets (ROA), while Green Banking and CSR are measured using the Green Banking Disclosure Index (GBDI) and Corporate Social Responsibility Disclosure Index (CSRDI) based on Global Reporting Initiative (GRI) standards. Data were analyzed using multiple linear regression with SPSS software. The results indicate that Green Banking has no significant effect on financial performance, whereas CSR has a positive and significant effect on ROA. The findings suggest that while sustainable banking practices may require a longer time horizon to generate measurable financial returns, effective CSR implementation contributes directly to improved profitability. This study provides empirical evidence on sustainable finance practices in Indonesia and offers insights for banking management and regulators in strengthening sustainability-oriented strategies.

### INTRODUCTION

Financial performance serves as the main criterion for evaluating a company's success; it describes the capacity of the organization to allocate and optimize resources effectively to generate profits and ensure the sustainability of the company (Hada, 2020). The slowdown in profit growth in many major banks in Indonesia in 2024 shows pressure on banking profitability, so it is necessary to implement policies that not only prioritize short-term profits but also sustainability.

The development of sustainable finance principles encourages the banking sector to expand the assessment of corporate performance to include non-financial aspects. The implementation of Green Banking and CSR is part of the company's strategic approach in maintaining business sustainability, improving reputation, and strengthening relationships with stakeholders (Permata Rahmi et al., 2022; Wrespatiningsih & Mahyuni, 2022). However, the level of implementation of Green Banking in Indonesia is still uneven. Data indicates that only some banks have developed a Sustainable Finance

Action Plan (SFAP) comprehensively and consistently reported green financing activities, reflecting the gap between regulatory provisions and practices carried out by banks (Databoks, 2023; OJK, 2024). The need to adopt Green Banking and CSR is intensified with the implementation of POJK No. 51/POJK.03/2017, which mandates financial services companies to comply with the principles of sustainable finance. This law affirms that banking is not only driven by profit, but at the same time responsible for its environmental and social consequences. In practice, the implementation of CSR in the banking industry is still largely superficial and has not been fully included in long-term business plans (Fitanto, 2023; OJK, 2023). The incident has raised questions about the extent to which sustainable policies have actually improved the bank's financial performance.

The contradiction of empirical results in previous research shows that there is a research gap that requires further investigation. Some studies indicate that Green Banking and CSR activities have positive implications on financial performance, but other studies reveal negligible or small impacts (Syafuruddin, 2021; Wrespatiningsih & Mahyuni, 2022; Siddiq et al., 2024). The gap in outcomes proves that the correlation between sustainable practices and a bank's financial performance is contextual, determined by the level of implementation, duration of observation, and industry factors.

This study provides up-to-date empirical information on the impact of sustainability practices on banking financial performance in Indonesia, in order to improve sustainable finance regulation. This analysis seeks to explain the impact of Green Banking and CSR on financial performance, while offering empirical contributions in the field of sustainable accounting and finance, thus becoming the foundation of regulatory and banking management authorities in designing more optimal sustainability strategies.

## **LITERATURE REVIEW**

The literature review in this study is designed to describe the association between the implementation of sustainability principles and financial performance in the banking sector with reference to stakeholder theory and signal theory. Based on the stakeholder theory approach, as described by Wrespatiningsih and Mahyuni (2022), a company's sustainability is influenced by its ability to respond to the interests of various related parties in business activities. This theory is used as a foundation for understanding the role of sustainability practices in supporting the financial performance of banks.

The implementation of Green Banking in the banking sector is seen as a form of response to the demands of regulators, investors, and the public for business activities that pay attention to environmental aspects. Siddiq et al. (2024) stated that the implementation of Green Banking is not only correlated with compliance with regulations, but at the same time can strengthen the company's legitimacy in front of stakeholders. This legitimacy is considered to be able to create a more supportive situation for improving the financial performance of banks.

In addition to Green Banking, CSR is also an important part of banking practices. Based on signal theory, Syafuruddin (2021) explained that CSR disclosure is a means for companies to convey non-financial information to the market regarding social commitment and the quality of company management. Permata Rahmi et al. (2022) added that consistent disclosure of CSR information has the potential to form positive investor perceptions and increase market confidence in banking companies. Although theoretically, Green Banking and CSR are seen as having a relationship with financial performance, previous empirical research has shown inconsistent findings. Wrespatiningsih and Mahyuni (2022) found a variation in the influence of sustainability practices on banking financial performance, while Siddiq et al. (2024) indicated that this influence was significantly influenced by the level of implementation and the research period. These discrepancies point to research gaps that require further investigation.

