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The Influence of Good Corporate Governance and Sustainable Finance on the Performance of Commercial Banks

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ABSTRACT

Corporate governance and sustainability are key concerns for companies in Indonesia, particularly those operating in the banking sector, which have implemented corporate governance reforms to enhance the protection of shareholders' and stakeholders' interests. In addition, sustainability is required by regulators in the Indonesian banking sector, where its management is often a public consideration in assessing financial institutions, especially banks, as secure places to store their funds. The purpose of this study is to determine whether the implementation of good corporate governance and sustainable finance affects financial performance in banking. The independent variables used in this study are the size of the board of directors, the proportion of independent commissioners, CAR, Big 4 external auditors, and the proportion of credit for sustainable businesses. ROA serves as the dependent variable, while total assets are used as control variables. A purposive sampling method was applied to determine the study sample. Through this method, 47 general banks in Indonesia listed on the Indonesia Stock Exchange (IDX) were obtained. The research data was collected from the 2023 annual reports of all banks. The analytical method employed is multiple linear regression. The results of the study indicate that the CAR and sustainable finance variables have a significant positive relationship with ROA. This finding supports previous research that examined the relationship between CAR and sustainable finance with ROA, confirming that both variables have a significant positive influence. Accordingly, managers may focus on fulfilling these two variables to enhance ROA.

KEYWORDS *corporate governance, director, commisioner, CAR, Big4, sustainability, ROA*

INTRODUCTION

The banking sector has a strategic role in the economy of a country, including Indonesia (Santoso et al., 2021). The main function of Indonesian banking is to collect and distribute public funds with the aim of supporting the implementation of national development in order to increase equity, economic growth, and national stability, thereby improving the welfare of the people (Das Bhegawati, 2020; Zuhri, 2024). Banking, as the driving force of the economy, has several roles, namely growing the people's business sector, improving the economic capabilities of entrepreneurs and MSMEs, and serving as a source of funding (Das Bhegawati, 2020; World Bank, 2023). Therefore, if banking is not healthy, it will have a significant negative impact on the country's economy (IMF, 2024; Oxford Business Group, 2024). The restructuring and recapitalization of banks and companies has been ongoing since 2003. Bank restructuring for debtors was intensified again when the COVID-19 pandemic occurred through a regulation from the OJK, as the banking sector was one of the economic sectors also affected by the pandemic (Indramawan, 2021). Its impact can be seen in the performance and capacity of bank debtors in fulfilling credit or loan payment obligations (Indramawan, 2021; Chandra,

2023). This condition must be anticipated to prevent an increase in credit risk, disruption to the stability of the financial system, and ultimately a reduction in economic growth (IMF, 2024; Kartika, 2022). However, these efforts are still not considered optimal. The economic and banking crisis that occurred in Indonesia resulted in distortions in banking intermediation. This is evident in the poor performance of banks, many of which have found it difficult to meet the provisions of the Capital Adequacy Ratio (CAR) and the Maximum Credit Limit, along with an increase in Non-Performing Loans (NPLs) (Indramawan, 2021; Chandra, 2023; Kartika, 2022). The question now is whether banks in Indonesia have implemented their policies appropriately in accordance with applicable regulations, and whether they have applied the principles of Good Corporate Governance to meet the requirements of a healthy banking system as set by regulators (Permatasari, 2020; Chandra, 2023; Kartika, 2022).

The weak implementation of *Corporate Governance* often causes crises in a country. This is due to inadequate financial performance reporting, the absence of external incentives to encourage efficiency through fair competition, and the lack of oversight by the Board of Commissioners and auditors over management operations. The main cause of many financial scandals in company operations is poor corporate governance practices. For example, Enron (2001), a United States energy company, went bankrupt due to an accounting scandal involving the manipulation of financial statements. Enron's senior management concealed the company's debts and losses by using special entities outside of the balance sheet. Weak oversight by the board of directors, a lack of auditor independence, and conflicts of interest between management and auditors were the main factors leading to this scandal. As a result, thousands of employees lost their jobs, and investors suffered huge losses. In the banking sector, the collapse of Silicon Valley Bank (SVB) was allegedly due to the large number of withdrawals made by start-up companies to maintain liquidity (Agus Rodani, 2023). Several cases in Indonesia, such as the bankruptcy of PT Asuransi Jiwa Bersama (AJB) Bumiputera 1912 and the financial loss of PT IndoFarma Tbk, also resulted from poor corporate governance (BPK RI, 2024). These cases illustrate that the implementation of *Corporate Governance* is essential in business as a measure of corporate accountability. *Corporate Governance* is a concept designed to improve company performance through oversight of management activities and to ensure management accountability to stakeholders within a regulatory framework. Thus, *Good Corporate Governance* (GCG) can serve as a benchmark for assessing company performance.

