

Implementation of Sustainable Finance and Good Corporate Governance: Profitability Perspective of State-Owned Banks Listed

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Abstract

The research method uses multiple linear regression analysis to test the effect of the independent variable on the dependent variable with purposive sampling technique using several criteria such as the availability of sustainability reports and annual reports on listed state-owned banks that upload sustainability reports and annual reports for at least 5 (five) years of publication and have positive profitability ratios. The results of the study indicate that the variables of Economic Performance and the Audit Committee have an influence on Profitability (ROE) of state-owned banks with a significance value of 0.029 and respectively 0.016 smaller than = 0.05. Temporary Variable Social Performance, Environmental Performance, K.INSTI and KOM.INDI has no effect on Profitability (ROE) of state-owned banks. Two variables that have an influence on the profitability (ROE) of state-owned banks indicate that the implementation of sustainable finance proxied by economic performance can encourage the company's reputation in building stakeholder trust and the implementation of good corporate governance through the role of the audit committee will help improve corporate control for increase company profitability.

Keywords

economic performance (KE); social performance (KS); environmental performance (KL); good corporate governance; return on equity (ROE).

I. Introduction

Sustainability of performance and good corporate governance is a necessity for every company, including state-owned companies as a buffer for a third of the national economy. Sustainability performance is a manifestation of the implementation of sustainable finance that is mandatory for every public company, especially financial service companies in the banking sector. The commitment to implementing sustainable finance is one part of the implementation of good corporate governance that must be disclosed in the Sustainability Report prepared by every public company every year. (Hayati et al., 2020).

The implementation of sustainable finance that has been carried out by a public company must be disclosed in the Sustainability Report. Corporate governance which is proxied by institutional ownership, independent commissioners and audit committees certainly plays a very important role in realizing the implementation of sustainable finance so that it can be disclosed in a sustainability report. These three variables provide a role as company control in driving the company's profitability performance.

The implementation of sustainable finance for companies can be seen from the Sustainability Report of state-owned banks listed on the Indonesia Stock Exchange which is measured using the Financial Services Authority Regulation Number 51/POJK.03/2017.

The Sustainability Report is a means for companies to disclose the implementation of sustainable finance through the triple bottom line concept, namely economic performance, social performance and environmental performance which are integrated in a report. This is certainly an interesting thing to study where the results of implementing sustainable finance and the application of corporate governance are able to have an influence on the profitability of a company.

In addition, studies on the application of sustainability finance have not been widely carried out by previous researchers, both national and international, because issues related to the implementation of sustainable finance are still relatively new and there are still few companies in Indonesia that implement sustainable finance whose output is a Sustainability Report.

Researchers try to fill gaps in studies that raise new issues as a form of novelty in financial management research which is expected to contribute to the scientific field of financial management and can be useful for readers. The form of implementing sustainable finance can be seen from the Sustainability Report prepared by the company covering economic, social and environmental aspects in accordance with the provisions of the Financial Services Authority Regulation Number 51 of 2017.

II. Review of Literature

2.1. Implementation of Sustainable Finance

The implementation of Sustainable Finance for companies is to encourage sustainable economic growth by taking into account social, economic and environmental interests (POJK 51/2017). The implementation of sustainable finance will improve the company's reputation through disclosure of information on aspects of sustainability performance and provide added value for stakeholders (Tristanto, 2021).

Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021). Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021)

2.2. Agency Theory

Agency theory explains organizational control mechanisms using the modern organizational paradigm. If it is related to the issue of Risk Management, Internal Control and Corporate Governance, then agency theory is more relevant. Agency theory is based on agency problems that arise when the management of a company is separated from its ownership (Monang Nixon Haposan Tampubolon, 2019). The basis in agency theory is that managers will act to fulfill personal interests before fulfilling the interests of shareholders (Suyatmini & M. Wahyuddin, 2013).