This research emphasizes the need to re-evaluate the impact of sustainable policies on banks' financial performance, which is based on a synthesis of theoretical research and practical evidence. This audit

focuses on the use of Green Banking and CSR as related independent variables in the Indonesian banking framework. Thus, this study proposes a hypothesis:

H1: Green Banking has a positive effect on the financial performance of banking companies for the 2024 period.

H2: CSR has a positive effect on the financial performance of banking companies for the 2024 period.

## **METHOD**

This study employs a quantitative approach to analyze the influence of Green Banking and Corporate Social Responsibility (CSR) on the financial performance of banking companies listed on the Indonesia Stock Exchange (IDX) in 2024 using secondary data obtained from annual reports and sustainability reports. The population consists of 47 banking companies, and purposive sampling was applied based on several criteria, resulting in 37 eligible companies; however, after outlier testing using SPSS, 6 outliers were excluded, leaving 31 companies as the final sample. Financial performance is proxied by Return on Assets (ROA), while Green Banking is measured using the Green Banking Disclosure Index (GBDI) and CSR is measured using the Corporate Social Responsibility Disclosure Index (CSRDI) based on Global Reporting Initiative (GRI) standards. Data collection was conducted through documentation and content analysis techniques, and the data were analyzed using descriptive statistics, validity and reliability tests, classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), multiple linear regression analysis, t-test, F-test, and coefficient of determination ( $R^2$ ) with the assistance of SPSS software.

## **RESULT AND DISCUSSION**

### **Results**

#### **Reliability Test**

The reliability test was conducted to determine the consistency of the measurement instruments used in this study. Reliability was measured using Cronbach's Alpha coefficient. A variable is considered reliable if the Cronbach's Alpha value exceeds 0.70. The test results indicate that all research variables, namely Green Banking, Corporate Social Responsibility (CSR), and Financial Performance, obtained Cronbach's Alpha values above 0.70, indicating that all measurement instruments used in this study are reliable and consistent for further analysis.

#### **Validity Test**

The validity test was conducted to examine whether the indicators used in measuring the research variables were valid and capable of reflecting the intended constructs. The test was carried out using Pearson Product Moment correlation by comparing the correlation coefficient (r-count) with the r-table value at a significance level of 5%. The results show that all indicator items for Green Banking, CSR, and Financial Performance have correlation coefficients greater than the r-table value and significance values below 0.05. Therefore, all research indicators are declared valid and suitable for use in this study.

### **Results of Descriptive Statistical Analysis Test**

#### **Classical Assumption Test Results**

#### **Normality Test**

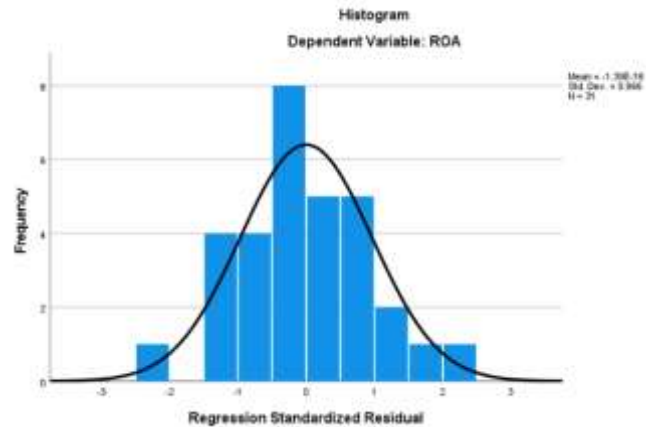


Figure 1  
Normality Test Results  
(Source: Data processed, 2026)

The results of the normality test were achieved with a significant value with Asymp.Sig. (2-tailed) worth  $0.200 > 0.05$  which indicates that the research data distribution data is normal.

#### **Multicollinearity Test**

Based on the findings of the multicollinearity test, the Green Banking variable contains a tolerance value of 0.862 and a CSR value of 0.862, both of which are more than 0.10. At the same time, the Green Banking variables VIF and CSR both contain a value of 1.160, which is below 10.00. The regression model does not indicate the existence of multicollinearity.

Table 1. Multicollinearity Test Results

Variable	Tolerance	VIF	Description
<b>Green Banking (GBDI)</b>	0.862	1.160	No Multicollinearity
<b>Corporate Social Responsibility (CSRDI)</b>	0.862	1.160	No Multicollinearity

Source: Data processed, 2026

Based on Table 1, the Green Banking variable has a tolerance value of 0.862 and a VIF value of 1.160, while the Corporate Social Responsibility (CSR) variable also has a tolerance value of 0.862 and a VIF value of 1.160. Since all tolerance values are greater than 0.10 and all VIF values are below 10.00, it can be concluded that the regression model does not indicate multicollinearity among the independent variables.

