

# THE IMPACT OF GREEN CREDIT, BANK SIZE, AND LEVERAGE ON CSR DISCLOSURE

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## Abstract

**Purpose:** The purpose of this study is to examine the impact of green credit, bank size and leverage on corporate social responsibility (CSR) by banks listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022.

**Methodology/approach:** A total of 46 banks listed on the IDX became the study population. The saturated sample method was used in the sampling process, and secondary data from the Financial Services Authority (OJK) and the IDX were collected using the documentation method. A fixed effect regression model was used to analyse the data.

**Results/finding:** The findings show a significant positive relationship between green credit and bank size on CSR disclosure, which suggests that banks with larger size and green credit programmes also tend to be more active in disclosing CSR. Meanwhile, leverage has a significant negative effect on CSR disclosure, which means that banks with higher levels of debt tend to reduce the level of CSR disclosure.

**Limitations:** The limitations of this study are the narrow focus on the period 2018–2022 and the use of secondary data, which may not be able to explain all variables affecting CSR disclosure in banks in Indonesia. The results of this study provide an important perspective for the banking sector regarding the variables that influence social responsibility in banking.

**Contribution:** In addition, this study provides new insights into the relationship between green credit and CSR disclosure, which is still relatively under-researched in the Indonesian banking sector, and provides new insights into the role of sustainable banking policies in enhancing corporate social responsibility.

**Novelty:** In addition, this study provides new insights into the relationship between green credit and CSR disclosure, which is still relatively under-researched in the Indonesian banking sector, and provides new insights into the role of sustainable banking policies in enhancing corporate social responsibility.

**Keywords:** *CSR, green credit, bank size, leverage*

## 1. Introduction

Entering an era that emphasises sustainability, the role of banks in caring for the environment and society is increasingly coming into focus. As financial service providers, banks have an important role to play in driving the achievement of the Sustainable Development Goals (SDGs), which are projected to reduce environmental degradation (Nwagwu, 2020). In addition to performing their intermediation duties, banks must demonstrate their concern for society in ways that relate to their business operations. As society begins to put pressure on banks to demonstrate their social responsibility, questions about the role of business and the public's knowledge of how business operations affect social and environmental situations are becoming increasingly important. Companies that voluntarily incorporate social and environmental issues into their operations and interactions with stakeholders are said to practice corporate social responsibility (CSR), which raises awareness among stakeholders that sustainable business success is a direct result of responsible behaviour. According to Mardikanto (2018) CSR is defined as the business community's commitment to act in an ethical manner that enhances workers' quality of life and promotes economic development and neighbouring communities by the World Corporate Council For Sustainable Development (WBCSD).

The Financial Services Authority (OJK) Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance, which came into effect gradually starting in 2019, is one of the most important phenomena during this time. This regulation requires more organised and open reporting on the social and environmental responsibilities of financial services organisations, such as banks. According to the rules, banks must include sustainability aspects in their annual reports as well as sustainability reports that include comprehensive disclosures on their social, environmental and financial responsibilities.

All banks are required to fulfil this requirement, but in practice, some banks do not consistently publish sustainability reports in addition to annual reports. Of the 46 banks listed on the IDX, only 35 banks reported sustainability reports until 2022. In addition, there are still many variations in report disclosure rules, especially in the application of the Global Reporting Initiative (GRI) criteria standards. Some banks only fulfil the minimum requirements outlined by OJK but they do not apply more comprehensive reporting procedures that meet the GRI standards. As a result, there is variation in the quality of reports published, which impacts the transparency and accountability of banks in terms of transparency and accountability of banks in terms of social responsibility (CSR) reporting.