Regulations related to Good Corporate Governance are embedded in Bank Indonesia Regulation (PBI) No. 8/4/PBI/2006, concerning the Implementation of Good Corporate Governance for Commercial Banks dated January 30, 2006. This regulation was amended through Bank Indonesia Regulation (PBI) No. 8/14/PBI/2006 dated October 5, 2006. After the establishment of the OJK in 2011, the OJK also issued provisions related to GCG, namely POJK No. 55/POJK.03/2016 dated December 7, 2016, concerning the Implementation of Governance for Commercial Banks, which was revoked by POJK No. 17 of 2023 dated September 14, 2023 (Otoritas Jasa Keuangan, 2016; Otoritas Jasa Keuangan, 2023). In addition, OJK Circular No. 13/SEOJK.03/2017 was issued concerning the Implementation of Governance for Commercial Banks (Dentons HPRP, 2023; Feldareza & Febrianto, 2019; IMF, 2024).

Specifically, in POJK No. 17 of 2023, the OJK added a requirement for the implementation of *Sustainable Finance* by banks. Banks are now required to implement sustainability in their business activities and prepare financial action plans. One key regulation is the expansion of the sustainable finance portfolio. The Sustainable Business Activities (KKUB) category includes Environmentally Friendly Business Activities (KUBL), such as renewable energy, energy efficiency, natural resource management and sustainable land use, eco-efficient products, environmentally friendly transportation, and eco-friendly buildings.

The issuance of PBI and POJK demonstrates regulator awareness that the banking industry is increasingly dynamic and complex, creating higher risk exposure. Therefore, the application of *Good Corporate Governance* and *Sustainable Finance* in the banking industry is critical both now and in the future. With the implementation of GCG and sustainable finance, public trust in banks is expected to increase, which will improve fund distribution to society and support economic growth.

Indonesia has had regulations related to risk management since 1998, requiring banks to conduct Environmental Impact Assessments (EIAs) for large and high-risk financing. Bank Indonesia must also consider the Public Disclosure Program for Environmental Compliance (PROPER) ratings of prospective borrowers. According to the 2021 PROPER assessment, of the 2,548 companies assessed, 75% were deemed compliant, while 25% were not. Nevertheless, in practice, not all banks publish or apply an ESG-based lending policy. Advanced social and environmental analysis is still rare among banks, highlighting the need for stricter supervision and enforcement moving forward.

Good governance in policy-making requires support from all stakeholders. The integration of the financial sector, while considering impacts not only on the economy but also on society and the environment, underscores the necessity of *Sustainable Finance* to encourage long-term financial stability in Indonesia.

In the future, the implementation of GCG and *Sustainable Finance* is expected to positively impact banking performance, both financial and non-financial. Such practices will not only support banks' operational objectives but also strengthen investor and customer trust, as effective corporate governance assures shareholders and creditors that they will receive fair returns. The application of GCG by banks is thus expected to enhance company value.

Cornett et al. (2005), in their research on companies included in the S&P 100, found that companies implementing GCG showed significant improvements in performance. Darmawati et al. (2005) examined the relationship between business performance and corporate governance using the Corporate Governance Perception Index (CGPI) as a variable, relying on surveys by IICG and SWA magazine conducted in 2001 and 2002. The study used financial performance (Return on Equity/ROE) and company value as proxies for overall company performance. The findings showed that, while corporate governance did not significantly affect company value, it had a statistically significant effect on ROE. Research conducted by Mayla Hadyan (2021) also demonstrated that the implementation of *Good Corporate Governance* simultaneously influenced banking company performance.

Similarly, Olaf (2016) expanded on Zadek and Robins (2015) by examining the relationship between sustainability performance and financial stability in Chinese banking. The results indicated that variables associated with sustainability, such as the number of "green borrowers" and flexible interest rates for companies engaged in the green sector, had a positive correlation with financial performance.

Referring to these empirical findings, it is evident that the implementation of *Good Corporate Governance* and *Sustainable Finance* is crucial in advancing corporate goals. This research is being conducted again for several reasons: the increasing complexity of the banking industry, the need for integrated risk management and compliance frameworks, the demand for higher accountability standards, and the post-pandemic shift toward technology-driven practices in banking. Furthermore, the inclusion of *Sustainable Finance* as a variable—since it was introduced in OJK regulations—makes this study significant in revisiting the relevance and effectiveness of current rules. This study specifically analyzes governance mechanisms such as board size, the proportion of independent commissioners, the Capital Adequacy Ratio (CAR), the role of external auditors (Big 4), and the sustainable finance portfolio in determining banking performance.

The purpose of this empirical research is to examine the influence of the size of the Board of Directors, the proportion of Independent Commissioners, CAR, the presence of Big 4 external auditors, and financing to sustainable business activities on Return on Assets (ROA). This research is expected to provide both theoretical and practical benefits. Theoretically, it contributes to the development of management science, particularly in the fields of *Good Corporate Governance* and *Sustainable Finance*, by analyzing their impact on business performance. Practically, the study provides recommendations for bank management in formulating governance and sustainability policies. For investors, the results provide important insights to support sound investment decisions, while the public may use them to assess the financial health of banks through published financial statements. For researchers, this study contributes empirical evidence about the implementation of *Good Corporate Governance* in Indonesia and its impact on banking companies' financial performance, while also enriching existing knowledge.