#### **Heteroscedasticity Test**

Both the significance value of Green Banking (0.894) and the CSR value (0.647), as shown by the heteroscedasticity test, are more than 0.05. Heteroscedasticity is not shown by the regression model.

Table 2. Heteroscedasticity Test Results

Variable	Significance Value	Description
Green Banking (GBDI)	0.894	No Heteroscedasticity
Corporate Social Responsibility (CSRDI)	0.647	No Heteroscedasticity

Source: Data processed, 2026

Based on Table 2, the significance value of the Green Banking variable is 0.894 and the significance value of the Corporate Social Responsibility (CSR) variable is 0.647. Since both significance values are greater than 0.05, it can be concluded that the regression model does not experience heteroscedasticity problems.

**Autocorrelation Test**

The Durbin-Watson value of 1.715 is in the range of dU and 4-dU (1.5701 < 1.715 < 2.4299), which can be summarized if the regression model shows no signs of autocorrelation.

**Multiple Linear Regression Coefficient Test Results**

**Table 3**  
Multiple Linear Regression Coefficient Test Results

Variabel	Koefisien	Std. Error	t-Statistic	Sig.
Constant	-0,009	0,008	-1,110	0,276
GBDI	0,008	0,012	0,660	0,515
CSRDI	0,024	0,009	2,689	0,012

Source: Data processed, 2026

Table 3, shows the results of multiple linear regression. This equation is generated from the data:

Formula:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \epsilon$$

$$Y = -0,009 + 0,008X_1 + 0,024X_2 + \epsilon$$

Description:

GBDI = *Green Banking Disclosure Index*

CSRDI = *Corporate Social Responsibility |Disclosure Index*

ROA = *Return on Assets*

From this linear regression equation, it can be described that:

- 1) The  $\beta_0$  constant of -0.009 indicates that if GBDI (X1) and CSRDI (X2) are worth 0, then Financial Performance will be worth -0.009.
- 2) The coefficient  $\beta_1$  in GBDI (X1) worth 0.008 means that a 1% increase in Green Banking will optimize Financial Performance worth 0.008%.
- 3) The  $\beta_2$  coefficient in CSRDI (X2) of 0.024 indicates that a 1% increase in CSR will optimize Financial Performance of 0.024%.

**Determination Coefficient Test Results**

A value of 0.219 for the Adjusted R Square (R2) coefficient indicates that Green Banking and Corporate Social Responsibility are implicit in 21.9% of financial performance factors, with other variables accounting for the remaining 78.1%.

**Simultaneous Test (F Test)**

**Table 4**  
Simultaneous Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0,001	2	0,000	5,214	0,012 <sup>b</sup>
Residual	0,001	28	0,000		
Total	0,002	30			

Table 4 indicates that the calculated value of F is 5.214, and its significance level is 0.012, which is smaller than the threshold value of 0.05. This leads us to believe that the regression model we use is a good fit.

#### **Partial Significance Test (t-test)**

- a) The statistical test t on GBDI indicated a coefficient of 0.008 and a significance of 0.515, greater than 0.05, so that GBDI had no significant implications on financial performance, and H1 was rejected.
- b) The t-statistical test on CSRDI showed a coefficient of 0.024 and a significance of 0.012, smaller than 0.05, so that CSRDI had a significant positive implication on financial performance, and H2 was accepted.

### **Discussion**

#### ***The Effect of Green Banking on Financial Performance***

The empirical results indicate that Green Banking does not have a significant effect on financial performance (ROA). This finding suggests that the implementation of environmentally oriented banking practices has not yet translated into measurable short-term profitability for Indonesian banking companies in 2024.

From the perspective of stakeholder theory, sustainability initiatives are expected to enhance legitimacy and strengthen relationships with regulators, investors, and society (Wrespatiningsih & Mahyuni, 2022). Green Banking practices—such as sustainable financing policies, environmental risk assessment, and green credit allocation—are theoretically positioned to improve corporate reputation and long-term performance (Siddiq et al., 2024). The effectiveness of sustainability-oriented strategies is highly dependent on the synergy between entrepreneurial orientation and organizational culture in supporting long-term performance outcomes (Rismawati et al., 2026). However, the absence of a significant effect in this study indicates that such benefits may not be immediately reflected in accounting-based performance indicators such as ROA.

