ABSTRACT

Banks play a crucial role in connecting savers and borrowers, investing in useful investments, and facilitating transactions, which all contribute to economic development. ESG disclosure is becoming increasingly important for businesses across all industries, including conventional banks. To raise social and environmental awareness of financial services in Indonesia, the Financial Services Authority issued Financial Services Authority Regulation Number 51/POJK.03/2017 in 2017. Therefore, conventional institutions must take ESG factors into account when making decisions.

This study will primarily analyze the effect of ESG disclosure, which includes green loans, CSR funds, deposit insurance premiums, and total assets, on Return on Assets (ROA) and Net Interest Margin (NIM). This study's population consists of conventional banking institutions listed on the Indonesia Stock Exchange (IDX) between 2018 and 2022.

The sampling technique utilized in this study was purposive sampling, and the sample which fulfil the criteria was 7 banks. In this research, the data was processed quantitatively using descriptive statistical analysis, Panel Data Regression Model Estimation, Panel Data Regression Model Selection, Classic assumptions test, F-test, and t-test.

The result obtained from this research proved that Deposit Insurance Premium (DIP) has a significant and positive impact on ROA. Meanwhile, testing of the dependent variable ROA shows that green loan, CSR fund, and total assets have no significant effect. On the other hand, all independent variables green loan, CSR fund, DIP, and total assets have no significant impact on the dependent variable NIM. In addition, green loan, CSR fund, DIP, and total assets simultaneously have no significant effect on ROA and NIM.

Keywords: Conventional Banking, Environmental Social Governance, Profitability.