2.3. Good Corporate Governance

Good Corporate Governance (GCG) is a driving factor to create an efficient, transparent and consistent market in accordance with applicable regulations (KNKG, 2016). GCG is a systematic rule to control the company in order to increase added value for shareholders (Wedayanthi & Darmayanti, 2016).

2.4. Institutional Ownership

Institutional ownership is the composition of share ownership owned by institutions or institutions such as banks, insurance or other institutions that affect the profitability or performance of the company. Institutional ownership provides impetus in increasing maximum supervision which has an impact on company performance (Fadillah, 2017). The size of share ownership will maximize the value of the company's shares (Guthrie & Hobbs, 2021). Separation of ownership and control is a positive thing (Claessens et al., 2000).

2.5. Independent Commissioner

Independent Commissioner is a member of the Board of Commissioners who comes from outside a Public Company or Issuer who meets the requirements of the Financial Services Authority, among others, does not own shares in the issuer, has no affiliation with members of the Board of Commissioners, Board of Directors and Major Shareholders and has no business relationship (POJK 51/2014).

2.6. Audit Committee

The Audit Committee is a committee formed by and responsible to the Board of Commissioners to assist the Board of Commissioners in carrying out their supervisory duties and functions (Financial Services Authority, 2015).

2.7. Sustainability Report

The Sustainability Report is a report published to the public covering the economic, social, financial and environmental performance of the issuer or public company for sustainable business (POJK 51/2017).

2.8. Profitability Ratio

Profitability ratios measure the effectiveness of the company as indicated by the size of the level of profit achieved from the results of investment or sales activities (Fahmi, 2016).

2.9. Return on Equity (ROE)

This ratio is one of the profitability ratios that examines the effectiveness of the company in using its resources to generate returns on equity (Fahmi, 2016).

2.10. Research Framework

The research framework refers to the problem phenomenon and research gaps follows:

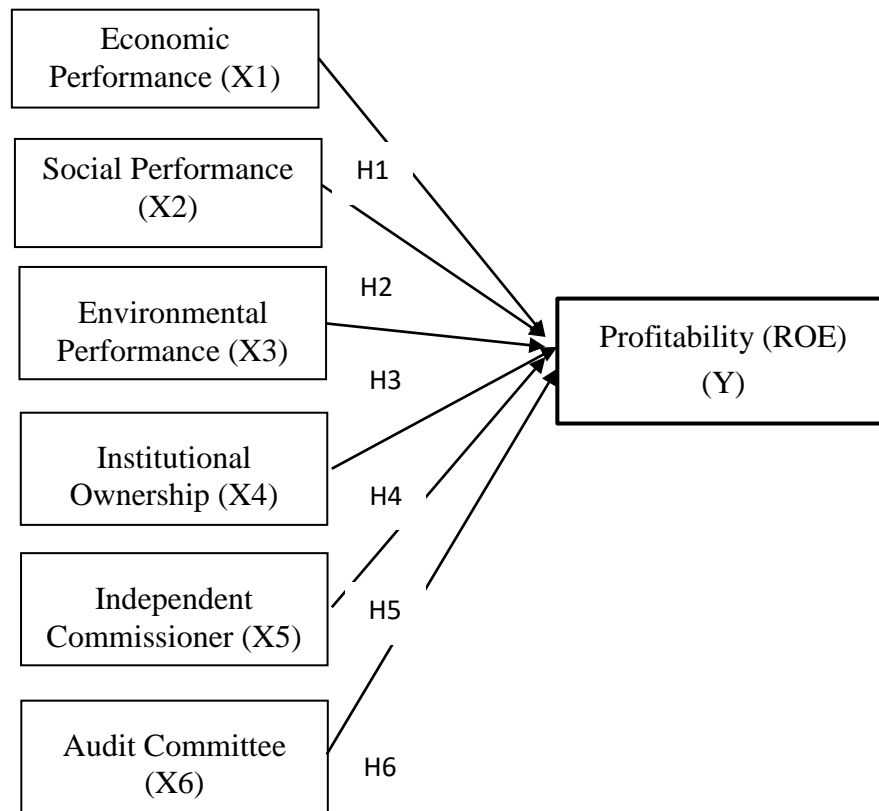


Figure 1. Research Framework

III. Research Method

This study uses secondary data by taking data according to the variables studied in sustainability reports and financial reports on the website of listed BUMN Bank companies conducted in December 2021.