This finding is consistent with Siddiq et al. (2024), who argue that the financial impact of Green Banking tends to be long-term and requires substantial investment, institutional adjustment, and consistent regulatory alignment before generating observable returns. Green sustainability initiatives are recognized for creating long-term strategic value; however, they may not immediately translate into short-term profitability without adequate green investment allocation and strong leadership support (ul Haq et al., 2025). Furthermore, within a dynamic financial and service ecosystem, alignment between supply–demand structures and sustainability initiatives is essential to enhance service quality and performance outcomes (Yasa & Setini, 2026).

Therefore, while Green Banking strengthens legitimacy and sustainability orientation, its direct contribution to short-term financial performance remains limited within the observed period.

#### ***The Effect of Corporate Social Responsibility (CSR) on Financial Performance***

In contrast, CSR demonstrates a positive and significant effect on financial performance. This result supports signal theory, which posits that CSR disclosure serves as a strategic communication mechanism to convey positive signals regarding corporate governance quality, ethical standards, and long-term sustainability commitment (Syafuddin, 2021).

Consistent CSR disclosure enhances corporate reputation, strengthens stakeholder trust, and improves investor confidence (Permata Rahmi et al., 2022). In the banking sector, where trust is a fundamental asset, effective CSR implementation may contribute directly to operational stability, customer loyalty, and improved financial outcomes. The integration of digital innovation and AI-driven strategic communication in branding activities further strengthens stakeholder engagement and competitive positioning, thereby supporting financial performance (Setini & Juliasa, 2026).

The findings align with Van Nguyen et al. (2022), who found that CSR activities positively influence financial performance in commercial banks by reducing information asymmetry and reinforcing market

credibility. Similarly, Alfawaz and Fathah (2022) emphasize that CSR engagement can improve corporate image and stakeholder relations, ultimately supporting profitability.

Thus, unlike Green Banking—which may require a longer time horizon—CSR appears to provide more immediate financial benefits through enhanced stakeholder perception and reputational capital.

### ***Integrated Interpretation***

Although Green Banking and CSR are both components of sustainable finance, their financial implications differ. The results suggest that CSR operates as a more visible and market-sensitive mechanism, directly influencing stakeholder perceptions and short-term financial performance. Meanwhile, Green Banking represents a structural transformation of banking operations that may generate financial value over a longer horizon.

These findings reinforce the notion proposed by Wrespatiningsih and Mahyuni (2022) that sustainability practices in banking produce heterogeneous effects depending on the level of implementation and measurement period. Therefore, sustainability strategies should not be evaluated solely through short-term profitability indicators but also through long-term value creation perspectives. Overall, this study contributes to the sustainable finance literature by providing empirical evidence from the Indonesian banking sector, confirming that CSR plays a significant role in enhancing financial performance, while the financial impact of Green Banking remains contingent upon time, consistency, and depth of implementation. Sustainability strategies require not only regulatory compliance but also strategic innovation and adaptive capability. The integration of sustainability values with technology-based strategic transformation can accelerate organizational performance improvement (Setini & Juliasa, 2026; Rismawati et al., 2026).

## **CONCLUSIONS**

This study analyzes the effect of Green Banking and Corporate Social Responsibility (CSR) on the financial performance of banking companies listed on the Indonesia Stock Exchange in 2024. The findings show that Green Banking does not have a significant effect on financial performance as measured by Return on Assets (ROA), indicating that sustainable banking practices may not yet generate short-term profitability impacts. The benefits of Green Banking are likely long-term and require stronger integration into core business strategies.

In contrast, CSR has a positive and significant effect on financial performance. This result suggests that transparent and consistent CSR implementation enhances stakeholder trust, corporate reputation, and operational effectiveness, which ultimately contributes to improved profitability.

Overall, while sustainability practices play an important role, their contribution to financial performance remains partial, indicating that other internal and external factors also influence banking profitability. These findings emphasize the importance of strengthening CSR implementation and optimizing sustainable banking strategies to support long-term financial sustainability.

## **ACKNOWLEDGEMENT**

Future research is anticipated to extend the duration of the study, increase the sample size, and include additional related variables such as company size, credit risk, corporate governance, and ownership structure, thus allowing the findings to yield more comprehensive conclusions and shed light on other factors that impact the bank's financial performance. The Bank is anticipated to optimize the implementation of Green Banking more effectively and sustainably by including it in the company's business strategy, while striving to improve the quality of Corporate Social Responsibility initiatives, as this has shown a beneficial effect on financial performance.

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