METHOD

This study aimed to determine whether the performance of banking companies was significantly influenced by the implementation of sustainable finance and good corporate governance. The research used an associative explanatory approach with a causal design to test the relationship between variables (Husein, 2006: 63). A quantitative method was applied, using hypothesis testing to analyze the effect of independent variables on the dependent variable.

Banking performance, measured by Return on Assets (ROA), was the dependent variable. The independent variables were corporate governance, represented by the size of the Board of Directors, the size of Independent Commissioners, the Capital Adequacy Ratio (CAR), the use of Big 4 external auditors, and sustainable finance, measured by the proportion of the credit portfolio allocated to sustainable business activities relative to total credit. The study used secondary data obtained from publicly available reports.

The research population consisted of banking companies listed on the Indonesia Stock Exchange (IDX) for the 2023 period. From this population, purposive sampling was applied to select banks that met the following criteria:

1. Listed on the IDX throughout 2023.
2. Operating during 2023.
3. Published an annual report for the year ending December 31, 2023.
4. Disclosed governance information, including the size of the board of directors, independent commissioners, CAR, the use of external auditors, sustainable finance, ROA, and total assets.
5. Met the research focus for the 2023 period.

Based on IDX data in 2023, there were 47 listed banking companies. However, only 44 met the sample criteria and were included in this study.

RESULTS AND DISCUSSION

Data Analysis

Outlier Analysis

The following outliers were found from the study, namely Bank Bumi Artha Tbk (BNBA) with a ROA of 71% and banks that posted a minus ROA, namely PT Bank Aladin Tbk with a ROA of -4.22%, PT Bank KB Bukopin Tbk with a ROA of -7.71% and PT Bank Neo Commerce with a ROA of -2.99%. The outlier data was not included in the study because it did not describe the general state of the population of the banks studied.

Descriptive Statistical Analysis

After data collection, a descriptive review of the status of each research variable will be conducted. Data consisting of minimum values, maximum values, mean values, and standard deviation values are listed in the descriptive statistical table 1.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ROA	42	0.0004	0.0630	0.017862	0.0144264
BOD	42	3.00	12.00	6.6429	2.58345
INDP	42	0.3300	1.0000	0.605000	0.1108779
CAR	42	0.1078	1.5806	0.416695	0.3033124
BIG4	42	0.00	1.00	0.5476	0.50376
SUST	42	0.0000	0.9960	0.207840	0.2175028
LNASSET	42	28.5211	35.3154	31.625776	1.7642188
Valid N (listwise)	**42**				

Source : Processed data (2025)

The ROA variable (performance measure) has a range between 0.04% to 6.3% with an average of 1.7862%. ROA is the ratio of profit before tax (net income) divided by total assets. The higher the value of ROA, the more efficient management in using its assets to earn income.

The BOD variable has a range between 3 to 12 with an average of 6.64. BOD is the number of board of directors in a bank. The more BOD, the more the company gets bigger and more complex.

The INDP variable has a range between 0.33 to 1 with an average of 0.605. The size of the INDP indicates the number of independent commissioners to the number of commissioners in the bank.

The CAR variable has a range between 10.78% to 158.06% with an average of 41.6695%. CAR is a ratio to measure the proportion of one's own capital compared to external funds in financing banking business activities. The larger the ratio, the better the capital position of a bank.

The SUST variable has a range between 0 to 99.6% with an average of 20.784%. The amount of SUST is the amount of the percentage of the loan portfolio given to companies that carry out sustainability business activities to the total total loan portfolio provided by the bank.

The bank size variable is proxied by the natural logarithm of the total assets owned by the bank. Size describes the market strength of the bank in question. The variable size (asset) has a range between 2.435 trillion to 2,174.22 trillion with an average of 241.89 trillion.

Table 2. Descriptive Statistics of Dummy Variables (Big 4 External Auditors)

	Big 4	Not Big 4	N
2023	23	19	42
Percentage	54.76	45.24	100

In the 2023 period, there were 23 banks (54.76%) audited by the Big 4 external auditors while 19 banks (45.24%) were audited by other external auditors. This can be seen in table 2 above.

Classical Assumption Analysis of Multiple Linear Regression Models

According to Ghozali (2009), multiple linear regression analysis is used to determine the direction of how much influence independent variables have on dependent variables. This multiple linear regression analysis will measure how much the influence of the size of the board of directors, the proportion of independent commissioners, CAR, Big4 and Sustainable finance on the dependent variable, namely ROA.

Classic Assumption Test

The classical assumption test is one of the tests that is carried out before regression. There are several assumptions that need to be met to perform regression, including linearity, normality, multicollinearity, homoscedasticity (absence of heteroscedasticity) and then regression will be carried out and shown regression models of all variables in this study. A good regression model is a model that passes the classical assumption test (Imam Ghozali, 2005).