3.1. Research design

The research was conducted using a descriptive and causal design that explains each proxy from the implementation of sustainable finance and the proxy from the implementation of good corporate governance and the causal relationship on each independent and dependent variable. Data sources are secondary data obtained from sustainability reports and annual reports of listed state-owned banks using documentation techniques and literature study through secondary data collection obtained from sustainability reports, annual reports, which were downloaded from the website of state-owned banks from 2011 to 2020.

3.2. Sampling technique

Determination of the sample is done by probability sampling technique with purposive sampling method which selects samples based on certain considerations (Sugiyono, 2013). The research sample was taken based on several criteria such as the availability of sustainability reports and annual reports on listed state-owned bank companies that upload sustainability reports and annual reports for at least 5 (five) years of publication and have a positive profitability ratio proxied by ROE during the 2011-2020 financial year.

3.3. Research Hypothesis

The research hypothesis is as follows:

- Hypothesis 1: Application of Sustainable Finance Proxied by Economic Performance partial effect on Return on Equity (ROE)
- Hypothesis 2: The application of Sustainable Finance proxied by Social Performance (KS) has a partial effect on Return on Equity (ROE)
- Hypothesis 3: The application of Sustainable Finance as proxy for Environmental Performance (KL) has a partial effect on Return on Equity (ROE)
- Hypothesis 4: The application of good corporate governance as a proxy for Institutional Ownership which has a partial effect on Return on Equity (ROE)
- Hypothesis 5: Implementation of good corporate governance proxied by Independent Commissioners which has a partial effect on Return on Equity (ROE)
- Hypothesis 6: Implementation of good corporate governance as proxy by the Audit Committee which partially affects Return on Equity (ROE)

3.4. Data Processing Techniques

Data processing was carried out using SPSS 26 and Microsoft Excel.

3.5. Data Analysis and Hypothesis Testing

The data obtained were analyzed by descriptive statistics, classical assumption test and multiple linear regression analysis, goodness of fit test and partial test (t test) using the SPSS Version 26 application.

IV. Result and Discussion

4.1. Data Analysis and Discussion

The data in this study were taken from the Sustainability Report and Annual Report of BUMN Bank companies listed on the Indonesia Stock Exchange for the 2011-2020 period to obtain data according to the variables studied. As the output of the implementation of sustainable finance, the data is taken from the Sustainability Report which is proxied by economic, social and environmental performance which refers to POJK 51 of 2017 which regulates the implementation of sustainable finance. Meanwhile, Good Corporate Governance is proxied by institutional ownership, independent commissioners and audit committees which are suspected to have an effect on the profitability of listed state-owned banks, which are proxied by Return on Equity (ROE).

There are 4 (four) state-owned banks listed on the Indonesia Stock Exchange, namely PT Bank Mandiri (Persero) Tbk, Bank Rakyat Indonesia (Persero) Tbk, Bank Negara Indonesia (Persero) Tbk and Bank Tabungan Negara (Persero) Tbk.

4.2. Descriptive Statistics Test Results

Table 1. Descriptive Statistical Test Results

	Descriptive Statistics				
	N	Minimum	Maximum	mean	Std. Deviation
TO	40	.00	10.00	6.0000	4.41443
KS	40	.00	10.00	7.9000	3.12804
KL	40	.00	10.00	6.3750	3.46179
K.INSTI	40	23.00	48.00	38.3250	3.89864
KOM.INDI	40	5.00	63.00	37,4500	26.84232

COMMITTEE	40	2	8	5.38	1,612
Valid N (listwise)	40				

Source: SPSS 26, data processed.