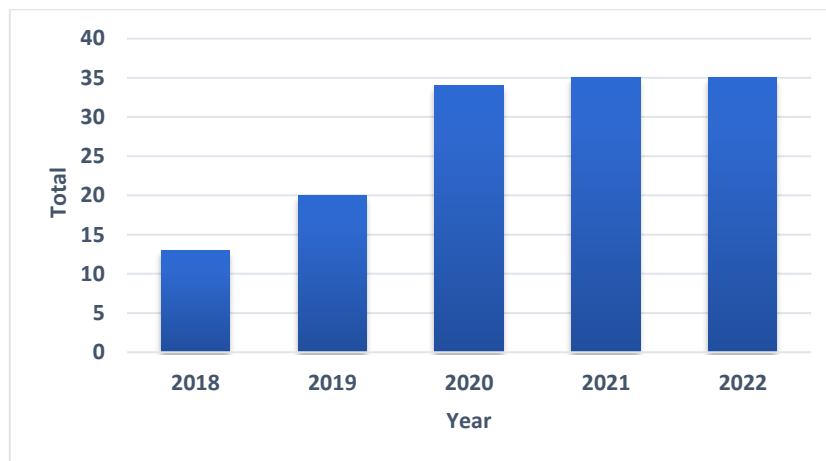


Figure 1. Number of banks that release sustainability report

The graph illustrates the trend in the number of banks releasing sustainability reports each year from 2018 to 2022. Overall, there has been a significant increase in the issuance of sustainability reports by banks listed on the Indonesia Stock Exchange, especially after the enactment of Financial Services Authority (OJK) Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance.

In 2018, only around 15 banks released sustainability reports. This figure shows that awareness of the importance of social and environmental responsibility reporting is still relatively low. The OJK regulation on sustainable finance was just being introduced, so banks have not yet fully adopted the reporting practice. Entering 2019, the number of banks that released sustainability reports increased to around 20 banks. This increase reflects the initial impetus from regulations that require banks to be more transparent in disclosing sustainability-related activities, including social and environmental responsibility. In 2020, there was an increase in the number of banks publishing sustainability reports, reaching around 34 banks, further confirming this trend. The implementation of stricter OJK standards, which require all banks to report on their sustainability initiatives in their annual reports and supplementary reports, is responsible for this sharp increase. More and more banks are realising the importance of reporting the social and environmental impacts of their operations with accountability and transparency. The number of banks publishing sustainability reports in 2021 and 2022 has remained constant at around 35 banks. The majority of the required banks seem to have complied with the regulations under this stabilisation. Although the number is increasing, there are still issues with the

regularity and quality of disclosures, especially in terms of compliance with global reporting guidelines such as the Global Reporting Initiative (GRI).

The Corporate Social Responsibility Disclosure Index (CSRDI), which is based on the latest Global Reporting Initiative (GRI) requirements, is used to measure the amount of CSR disclosure made by banks. The three main measures in the sustainability reporting criteria that are the subject of this standard are social performance, environmental performance, and economic performance. These three factors indicate the extent to which companies - particularly banks - integrate sustainability principles into their operations and how openly they disclose the social, environmental, and economic impacts of their decisions.

Various related variables have been tested in several previous studies to determine the parameters that influence CSR disclosure. Some of the factors that are thought to affect CSR disclosure are the frequency of board of commissioner meetings (Suprijani & Patrisia, 2020), managerial ownership (Singal & Putra, 2019), (Kholifah, 2022), company size (Yanti et al., 2021), (Maharani & Pertiwi, 2022) and leverage (Ramadhani & Maresti, 2021). The prevalence of contradictory findings across various studies makes it worthwhile to re-evaluate CSR disclosure. This study was conducted in consultation with previous CSR research. Since not much research has been done on green credit, it is included as an additional variable besides bank size and leverage in this study.

The banking industry also plays an important role in advancing the economy in Indonesia through green lending. Green credit is the directing of funds to environmentally friendly industries by reducing investment in projects and companies that do not meet environmental standards and helping projects that support the environment (Hu et al., 2020). Banks that implement green credit are assumed to maintain stable corporate social responsibility. Banks can obtain important information about borrowers through regular interactions with them. As a result, banks can provide financing more easily (Ismanto et al., 2023)

Banks with large size can be seen from the assets they have and their influence on the country's economy. According to Ruslim et al (2017) banks are categorized according to a number of factors, including market price per share, log size, total assets, and more, on a scale known as bank size. The corporation will receive greater attention the larger the bank, which pressures it to disclose its corporate social responsibility. For this reason, the corporation is encouraged to inform stakeholders about its social responsibility and other business-related matters. According to previous research conducted Yovana & Kadir (2020), Putri & Yuliandhari (2020), and Animah et al (2020) found that size affects CSR disclosure, while according to Wighrayani (2019) and Pakpahan & Rajagukguk (2018) stated that size has no effect on CSR disclosure.

