

ABSTRACT

With the growing emphasis on Environmental, Social, and Governance (ESG) aspects in the global financial sector, Indonesian sharia banks are aligning their operations to these principles. In 2017, the Financial Services Authority released Financial Services Authority Regulation Number 51/POJK.03/2017 to increase social and environmental awareness of financial services in Indonesia.

The primary objective of this study is to examine the impact of ESG disclosure implementation, proxied by Green Loans, Deposit Insurance Premiums, and Corporate Social Responsibility Funds on Profitability, measured by ROA (Return on Assets) and NPM (Net Profit Margin). It also aims to evaluate the role of total assets as a control variable in this relationship.

This research employs a quantitative approach using panel data regression analysis. Secondary data was collected from 10 Indonesian sharia banks that met the requirements based on purposive sampling. The data set consists of data from Indonesian sharia banks from 2020 to 2022 that registered in OJK. The independent variables are green loans, deposit insurance premiums, and CSR funds, with total assets as the control variable. The dependent variables are ROA and NPM.

The results obtained from this study reveal that green loans partially have a positive and significant effect on Return on Assets (ROA) but do not significantly affect Net Profit Margin (NPM) and green loans, CSR funds, deposit insurance premiums and total assets simultaneously have significant effect on Return on Assets (ROA) but not significantly affect Net Profit Margin (NPM).

Keywords: ESG, Green Loans, Corporate Social Responsibility Funds, Deposit Insurance Premium, ROA, NPM