Based on the Descriptive Statistical Test table, it is known that the KE variable has the lowest (minimum) value of 0.0, the highest (maximum) value of 10.00, the average value (mean) of 6.0000 and the standard deviation value of 4.41443. The KS variable has the lowest (minimum) value of 0.0, the highest (maximum) value of 10.00, the average value (mean) of 7.9000 and the standard deviation of 3.12804. The KL variable has the lowest (minimum) value of 0.0, the highest (maximum) value of 10.00, and the average (mean) value of 6.3750 and the standard deviation of 3.46179. The K.INSTI variable has the lowest (minimum) value of 23.00, the highest (maximum) value of 48.00, the mean (mean) of 38.3250 and the standard deviation of 3.89864. The KOM.INDI variable has the lowest (minimum) value of 5, 00 the highest (maximum) value is the average value (mean) is 3.4500 and the standard deviation value is 26.84232. KOMDIT has the lowest (minimum) value of 2, the highest (maximum) value of 63, 00 the average (mean) value of 5.38 and the standard deviation of 1.612.

4.3. Classic Assumption Test Results

a. Normality Test Results

Normality test is shown by histogram image, P-Plot test and Kolmogorov-Smirnov Test.

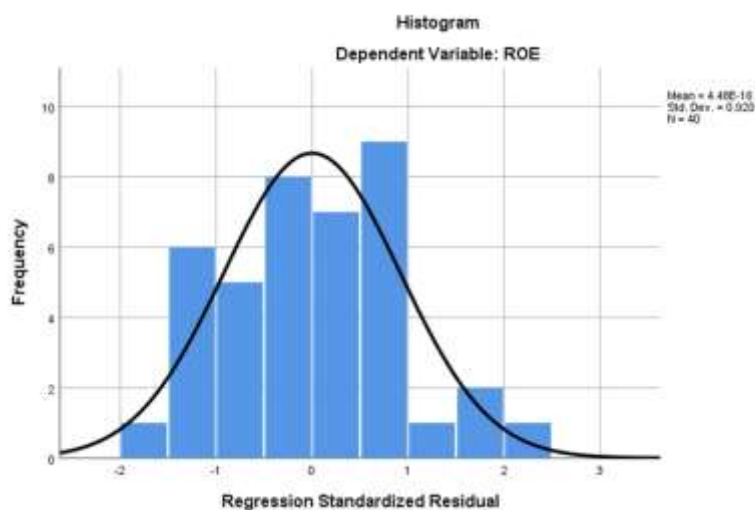


Figure 2. Histogram of Normality Test

Based on Figure 2. Normality Test Histogram shows the regression model is normally distributed.

P-Plot Test

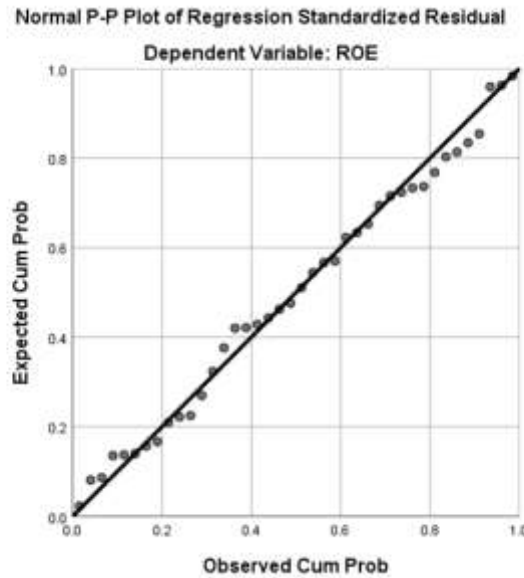


Figure 3. P Plot Test Normality Test

In Figure 3. P plot shows that the data has met the assumption of normality because the data spreads around the diagonal line and follows the direction of the diagonal line.