The amount of assets financed with debt is shown by leverage. Leverage, according to Rivandi & Annisa (2020) is the ratio between the funds owned by the company and the cash it receives from outside sources. Consequently, companies with a greater leverage ratio must implement a more comprehensive strategy than companies with a lower leverage ratio. Leverage is reported to have a large adverse impact on corporate social responsibility (Yovana & Kadir, 2020). On the other hand, leverage significantly and favorably affects corporate social responsibility (Rivandi & Annisa, 2020).

## **2. Literature review and hypothesis/es development**

### **Legitimacy Theory**

Companies that want to survive in business can benefit from legitimacy theory (Rizky. H et al., 2019). According to the notion of legitimacy, businesses aim to ensure that their operations and behaviors are aligned with the dominant norms, values, and expectations of the society in which they operate. In this situation, businesses aim to uphold the unwritten social license of the society in addition to making profits. This is particularly important as the long-term viability and competitiveness of a company can be affected by how society perceives its legitimacy. Companies also aim to build trust with stakeholders, including customers, investors, regulators and local communities, through transparent and continuous disclosure. Companies seek to reassure society that they are not only focused on short-term profits, but also on long-term sustainable value creation by proving that they operate in

accordance with ethical and regulatory norms. Ultimately, this contributes to the long-term stability of the company by lowering reputational risk and improving the company's relationship with society. Companies aim to build and maintain credibility by demonstrating their social and environmental accountability. The most popular way to communicate these obligations is through sustainability reports or annual reports. Companies outline in these reports their dedication to reducing adverse impacts on the environment and society.

According to Syairozi (2019) to build long-term relationships with their stakeholders, companies must show sensitivity and concern for issues that can harm the company's image. Banks can realize this, especially by proclaiming green credit and corporate social responsibility.

### **Stakeholder Theory**

To run a transparent and ethical organization, stakeholders must have the right to know the company's actions that affect them. According to Stakeholder theory, a company's decisions and actions affect not only its owners and shareholders, but also a number of other people who have an interest in the way the business is run (Rizky. H et al., 2019). With this idea, the emphasis shifts from a conventional strategy that only considers shareholder returns to a more inclusive strategy that considers the interests of creditors, customers, suppliers, employees, governments, communities and market analysts. Therefore, companies must balance the interests of all parties involved and go beyond simply increasing profits.

Stakeholders' right to information is one of the basic principles of stakeholder theory. Thanks to this right, stakeholders can learn more about how decisions made by companies impact on an economic, social or environmental level. This data can include everything from the company's social and ethical values to its economic plans and environmental impacts. Information transparency allows stakeholders to assess how well the company considers their needs and upholds ethical standards.

### **Corporate Social Responsibility**

According to Mardikanto (2018) A company that incorporates social and environmental issues into its operations and voluntary interactions with stakeholders is said to practice corporate social responsibility (CSR), further recognizing that sustainable business success is a direct result of responsible behavior. To improve the quality and applicability of sustainability reporting, the CSR disclosure standards governed by GRI concentrate on disclosure requirements for diverse economic, social, and environmental performance. The GRI standards consist of a set of interconnected guidelines. The main objective of developing these standards is to assist companies in creating sustainability reports that adhere to the reporting guidelines and concentrate on important subjects.

### **Effect of Green Credit on CSR Disclosure**

Green Credit in Indonesia is known as Kredit Usaha Berkelanjutan (KUB), or Kredit Kegiatan Usaha Berkelanjutan (KKUB/KUBL) as one of the tangible forms of Indonesia's sustainable finance policy, in this case issued by OJK. Green credit is a type of green finance policy that tries to lower pollution by redistributing credit across businesses. More specifically, from the standpoint of commercial banks, the green credit policy compels them to give careful attention to a company's environmental practices when making loan decisions (Xing et al., 2021). Loan facilities provided by financial institutions to borrowers in the business sector that do not have negative effects on the social conditions of the community or environmental quality are known as green credit (Croston, 2009), referring to loans provided by financial institutions to businesses to invest in green energy, clean energy, circular economy, infrastructure, and innovation (Aizawa & Yang, 2010).