Linearity Test

The linearity test is used to find out if there is a linear relationship between variables. One of the ways used to see the linear relationship between variables is to bi-plotting or partial plotting of each variable bound to its independent variable. The following are the results of the linearity test for each variable:

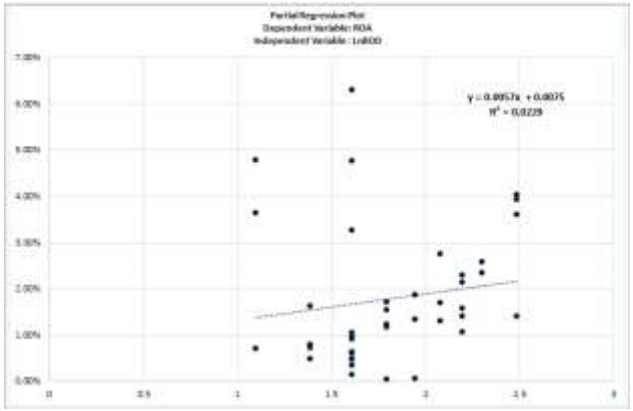

Figure 1. Linearity Test of Board of Directors Size with R
Source : Data Processing Results (2025)

The scatterplot above shows the value of the independent variable of the size of the board of directors with the value of the ROA-bound variable. From the image above, it appears that the independent variable of the size of the board of directors and the ROA-bound variable have a fairly linear relationship. In the graph above, it is found that the R Square value in this linear relationship is 0.0229 or 2.29%. This R Square shows how much the independent variable of the size of the board of directors as a whole is able to explain the variance of the ROA-bound variable. Therefore, it can be concluded that the individual board of directors variables are only able to explain 2.29% of the variance from the ROA-bound variable.

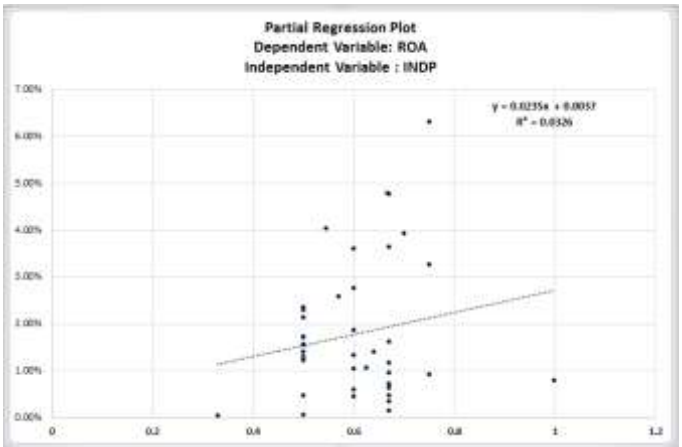

Figure 2. Independent Commissioner Linearity Test with ROA
Source : Data Processing Results (2025)

The scatterplot above shows the value of the independent commissioner variable with the value of the ROA-bound variable. In the graph above, it is found that the value of R Square in this linear relationship is 0.0326 or 3.26%. This R Square shows how much the independent independent variable of the independent commissioner as a whole is able to explain the variance of the ROA-bound variable. Therefore, it can be concluded that the independent commissioner variable individually is only able to explain the 3.26% variance of the ROA-bound variable.

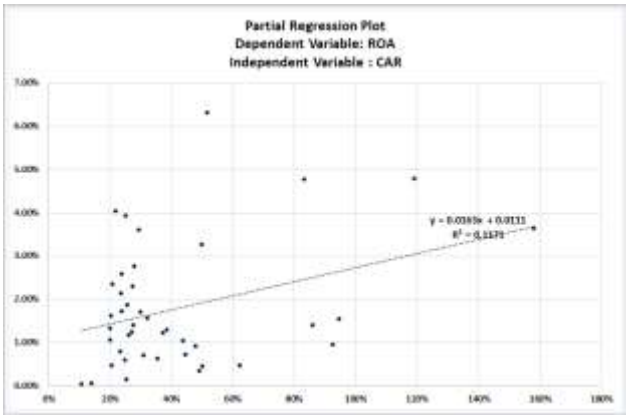

Figure 3. CAR Linearity Test with ROA
Source : Data Processing Results (2025)

The scatterplot above shows the value of the CAR-free variable with the value of the ROA-bound variable. From the image above, it appears that the CAR-free variable and the ROA-bound variable have a fairly linear relationship. In the chart above, it is found that the R Square value in this linear relationship is 0.1171 or 11.71%. This R Square shows how much the CAR-free variable as a whole is able to explain the variance of the ROA-bound variable. So it can be concluded that the CAR variable individually is able to explain 11.71% of the variance of the ROA-bound variable.