Table 2. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		40
Normal Parameters, b	mean	.0000000
	Std. Deviation	660.27608406
Most Extreme Differences	Absolute	.069
	Positive	.069
	negative	-.063
Test Statistics		.069
asymp. Sig. (2-tailed)		.200c,d

- a. Test distribution is Normal.
 - b. Calculated from data.
 - c. Lilliefors Significance Correction.
 - d. This is a lower bound of the true significance.
- Source: SPSS 26, data processed.

Based on Table 2. Kolmogorov-Smirnov Test Sign level > 0.05 or $0.200 > 0.05$. Thus it can be concluded that the data is normally distributed.

b. Multicollinearity Test

A good regression model does not have symptoms of multicollinearity, that is, if the tolerance value is > 0.1 and the VIF value is < 10 , then there is no multicollinearity between the independent variables in the regression model.

Table 3. Coefficients of Multicollinearity Test

Model		Coefficients ^a		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		Unstandardized Coefficients	Std. Error				Beta	Tolerance
1	(Constant)	-1277,844	1415,832		-.903	.373		
	TO	-89,904	39,430	-.379	-2,280	.029	.436	2,293
	KS	-68,703	72,487	-.205	-.948	.350	.257	3,892
	KL	34,875	46,141	.115	.756	.455	.518	1,931
	K.INSTI	69,582	38,526	.259	1,806	.080	.586	1,708
	KOM.INDI	3,242	5.135	.083	.631	.532	.695	1,438
	COMMITTEE	205,398	80,633	.316	2,547	.016	.782	1,279

a. Dependent Variable: ROE

Source: SPSS 26, data processed.

Table 3. $0.695 > 0.1$, COMMITTEE of $0.16 > 0.1$. Meanwhile, the value of VIF KE is $2,293 < 10$, KS is $3,892 < 10$, KL is $1,931 < 10$, K.INSTI is $1,708 < 10$, KOM.INDI is $1,438 < 10$ and KOMDIT is $1,279 < 10$. Thus, it is concluded that there is no symptom of multicollinearity in the regression model and the regression model is normally distributed.

c. Heteroscedasticity Test

A good regression model is a regression model that does not occur heteroscedasticity, it is necessary to test heteroscedasticity by looking at the graph plot. Heteroscedasticity is said to occur if the dots form a certain pattern such as wavy, widening or narrowing. Homoscedasticity occurs if the points spread above and below the number 0 on the Y axis and do not have a certain pattern. The following is a picture of the results of Heteroscedasticity testing using Scatterplot:

