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SHARIA BANK'S ATTENTION RELATED TO SUSTAINABILITY PERFORMANCE, THROUGH FINANCIAL PERFORMANCE, GOOD CORPORATE GOVERNANCE, AND RISK MANAGEMENT

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Abstrak

Kinerja keberlanjutan bank syariah telah diatur dalam Peraturan Otoritas Jasa Keuangan Nomor 51/POJK.03/2017. Adanya peraturan tersebut menuntut perbankan syariah untuk selalu memperhatikan tindakan bisnis yang diambil agar tidak menimbulkan kerusakan lingkungan. Penelitian ini dilakukan untuk mengetahui pengaruh variabel-variabel yang ada pada bank syariah di Indonesia yaitu kinerja keuangan, *good corporate governance*, dan manajemen risiko terhadap kinerja keberlanjutan bank syariah. Penelitian ini merupakan penelitian kuantitatif dengan menggunakan alat analisis Eviews 12. Hasil penelitian menunjukkan bahwa terdapat perbedaan hubungan antar masing-masing variabel yang diuji.

Kata kunci: kinerja keberlanjutan, bank syariah.

Abstract

The sustainability performance of Sharia banks has been regulated in Financial Services Authority Regulation Number 51/POJK.03/2017. The existence of these regulations requires Sharia banking to always pay attention to business actions taken so as not to cause environmental damage. This research was conducted to determine the influence of existing variables in Sharia banks in Indonesia, namely financial performance, good corporate governance, and risk management on the sustainability performance of Sharia banks. This research is quantitative research using the Eviews 12 analysis tool. The results of this research show that there are differences in the relationship between each of the variables tested.

Keywords: *financial sustainability, Sharia bank.*

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INTRODUCTION

Sharia banking's desire to be able to generate profits will always be closely related to the company's ability to establish relationships with the environment and society (Wahyuni et al., 2020). However, it is important for companies not only to act by exploiting nature but also by building and benefiting each other (Reverte, 2009). This profitable relationship needs to be maintained by fulfilling Sustainability Performance (Miranti & Oktaviana, 2022).

Sustainability performance in Sharia banking is carried out based on Financial Services Authority Regulation Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies (Otoritas Jasa Keuangan (OJK), 2017). The business activities and social responsibilities will be listed in the sustainability report published by the company (Ariantika & Geraldina, 2019).

The level of concentration of sharia banks in Indonesia on sustainability performance is still very low (Oktaviani et al., 2023). The low level of sustainability performance in Sharia banks is related to the legitimacy of the policies/decisions taken by each leader of the Sharia bank (Fachrunnisa, 2020). Regulations related to sustainable performance in Sharia banking have been regulated in Financial Services Authority Regulation Number 51/POJK.03/2017.

Sharia banks must prioritize the implementation of sustainability performance (Pramono et al., 2021). Implementation of sustainability performance regulations has twelve categories including, renewable energy, energy efficiency, prevention and control of pollution, management of biological natural resources and sustainable land use, conservation of land and water biodiversity, environmentally friendly transportation, and other business activities that are insightful environment (Otoritas Jasa Keuangan (OJK), 2017).

The role of financial performance on corporate sustainability performance has been researched by;; Karyani & Obrien, 2020), stating that financial performance has a significant and positive effect on corporate sustainability performance through the *Return On Assets* indicator (ROA). The ROA indicator was chosen because it can reflect the company's ability to generate profits based on the assets owned. Therefore, the issue of environmental sustainability must be more concentrated in terms of financial performance to reflect a wider coverage of the company's business performance.

Further research shows that by carrying out supervision to improve the company's sustainability performance, one of the concepts, namely *Good can be included in Corporate Governance* (Werastuti, 2022; Naciti, 2019; Omar Aabdulrahim et al., 2021; Gunarsih et al., 2020; Embuningtiyas et al., 2020). This concept will provide a mechanism for setting corporate objectives and a means for monitoring corporate objectives based on the regulatory framework. Sharia banking must adhere firmly to Sharia principles without excluding the implementation of Good Corporate Governance in Sharia business itself to achieve sustainability goals (Otoritas Jasa Keuangan, 2018).