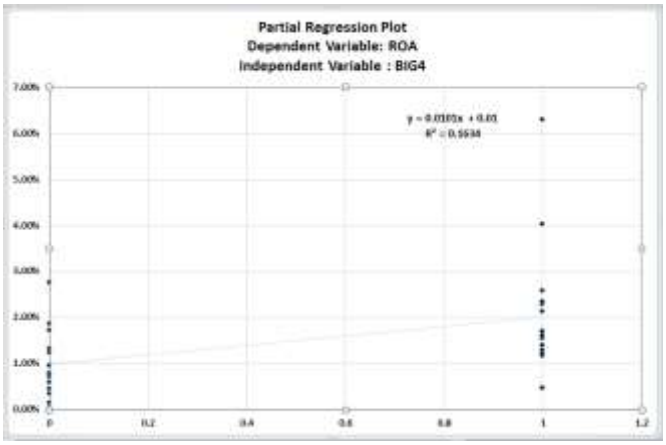

Figure 4. BIG4 Linearity Test with ROA
Source : Data Processing Results (2025)

The scatterplot above shows the value of the independent variable of the external auditor Big4 with the value of the ROA-bound variable. In the graph above, it is found that the R Square value in this linear relationship is 0.1634 or 16.34%. This R Square shows how much the Big4 external auditor's independent variable as a whole is able to explain the variance of the ROA-bound variable. So it can be concluded that the Big4 external auditor variable was individually able to explain 16.34% of the variance of the ROA-bound variable.

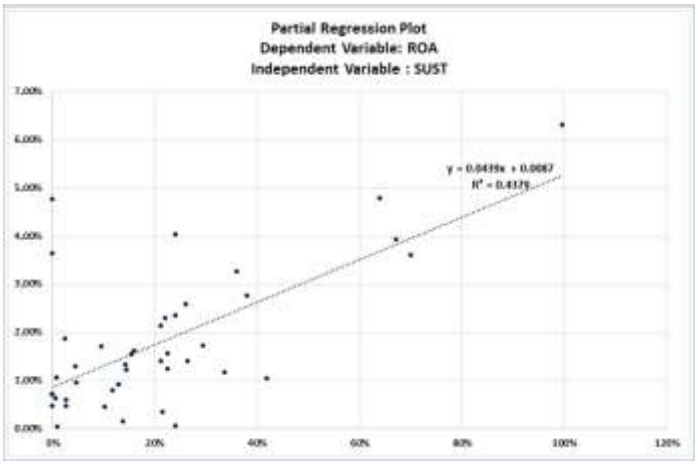

Figure 5. Linearity Test of Sustainable Finance with ROA
Source : Data Processing Results (2025)

The scatterplot above shows the value of the independent variable of sustainable finance with the value of the ROA-bound variable. From the image above, it appears that the independent variable of sustainable finance and the bound variable of ROA have a fairly linear relationship. In the chart above, it is found that the value of R Square in this linear relationship is 0.4379 or 43.79%. R Square shows how much the independent variable of sustainable finance as a whole is able to explain the variance of the ROA-bound variable. So it can be concluded that the sustainable finance variable individually is able to explain 43.79% of the variance from the ROA-bound variable.

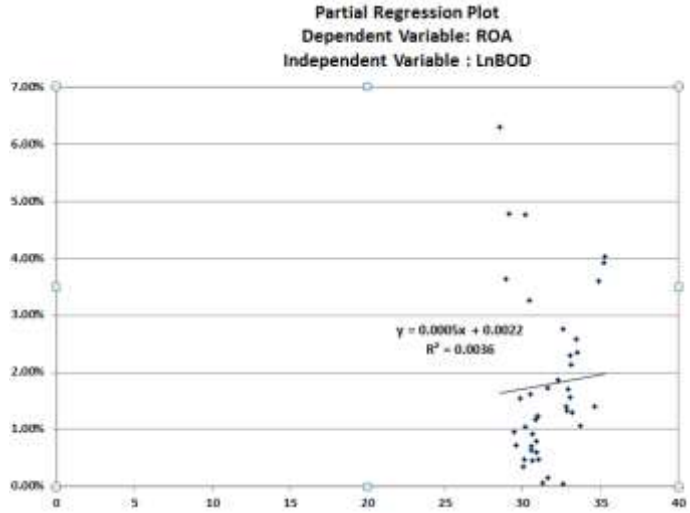

Figure 6. Total Asset Linearity Test with ROA
Source : Data Processing Results (2025)

The scatterplot above shows the value of the total asset-free variable with the value of the ROA-bound variable. From the image above, it appears that the total asset-free variable and the ROA-bound variable have a relationship that does not appear to be linear. In the graph above, it is found that the value of R Square in this linear relationship is 0.0036 or or 0.36%. This R Square shows how much the total asset-free variable as a whole is able to explain the variance of the ROA-bound variable. Therefore, it can be concluded that the ability of the total asset variable to explain the variance of the ROA-bound variable is very small, which is 0.36%.

Residual Normality Test

A good regression model requires normality in the research data or in the residual value rather than in each variable. The normality test of the regression model in this study used graph analysis by looking at histograms and normal probability plots. If the data plotting forms a diagonal straight line, then the data distribution is normal. The following are the results of the normality test using a diagram.