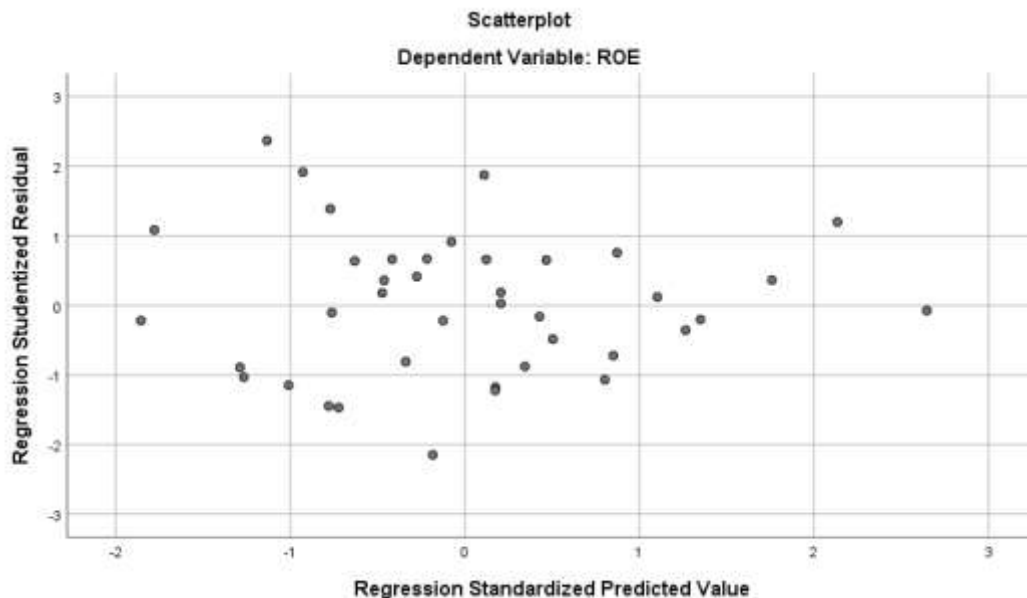


Figure 4. Heteroscedasticity Test Scatterplot

Based on the test results in the scatterplot image above, it shows that the points spread above and below the number 0 on the Y axis and do not have a certain pattern. Thus it can be concluded that the data in this study did not occur heteroscedasticity.

d. Autocorrelation Test

Autocorrelation test was conducted to test whether in the linear regression model there is a correlation between the confounding error in period t and the confounding error in period t-1 (previous). Run Test is carried out to test whether there is a high correlation between residuals(Ghozali, 2011b)

Table 4. Autocorrelation Test

Runs Test	
	Unstandardized Residual
Test Value	-12.27192
Cases < Test Value	20
Cases >= Test Value	20
Total Cases	40
Number of Runs	17
Z	-1.121
asyp. Sig. (2-tailed)	.262
a. median	

Source: SPSS 26, data processed.

Known Asymp value. Sig. (2-tailed) of 0.262 > 0.05, it can be concluded that there is no autocorrelation symptom, so the linear regression analysis can be continued.

Thus, based on the test results from the Classical Assumption Test as a whole, it shows that the regression model used is free from problems or symptoms of classical assumptions so that the regression equation model can be used in this study.

4.4. Multiple Linear Regression Analysis Results

Table 5. Multiple Linear Regression Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1277,844	1415,832		-.903	.373
	TO	-89,904	39,430	-.379	-2,280	.029
	KS	-68,703	72,487	-.205	-.948	.350
	KL	34,875	46,141	.115	.756	.455
	K.INSTI	69,582	38,526	.259	1,806	.080
	KOM.INDI	3,242	5.135	.083	.631	.532
	COMMITTEE	205,398	80,633	.316	2,547	.016

a. Dependent Variable: ROE

Source: SPSS 26, data processed.

Multiple linear regression equations based on Table 5. Multiple Linear Regression are as follows:

$$\text{ROE} = -1277.844 - 89.904\text{KE} - 68.703\text{KS} + 34.875\text{KL} + 69.582\text{K.INSTI} + 3.242\text{KOM.INDI} + 205.398\text{KOMDIT} + e$$

Based on this equation, it can be interpreted that the constant value is -1277,844 which means that if KE, KS and KL, K.INSTI, KOM.INDI and KOMDIT are 0, then the ROE is -1277,844 assuming other factors are constant.

The regression coefficient value of KE is -89,904 which means that every one-unit increase in KE, it will decrease by 89,904 ROE. The value of the regression coefficient for KS is -68,703 which means that for every one-unit increase in KS, the ROE will decrease by 68,703. The KL regression coefficient value is 34,875 which means that every one-unit increase in KL, it will increase by 34,875 ROE. The regression coefficient value for K.INSI is 69,582 which means that for every one-unit increase in K.INSI, it will increase by 69,582 ROE, while the regression coefficient for KOM.INDI is 3,242, which means that for every one-unit increase in 3,242, it will increase by 3,242 ROE and the value of the KOMDIT regression coefficient of 205.