Banks that disburse green credit are more likely to increase their CSR disclosures compared to banks that do not disburse green credit. This suggests that banks that engage in green and sustainable lending practices feel compelled to be more transparent in communicating their CSR activities. As such, these banks seek to demonstrate their commitment to environmental and social issues to stakeholders, such as investors, customers, and the wider community. This higher CSR disclosure can also be used as a strategy to improve reputation, build trust, and gain legitimacy in the eyes of the public and the market. argue that green credit has a positive influence on CSR disclosure. Based on this description, it leads to the following research hypothesis:

H1: green credit has a significant positive effect on CSR disclosure

**Effect of Bank Size on CSR Disclosure**

Bank size is one of the indicators that can be used to represent the scale used to evaluate the size of the company. Size can also be determined by looking at key measures such as market capitalization, total revenue, total asset value, and total workforce. The larger the company, the higher the value of these indicators. The information released is narrower if a company is smaller; conversely, the information disclosed is greater the larger the company. (Aliyah et al., 2022). Since larger companies have more valuable assets, make more money, and have a higher market capitalization—a measure of the entire value of a company's shares listed on the market—the public will usually recognize it more as the company gets bigger (Wardhani & Muid, 2017).

One of the most widely used metrics to determine the level of social disclosure is bank size. Large banks will usually divulge more information than small banks. According to stakeholder theory, a larger company will have more stakeholders as it will require more work to build stakeholder legitimacy to create harmony of social values through its community activities. This will also encourage the company to share more information about its social responsibility. Research conducted by Abidin & Lestari (2020) discovered that CSR disclosure is positively impacted by bank size. In light of this description, the following is the study's hypothesis.:

H2: Bank Size has a significant positive effect on CSR disclosure

**Effect of Leverage on CSR Disclosure**

The leverage ratio provides an overview of how much a company relies on loans to fund its operations and investments, and is used to assess how much debt a company uses to finance its assets. This ratio indicates how much financial risk a company has with respect to its debt load relative to the total amount of assets it controls. The leverage ratio is often used in the context of the solvency ratio as a measure of the business's capacity to meet short-term and long-term financial obligations including debt and other obligations (Kasmir, 2019). The long-term financial risk faced by the company is indicated by a higher ratio.

High leverage encourages companies to be more transparent in their CSR disclosures. Factors such as pressure from creditors, investor expectations, risk management, corporate reputation, and regulatory compliance all contribute to this motivation. Effective CSR disclosure not only helps companies in overcoming the challenges associated with high leverage but also provides long-term benefits through increased trust and support from various stakeholders. Research conducted by Wahyuningsih & Mahdar (2018) found that the level of leverage has a favorable impact on CSR. In light of this description, the following is the study's hypothesis:

H3: Leverage has a significant positive effect on CSR disclosure.

**3. Methodology**

The study used quantitative research methodology. The analysis technique used is panel data regression analysis, and the fixed effect regression model is used to test the effect of green credit, bank size, and leverage on CSR disclosure. The population in the study was 46 banks listed on the Indonesia Stock Exchange (IDX). The sampling method uses Saturated Sampling, known as a census, where all individuals in the population are included as part of the sample. The data collection technique used is the documentation technique obtained from the annual and sustainability reports of banks listed on the IDX.

Measurement of CSR disclosure is done using the CSR Disclosure Index (CSRDI) according to Sembiring (2005) in Silalahi & Ardini (2017) which is formulated as follows

$$CSRDI_j = \frac{\sum X_{ij}}{n_j}$$

Explanation:

CSRDI<sub>j</sub>= Corporate Social Responsibility Disclosure Index for company j.

N<sub>j</sub>= number of items for company j.

$X_{ij} = 1$  = if item  $i$  is disclosed;  $0$  = if item  $i$  is not disclosed.