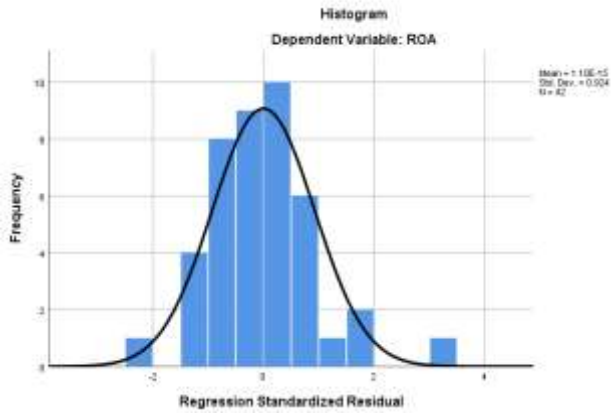

Figure 7. Residual Normality Test
Source: processed data (2025)

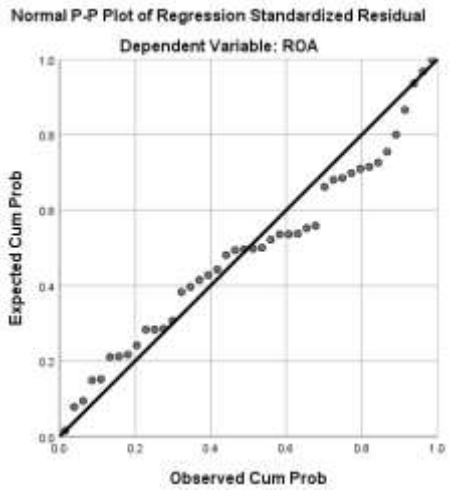

Figure 8. Normal P-Plot Charts
Source: Processed data (2025)

From the residual histogram in the context of the above normality test, it appears that the residual distribution simply follows the shape of the bell (normal distribution), and there is no histogram shape that is tilted to the left or to the right. Whereas on a normal graph the P Plot shows that the points on the graph have approached their diagonal axis. The results show that the residual has been distributed normally

Multicollinearity Test

The multicollinearity test in this study looked at the Variance Inflation Factor (VIF) coefficient and the Tolerance value. Multicollinearity disturbances do not occur if the VIF is below 10 or the Tolerance is above 0.1. The following is the multicollinearity test in this study.

Table 3. Multicollinearity test results

Model	Collinearity Statistics	
	Tolerance	VIF

Model	Collinearity Statistics	
(Constant)		
BOD	0.079	12.606
INDP	0.750	1.333
CAR	0.577	1.732
BIG4	0.658	1.520
SUST	0.594	1.685
LNASSET	0.080	12.567

From the test above, it can be seen that there are variables that have a VIF above 10, namely the BOD variable with a VIF of 12,606 and an LnAsset with a VIF of 12,567.

According to Imam Ghozali (2009), to overcome the violation of this classical assumption, the regression model can be changed in the form of semilogs or doublelogs. Therefore, to overcome this violation of classical assumptions, we change our regression model where independent variables that have a VIF of more than 10, namely BOD will be changed to Natural Logarithm (Ln) and other independent variables and their dependent variables are fixed.

Table 4. Multicollinearity Test Results Using semi-logs

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
LNBOD	0.139	7.179
INDP	0.701	1.427
CAR	0.646	1.547
BIG4	0.670	1.493
SUST	0.687	1.457
LNASSET	0.149	6.716

After healing the variables affected by multicollinearity by changing the BOD variable to the form of Ln, the result was obtained where all variables had a tolerance value greater than 0.1 which indicates the absence of multicollinearity. In addition, the VIF value produced also no longer has a VIF value greater than 10. The results of the multicollinearity test obtained were that there was no multicollinearity between several independent variables, namely LnBOD, INDP, CAR, BIG4, SUST and LnASSET.

Heteroscedasticity Test

The Heteroscedasticity test was performed by plotting a graph between ZPRED (predicted value) and SRESID (residual value) in figure 9. This test functions to find out if there is a difference between variance from residual and several observations. Seen in the graph in figure 9, the points on the test results are scattered and do not form a certain pattern, so it can be concluded that in this data there is no heteroscedasticity.

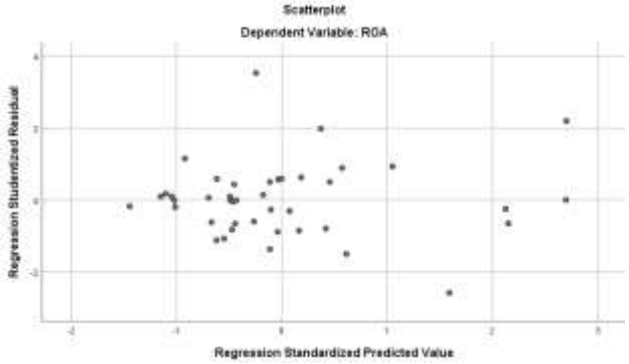

Figure 9. Heteroscedasticity Test Results
Source : Processed data (2025)

The above scatterplots are formed using ZPRED and SRESID. In the scatterplot above, it can be seen that the data points obtained are scattered at the top, bottom, and around the number 0. In addition, these dots do not only accumulate at the top and bottom. The scatterplot point spread is not patterned, which indicates that there is no heteroscedasticity problem in the model.