4.5. Goodness of Fit Test

The Goodnes of Fit test was carried out to determine the accuracy of the function of the regression model to determine the estimated actual value measured from the coefficient of determination, the value of the F statistic and the value of the t statistic. (Ghozali, 2011a).

a. Coefficient of Determination Test (R²)

Table 6. Coefficient of Determination Test
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.777a	.603	.531	717.79578

a. Predictors: (Constant), KOMDIT, KL, KOM.INDI, KE, K.INSTI, KS

b. Dependent Variable: ROE

Source: SPSS 26, data processed

The effect of variables KE, KS, KL, K.INSTI, KOM.IND and KOMDIT simultaneously on ROE is 60.3%, the remaining 39.7% is influenced by other variables outside this study.

b. F Uji test

Table 7. F. test
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25867208.195	6	4311201.366	8.368	.000b
	Residual	17002615,780	33	515230,781		
	Total	42869823,975	39			

a. Dependent Variable: ROE

b. Predictors: (Constant), KOMDIT, KL, KOM.INDI, KE, K.INSTI, KS

Source: SPSS 26, data processed

Judging from the table of F test results, it can be seen that the significance of the Sig column is 0.000 which is smaller than = 0.05 (0.000 < 0.05). Meanwhile, based on the F table value (k; nk) = (7; 40-7) = (7; 33) with = 5%, the F table value is 2.30. Based on the table of

F test results above, the calculated F value is 8.368, which is greater than F table ($8.368 > 2.30$), so H_0 is rejected and H_a is accepted, which means that the KE, KS, and KL variables simultaneously have an effect against ROE.

4.6. Hypothesis Test (t Test)

Table 8. Hypothesis Test (t Test)
Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1277,844	1415,832		-.903	.373
	TO	-89,904	39,430	-.379	-2,280	.029
	KS	-68,703	72,487	-.205	-.948	.350
	KL	34,875	46,141	.115	.756	.455
	K.INSTI	69,582	38,526	.259	1,806	.080
	KOM.INDI	3,242	5,135	.083	.631	.532
	COMMITTEE	205,398	80,633	.316	2,547	.016

a. Dependent Variable: ROE

Source: SPSS 26, data processed

To determine the partial effect, a t-test was carried out with a significant level of 0.05 ($\alpha = 5\%$). If the significance level is <0.05 , it can be concluded that there is a partial effect between the independent variables on the dependent variable.

The results of the t-test in the table above are as follows:

1. The effect of KE variable on ROE. The hypothesis used is as follows:

H_0 : Economic Performance (KE) has no partial effect on Return on Equity (ROE)

H_a : Economic Performance (KE) has a partial effect on Return on Equity (ROE)

The t test results show that the significance value in the Sig column for the KE variable is 0.029, which is smaller than $= 0.05$ ($0.029 < 0.05$), then H_0 is rejected and H_a is accepted. This means that the KE variable has a partial effect on ROE. This shows that Economic Performance encourages companies to consistently implement sustainable finance which adds value to the company's stakeholders and increases investor confidence through increased profitability.

2. The effect of the KS variable on ROE. The hypothesis used is as follows:

H_0 : Social Performance (KS) has no partial effect on Return on Equity (ROE)

H_a : Social Performance (KS) has a partial effect on Return on Equity (ROE)

The results of the t test show that the significance value in the Sig column for the KS variable is 0.350 greater than $= 0.05$ ($0.350 > 0.05$), then H_0 is accepted and H_a is rejected. This means that the KE variable has no partial effect on ROE.

3. The effect of the KL variable on ROE. The hypothesis used is as follows:

H_0 : Environmental Performance (KL) has no partial effect on Return on Equity (ROE)

H_a : Environmental Performance (KL) has a partial effect on Return on Equity (ROE)

The t-test results show that the significance value in the Sig column for the KL variable is 0.455 greater than $= 0.05$ ($0.455 > 0.05$), then H_0 is accepted and H_a is rejected. This means that the KL variable has no partial effect on ROE.