Risk Management will have a significant impact on Sustainability Performance, as research conducted by (Shafiq et al., 2017; Alfiana et al., 2023; Settembre-Blundo et al., 2021). The results of these studies show that it is uncertain Future conditions related to the company's sustainability performance require risk management to be able to navigate the company's business movements.

The research that has been conducted shows interesting findings regarding the sustainability performance of Sharia banks in Indonesia. The variables used are the main thing and must be present in every activity carried out by Sharia banks in Indonesia. This linkage refers to the company's prospects regarding its obligations to be able to implement aspects of its sustainability performance. Considering the relationship between the company and the social environment, it is very important to be mutually positive so that they do not damage each other. Therefore, in this research, POJK Number 51/POJK.03/2017 is used as an indicator of Sustainability Performance, using foreign research references and the addition of Risk Management variables as a novelty.

LITERATURE REVIEW

Sustainability or sustainability performance was first put forward by (Meadows et al., 1994) as a form of effort to make social responses to negative events occurring in the environment and economy a priority. The existence of the concept of sustainability performance can provide benefits to *stakeholders* by focusing on fulfilling all economic, social, and environmental aspects of the company (Artiach et al., 2010). Corporate sustainability (Rosati & Faria, 2019) is a form of meeting the needs of company stakeholders without sacrificing future interests. Furthermore, (Dočekalová et al., 2015) explained in their research that corporate sustainability performance is a multidimensional concept based on the initial idea of sustainability which replaces the traditional understanding of corporate performance which only represents appreciation for capital owners but also pays attention to its impact on the surrounding environment.

METHOD

The data used to see the relationship between independent variables and the dependent variable of sustainability performance is panel data which is a combination of cross-section and time series. The cross-section data used consists of 8 Sharia banks registered with the OJK in 2012-2022, namely PT. Aceh Syariah Bank, PT. BPD West Nusa Tenggara Syariah, PT. Bank Muamalat Indonesia Tbk, PT. Bank Victoria Syariah, PT. Bank Mega Syariah, PT. Bank Panin Dubai Syariah, Tbk, PT. Bank Syariah Bukopin, and PT. BCA Syariah. Data time series used are annual reports from 2012-2022. The independent variables in question are financial performance, good corporate governance, and risk management.

The indicator used in this research is Return on Assets (ROA) as an indicator of financial performance, Number of independent Commissioners as a Good indicator of Corporate Governance, and Non Performing Finance (NPF) as indicator of risk management. Meanwhile, for sustainability performance, use POJK Number 51/POJK.03/2017. The measuring instrument used in this research is Eviews 12.

RESULTS AND DISCUSSION

The data used in this research comes from the annual reports of each bank that has been selected as a sample, namely there are 8 Sharia banks in Indonesia from 2012-2022 with a total N of 88. The results of the descriptive statistical tests are as follows:

Table 1. Results of Descriptive Statistical Analysis

	Sustainability Performance	Financial performance	GCG	Risk management
Mean	0.392	1,007	0.657	2,042
Max.	0.920	5,710	1,000	4,950
Min.	0.080	-10,770	0.333	0.010
Std. Dev	0.255	2,272	0.140	1,565

Source: Data processed with Eviews 12, 2024

Regression Model

The regression model will be selected based on panel data estimation techniques with several tests carried out, namely the Chow Test, Hausman Test, and Lagrange Test Multiplier (LM) with the following results:

Table 2. Regression Model

Test	Results	Criteria	Model
Chow	0,000	Prob <0.05	FEM
Hausman	0.0 00	Prob <0.05	FEM
L.M	-	-	-

Source: Data processed with Eviews 12, 2024

Based on the results of the calculations, the test Lagrange Multiplier (LM) was not carried out because the Chow test and Hausman test had a probability value of < 0.05 so Fix was chosen Effect Models.