Multiple Linear Regression Analysis Results

From the classical assumption test above, it can be concluded that the existing data is normally distributed and there is no multicollinearity and heteroscedasticity, so that it meets the requirements to conduct multiple regression analysis to test the hypothesis.

Multiple Linear Regression Equations

The following are the results of multiple linear regression analysis.

Table 5. Multiple Linear Regression Results

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.	Collinearity Statistics	
						Tolerance	VIF
(Constant)	-0.067	0.057		-1.180	0.246		
LNBOD	-0.001	0.011	-0.019	-0.067	0.947	0.139	7.179
INDP	0.011	0.017	0.082	0.636	0.529	0.701	1.427
CAR	0.020	0.006	0.425	3.159	0.003	0.646	1.547
BIG4	0.001	0.004	0.049	0.368	0.715	0.670	1.493
SUST	0.040	0.009	0.608	4.657	0.000	0.687	1.457
LNASSET	0.002	0.002	0.241	0.861	0.395	0.149	6.716

Source : Processed data (2025)

Based on Table 5, the coefficients for the regression equation from this study can be seen, which can be arranged in the following mathematical equations:

ROA = -0,067 - 0,001 LnBOD + 0,011 INDP + 0,020 CAR + 0,001 BIG4 + 0,040 SUST + 0,002 ASSET + e

Based on the above regression equation, it can be interpreted as follows:

1) A constant value of -0.067 indicates that the ROA ratio would be value -0.067 if all independent variables were considered constant.
2) The variable number of board of directors (LnBOD) has a negative regression coefficient value of 0.001. The value of the negative regression coefficient shows that LnBOD has a negative effect on bank performance (ROA). This illustrates that if the variable of the size of the board of directors (LnBOD) increases by one unit, assuming the other variables remain the same, it will reduce the bank's performance (ROA) by 0.001 (0.1%).
3) The independent commissioner variable (INDP) has a positive regression coefficient value of 0.011. The value of the positive regression coefficient shows that INDP has a positive effect on bank performance (ROA). This illustrates that if the independent commissioner variable (INDP) increases by one unit, assuming the other variable remains the same, it will increase the bank's performance (ROA) by 0.011 (1.1%)
4) The CAR variable has a positive regression coefficient value of 0.020. The value of the positive regression coefficient shows that CAR has a positive effect on bank performance (ROA). This illustrates that if the variable of the CAR's capital ratio increases by one unit, assuming the other variables remain the same, it will increase the bank's performance (ROA) by 0.020 (2%)

5) The Big 4 variable is a dummy variable, with a code in the form of a number 1 for the type of company audited by a reputable external auditor of the Big 4 KAP or 0 for the type of company audited by a Non-Big 4 external auditor. The Big 4 variable shows a number of 0.001, which means that the measure of bank performance (ROA) audited by an external auditor (Big 4) is 0.001 (0.1%) higher than companies that are not audited by the Big 4.
6) The SUST variable has a positive regression coefficient value of 0.040. The value of the positive regression coefficient shows that SUST has a positive effect on bank performance (ROA). This illustrates that if the variable of the sustainable finance ratio increases by one unit, assuming that the other variable remains the same, it will increase the bank's performance (ROA) by 0.040 (4%)
7) The LnASSET control variable proxied with the natural logarithm of the total assets owned by the bank has a positive regression coefficient value of 0.002. This regression coefficient value shows that LnASSET has a positive effect on bank performance (ROA). This illustrates that if the LnAsset variable increases by one unit, assuming the other variable remains the same, it will increase the bank's performance (ROA) by 0.002 (0.2%).

Coefficient Determination Analysis

Determination coefficient analysis is a method to find out how much the percentage of independent variables contribute to the rise and fall of dependent variables together. The R-Square value must be between 0 and 1. The following are the results of the analysis of the determination coefficient.

Table 6. Coefficient Determination Analysis

Model Summary[b]				
Type	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.769a	.591	.521	.0099847
a. Predictors: (Constant), LNASSET, SUST, INDP, BIG4, CAR, LNBOD				
b. Dependent Variable: ROA				

Source: Data Processing Results (2025)

Through the above results, it can be concluded that the value of the adjusted determination coefficient (Adjusted R-Square) obtained is 0.521 This explains that independent variables can explain the variance of the dependent variable by 59.1%, while the remaining 40.9% is influenced by other variables outside the regression model.

F Test (Simultaneous Signification Test)

After testing for the Coefficient of Determination, it will be tested whether all the independent variables included in the model have a joint influence on the dependent variables. The test carried out is using the F-Test. The following are the results of the calculation of the F-Test.