4. The effect of the K.INSTI variable on ROE. The hypothesis used is as follows:
Ho : Institutional Ownership (K.INSTI) has no partial effect on Return on Equity (ROE)
Ha : Institutional Ownership (K.INSTI) has a partial effect on Return on Equity (ROE)

The t-test results show that the significance value in the Sig column for the K.INSTI variable is 0.080 greater than $= 0.05$ ($0.080 > 0.05$), then Ho is accepted and Ha is rejected. This means that the K.INSTI variable has no partial effect on ROE.

5. The effect of the KOM.INDI variable on ROE. The hypothesis used is as follows:
Ho : Independent Commissioner (KOM.INDI) has no partial effect on Return on Equity (ROE)
Ha : Independent Commissioner (KOM.INDI) has partial effect on Return on Equity (ROE)

The results of the t test show that the significance value in the Sig column for the KOM.INDI variable is 0.532 greater than $= 0.05$ ($0.532 > 0.05$), then Ho is accepted and Ha is rejected. This means that the KOM.INDI variable has no partial effect on ROE.

6. The effect of the COMMITTEE variable on ROE. The hypothesis used is as follows:
Ho : The Audit Committee (KOMDIT) has no partial effect on Return on Equity (ROE)
Ha : The Audit Committee (KOMDIT) has a partial effect on Return on Equity (ROE)

The t-test results show that the significance value in the Sig column for the KOMDIT variable is 0.016 which is smaller than $= 0.05$ ($0.016 < 0.05$), then Ho is rejected and Ha is accepted. This means that the KOMDIT variable has a partial effect on ROE. This shows that the Audit Committee is able to encourage the improvement of the company's internal control so as to increase the competitiveness and profitability of the company.

V. Conclusion

1. The variable of Economic Performance (KE) affects the profitability (ROE) of state-owned banks with a significance value of 0.029 for the KE variable, which is smaller than $= 0.05$ ($0.029 < 0.05$). Economic performance is able to add value to the company's stakeholders and increase investor confidence through increased profitability.
- 2) The Social Performance Variable (KS) has no effect on the profitability (ROE) of state-owned banks with a significant value of variable KS of 0.350 greater than $= 0.05$ ($0.350 > 0.05$).
- 3) The environmental performance variable (KL) has no effect on the profitability (ROE) of state-owned banks with a significant value of variable KL of 0.455 is greater than $= 0.05$ ($0.455 > 0.05$).
- 4) The K.INSTI variable has no effect on the profitability (ROE) of state-owned banks with a significance value of the K.INSTI variable of 0.080 which is greater than $= 0.05$ ($0.080 > 0.05$).
- 5) Variable KOM.INDI does not affect the profitability (ROE) of state-owned banks with a significant value of variable KOM.INDI as big as 0.532 greater than $= 0.05$ ($0.532 > 0.05$).
- 6) Variable COMMITTEE affect the profitability (ROE) of state-owned banks with a significance value of variable COMMITTEE of 0.016 smaller than $= 0.05$ ($0.016 < 0.05$). The war of the Audit Committee as an organ of the Board of Commissioners is able to encourage the improvement of the company's internal control so as to increase the competitiveness and profitability of the company.

Suggestions

- 1) The implementation of sustainable finance for banks, especially public companies or issuers, is a form of compliance with the regulations of the financial services authority or regulations that apply in the country. For this reason, the aspect of information disclosure on the implementation of sustainable finance needs to be improved for state-owned banks to provide added value and increase investor confidence.
- 2) The implementation of good corporate governance is the foundation for every company, for that state-owned bank companies need to increase the role of other company organs such as Independent Commissioners, Audit Committees, Risk Management Committees to encourage the improvement of the company's internal control so as to increase the competitiveness and profitability of the company.
- 3) In this study, the measurement of economic, social and environmental performance aspects refers to POJK 51/2017. The standard used is still a national standard so it needs to be developed in the following research using an international standard commonly used referring to the GRI Standard and adding a proxy as a corporate governance variable to determine the extent of its influence on company profitability.

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