Classic assumption test

The classical assumption test is carried out using several tests on the sample data that has been collected, namely the normality test, multicollinearity test, correlation test, and hateroscedasticity test. The classical assumption test is carried out to find out whether the regression model used in this research *is fixed The effect model* meets the requirements and is free from classical assumptions. The results of the classical assumption test are presented in the following table:

Table 3. Classic Assumption Test

Test	Results	Criteria
Normality	0.68005	Prob. > 0.05
Multicollinearity	X1= 1.3739 X2=1.1150 X3=1.3718	VIF < 10
Autocorrelation	0.621	Prob. >0.05
Heteroscedasticity	X1= 0.9076 X2= 0.6208 X3= 0.0879	Prob. >0.05

Source: Data processed with Eviews 12, 2024

Based on the classical assumption tests that have been carried out, it can be concluded that the data in the study passed all the classical assumption tests.

Hypothesis Test

Table 4. T-test

Variable	Coefficient	t-statistic	Prob.
X1	-0.024498	-2.273655	0.0258
X2	0.139725	0.836509	0.4055
X3	-0.018960	-0.931144	0.3547

Source: Data processed with Eviews 12, 2024

Based on the hypothesis test, it was concluded that variable X1 had a significant negative effect on variable Y with a probability value of < 0.05. Meanwhile, variables X2 and X3 are stated to not effect variable Y because the probability value is > 0.05.

Table 5. F-test

F- Statistics	13.21183
Prob (F- Statistic)	0.000000

Source: Data processed with Eviews 12, 2024

Based on the results of the F test that has been carried out, it can be seen that the F-statistical probability value is 0.0000 < 0.05 so it can be stated that the variables X1, X2, and X3 together or simultaneously have a significant effect on Y.

Coefficient of Determination Test

The coefficient of determination test was carried out to find out how much the Financial Performance, GCG, and Risk Management variables are capable of explaining sustainability performance variables. The coefficient of determination value in this study was measured through the R- Square value. The results of the coefficient of determination test are as follows:

Table 6. Coefficient of Determ Test

R- squared	0.5839678

Source: Data processed with Eviews 12, 2024

Adjusted R- squared value, the value is 0.583967. The coefficient of determination value shows that the independent variables consisting of Financial Performance, GCG, and Risk Management can explain the Sustainability Performance variable of Sharia Banks in Indonesia of 58.39678%, while the remaining 41.60322% (100% - adjusted R-square) explained by other variables not included in this study.

Discussion

General Regression Model Equation (Fix Effect Model)

$$Y = 0{,}3639 - 0{,}0245X1 + 0{,}1397X2 - 0{,}01896X3$$

The explanation of the general equation of the regression model above is as follows:

a) The constant value of 0.3639 indicates that if there were no variables X1,
b) The variable coefficient X1 (Financial Performance) has a negative effect on the sustainability performance of Sharia Banks in Indonesia with a value of -0.0245. So, if the value of the financial performance variable increases by 1%, the sustainability performance value of Sharia Banks in Indonesia will decrease by 0.02%.
c) Variable coefficient X2 (Good Corporate Governance) has no effect on the sustainability performance of Sharia Banks in Indonesia with a value of +0.1397. So, if the variable value is Good Corporate Governance increases by 1%, the sustainability performance value of Sharia Banks in Indonesia will not change.
d) The variable coefficient X3 (Risk Management) has no effect on the sustainability performance of Sharia Banks in Indonesia with a value of -0.0189. So, if the value of the Risk Management variable increases by 1%, the sustainability performance value of Sharia Banks in Indonesia will not change.

Financial Performance on Sustainability Performance

Based on the partial t-test on the variable Negative values on the t-statistic indicate a negative relationship. If the statistical value > t-table then it results in the conclusion that the financial performance variable has a negative effect on sustainability performance. Apart from that, there is a significant comparison of 0.05 on the financial performance variable whose value is 0.0258 < sig value. 0.05 is concluded to be significant. Therefore, variable X1 financial performance has a negative effect on the sustainability performance of Sharia banks in Indonesia.

The significant negative influence of financial performance on the sustainability performance of Sharia banks in Indonesia shows that the better the company's financial performance, the worse the attention to its sustainability performance, in this case, financial performance is measured using POJK Number 51/POJK.03/2017. This needs to be given special attention by Sharia Banks because up to now they have not paid attention to the level of sustainability performance. This is related to the allocation of investment funds which still does not focus much on the scope of monitoring biodiversity, either before or after the issuance of the financial services authority regulations mentioned previously.