Table 7. ANOVA

ANOVA						
Type		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	.005	6	.001	8.432	.000b
	Residual	.003	35	.000		
	Total	.009	41			
a. Dependent Variable: ROA						
b. Predictors: (Constant), LNASSET, SUST, INDP, BIG4, CAR, LNBOD						

Through the above results, it can be concluded that the regression model equation formed from the independent variables of the number of board of directors, the proportion of

independent commissioners, the ratio of CAR, Big4 external auditors, sustainable finance and total assets to the dependent variable of ROA has an F-calculation value of 8.432. This equation can also be said to be significant at the confidence level of 5% because it has a value greater than the F of the table which is 7. Therefore, it can be concluded that the variables of the number of board of directors, proportion of independent commissioners, CAR ratio, Big4 external auditors, sustainable finance and total assets together significantly affect ROA with a value of $\alpha = 0.05$

T Test (Partial Significance Test)

The t-test basically shows how far an individual explanatory variable can influence in explaining the variation of the dependent variable. The significance of each independent variable to the dependent variable will be known. The test statistics used are the T-test or t-test. Here are some criteria that must be met in the T test.

a. If the value of t is calculated < t of the table or the value of Sig > 0.05, then the independent variable has no significant effect on the dependent variable.
b. If the value t is calculated > t table or the Sig value < 0.05, then the independent variable has a significant effect on the dependent variable. The output display of the t-test SPSS can be seen in table 8.

Table 8. Regression Equation Output

Coefficients[a]						
Type		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	-0.067	0.057		-1.18	0.246
	LNBOD	-0.001	0.011	-0.019	-0.067	0.947
	INDP	0.011	0.017	0.082	0.636	0.529
	CAR	0.02	0.006	0.425	3.159	0.003
	BIG4	0.001	0.004	0.049	0.368	0.715
	SILENCE	0.04	0.009	0.608	4.657	0
	LNASSET	0.002	0.002	0.241	0.861	0.395

Source : Data Processing Results (2025)

Based on the results of the t-statistical regression test in table 8, it can be seen that the variables CAR and SUST show a significant relationship with their dependent variables (ROA) with a significance level of 5%. This can be seen from the significant probability values for CAR and SUST which are 0.003 and 0.000 (sig.< 0.05 respectively). As for the variables LnBOD, INDP, BIG4, and LnASSET, it has no effect on the ROA variable because the probability is far above 5%. This can be seen from the significant probability values for BOD, INDP, Big4, and ASSET of 0.947 each; 0,529; 0,715; 0.395 (sig. >0.05).

Table 9. T Test Results

Variable	Regression Coefficients	t-count	T-Table	Itself.	Conclusion
Board of Directors	-0.001	-0.067	2.021	0.947	The variable Number of the Board of Directors does not have a significant effect on ROA
Independent Commissioner	0.011	0.636	2.021	0.529	The independent commissioner variable has no significant effect on ROA
CAR	0.020	3.159	2.021	0.003	The CAR variable has a significant effect on ROA
BIG 4	0.001	0.368	2.021	0.715	The Big4 *external auditor variable* had no significant effect on ROA

Variable	Regression Coefficients	t-count	T-Table	Itself.	Conclusion
Sustainable finance	0.040	4.657	2.021	0.000	Sustainable finance *variables* have a significant effect on ROA

Source : Data Processing Results (2025)

The regression analysis results indicate that CAR (Capital Adequacy Ratio) and sustainable finance (SUST) significantly influence bank performance as measured by ROA, while other variables such as board size (LnBOD), independent commissioners (INDP), Big4 auditors, and total assets (LnASSET) did not show significant effects. These findings are consistent with previous studies emphasizing the importance of strong capital structure and sustainable practices in driving financial performance. For example, Pratiwi and Haryanto (2021) found that CAR has a significant positive relationship with bank profitability in Indonesia, reflecting that sufficient capital not only secures banks against risk but also enhances their ability to generate returns. Similarly, Hartono and Nugroho (2022) highlighted that sustainability initiatives improve stakeholder trust and long-term profitability, which aligns with the significance of SUST in this study.

On the other hand, the insignificant effect of board size and independent commissioners echoes findings by Sari and Setiawan (2020), who noted that governance variables in Indonesian banks often fail to directly translate into performance improvements due to weak enforcement of corporate governance mechanisms. Likewise, research by Widyastuti and Anwar (2023) also suggested that while Big4 auditors enhance credibility, their direct impact on ROA is limited, as profitability is more influenced by internal capital and sustainability practices rather than external audit reputation. This confirms that governance-related variables may only play a supporting role and require stronger institutional frameworks to impact financial outcomes significantly.

CONCLUSION

The research findings indicate that the Capital Adequacy Ratio (CAR) and sustainable finance, particularly loans provided to sustainable business activities (KKUB), had a significant positive influence on Return on Assets (ROA). Banks with higher CARs were better able to manage risk, absorb potential losses, and support business growth, thereby improving profitability. Likewise, financing directed toward sustainable business activities enhanced public trust in banks, which in turn strengthened profitability. Conversely, variables such as the size of the Board of Directors, independent commissioners, Big 4 external auditors, and total assets showed no significant effect on ROA, suggesting that governance structure and asset size were less critical determinants of financial performance in this context. Future research could extend this study by examining the long-term effects of sustainable finance on financial stability or by analyzing whether technological innovation and digital transformation in banking moderate the relationship between governance, capital adequacy, sustainability, and profitability.

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