Good Corporate Governance on Sustainability Performance

Based on the partial t-test on variable X2 (Good Corporate Governance) shows a t-statistical result of 0.836509 which is smaller than the t table, namely 1.992102. A positive value on the t-statistic indicates a positive relationship. If the statistical value < t-table then it results in the conclusion that the variable is Good Corporate Governance does not affect sustainability performance. Apart from that, there is a significant comparison of 0.05 on the financial performance variable whose value is 0.4055 > Sig value. 0.05 was concluded to be insignificant. Therefore, the variable X2 *is* Good Corporate Governance has no effect and is not significant on the sustainability performance of Sharia banks in Indonesia.

The hypothesis proposed previously was Good Corporate Governance has an effect on the sustainability performance of Sharia banking in Indonesia, which is inversely proportional to the results of research that has been conducted, namely Good Corporate Governance has no effect and is not significant on the sustainability performance of sharia banking in Indonesia. This can happen because the decisions made by the board of commissioners do not support actions related to sustainability performance. Weak regulations regarding sustainability performance set by the board of commissioners have been researched by (Sopiani et al., 2020). If this is the case, special attention is needed from the board of commissioners regarding the sustainability performance of their respective companies, considering that this has been regulated in Financial Services Authority Regulation Number 51/POJK.03/2017.

Risk Management on Sustainability Performance

Based on the partial t-test on variable Negative values on the t-statistic indicate a negative relationship. If the statistical value < t-table then it results in the conclusion that the Risk Management variable does not affect sustainability performance. Apart from that, there is a significant comparison of 0.05 on the financial performance variable whose value is 0.3547 > Sig value. 0.05 was concluded to be insignificant. Therefore, variable X3 Risk Management has no effect and is not significant on the sustainability performance of Sharia banks in Indonesia.

The hypothesis that was previously proposed, namely that Risk Management influences the Sustainability Performance of Sharia banking in Indonesia, was rejected. This means that this research shows that risk management does not affect the sustainability performance of Sharia banks in Indonesia. Apart from that, based on a review of Law Number 21 of 2008, Bank Indonesia has not yet specifically regulated the focus on the impact of financing distribution on the environment (Bank Indonesia, 2008).

Financial Performance, Good Corporate Governance, and Risk Management on Sustainability Performance

In this discussion, it was found that simultaneously, the financial performance variable *was* good corporate governance and risk management has a significant influence on the sustainability performance of Sharia banking in Indonesia. This is based on the results of hypothesis testing involving all variables in the regression model. A significant f-statistic value is indicated by a probability value that is close to zero. This shows that together all variables contribute to influencing the sustainability performance variables of Sharia banks in Indonesia. The results of this research indicate that Sharia banks need to consider strategies in making decisions regarding sustainability performance so that they can receive more attention. Further and in-depth research needs to be carried out to understand the relationship between variables and other factors that may influence the sustainability performance of Sharia banking in Indonesia.

CONCLUSIONS AND SUGGESTIONS

Based on research that has been conducted originating from statistical tests and hypothesis testing on financial performance variables, good corporate governance, and risk management on the sustainability performance of sharia banks in Indonesia, several conclusions can be drawn including:

1. Financial performance partially has a negative and significant effect on the sustainability performance of Sharia banks in Indonesia. This is related to the allocation of investment funds which still does not focus much on the scope of monitoring biodiversity, either before or after the issuance of the financial services authority regulations mentioned previously.
2. Good corporate governance partially has no effect and is not significant on the sustainability performance of Sharia banks in Indonesia. This can happen because the decisions made by the board of commissioners do not support actions related to sustainability performance.
3. Partial risk management has no effect and is not significant on the sustainability performance of Sharia banks in Indonesia. This can happen because the decisions made by the board of commissioners do not support actions related to sustainability performance.
4. Financial performance, *good corporate governance*, and risk management simultaneously have a positive and significant effect on the sustainability performance of Sharia banks in Indonesia. The results of this research indicate that Sharia banks need to consider strategies in making decisions regarding sustainability performance so that they can receive more attention.

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