Green Credit is measured by the total funds spent on green credit (Nugrahaeni & Muharam, 2023):  
 $\text{Green Credit} = \sum \text{Funds disbursed for green credit}$

Bank Size is measured by the total assets of the bank (Ulla et al., 2023):  
 $\text{Bank Size} = \sum \text{Total Assets}$

Leverage is measured using the formula (Widyastuti, 2019):

$$\text{Leverage} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

The panel data regression model for the research variables is:

$$CSR_{it} = \alpha + \beta_1 GC_{it} + \beta_2 BS_{it} + \beta_3 Lv_{it} + \varepsilon$$

CSR as the dependent variable is explained as a function of various factors, namely green credit (GC), bank size (BS), leverage (Lv) and includes random error ( $\varepsilon$ ). GC, BS, and Lv as independent variables each have regression coefficients ( $\beta_1, \beta_2, \beta_3$ ) that show how much influence they have on CSR and  $\alpha$  is a constant.

#### 4. Results and discussion

Descriptive statistical analysis used in this study includes the mean, maximum, minimum, and standard deviation values of each research variable.

Table 1. Descriptive Statistical Analysis

Variable	Obs	Mean	Std.Dev	Min	Max
CSR	230	,41426	,18461	0,5	,82
GC	230	10,696	2,754	0	18,384
BS	230	17,095	2,036	12,09	21,412
Lv	230	69,959	27,425	,23	97,4

Source: Processed data by stata

From the descriptive statistical analysis table, it can be explained that the dependent variable (CSR) has an average of 0.41 with a standard deviation of around 0.18. This shows that the level of corporate social responsibility varies among the banks observed. The lowest CSR value is 0.5 while the highest value is 0.82, indicating that there are banks with a fairly high level of CSR. The green credit variable has an average of about 10.70 with a standard deviation of 2.75. There are banks that do not provide green credit at all (minimum value of 0), while others provide very high green credit up to 18,384. Bank Size has an average of 17.10 with a standard deviation of 2.04. This means that the bank with the smallest asset size has a value of 12.09 while the largest reaches 21.412, showing significant variation in the bank size studied. The leverage variable has an average leverage of about 69.96 with a standard deviation of 27.43. The bank with the lowest leverage has a value of 0.23, while the highest reaches 97.4.

#### Determination of the Estimation Model

Based on the test findings in table 2 below, the Chow test shows a Prob> F value of 0.0000 which indicates that the fixed effect model is more appropriate to use compared to the common effect model. In addition, the Prob> chi2 value of 0.0000 in the Hausman test findings indicates that the fixed effect model is better than the random effect model. Furthermore, the random effect model is more

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appropriate than the common effect model, as indicated by the Prob > chibar2 value of 0.0000 obtained from the Lagrange Multiplier test. The fixed effect model is finally determined as the most appropriate model for this panel data analysis based on these findings.

**Table 2. Results of Panel Data Regression Estimation Model Determination**

<b>Estimation Model Test</b>	<b>Result</b>
Chow test	Prob > F=0,0000
Hausman test	Prob > chi2=0,0000
LM test	Prob > chibar2= 0,0000

Source: Processed data by stata

**Table 3. Correlation Test**

<b>Variable</b>	<b>CSR</b>	<b>GC</b>	<b>BS</b>	<b>Lv</b>
CSR	1,0000			
GC	0,0814	1,0000		
BS	0,4907	0,2976	1,0000	
Lv	0,0807	0,1005	0,3390	1,0000

Source: Processed data by stata

Based on the correlation test results, the CSR variable has a weak relationship (correlation coefficient of 0.0814) with Green Credit (GC) and a weak relationship (correlation coefficient of 0.0807) with Leverage (Lv). This indicates that the level of CSR disclosure is only marginally affected by an increase in Green Credit and Leverage.

However, with a correlation coefficient of 0.4907, the variable Bank Size (BS) shows a stronger relationship with CSR, indicating a fairly good relationship between bank size and CSR disclosure. This indicates that CSR disclosure activities are usually more actively undertaken by larger banks.

The relationship between bank size and leverage is also low to moderate, at 0.3390, and the correlation between GC and BS is 0.2976, indicating a low to moderate relationship. This suggests that larger banks typically have greater leverage and pay greater attention to green credit.

Among the other variables, bank size has the largest overall impact on CSR disclosure.

### Hypothesis Test

Finding out how much each independent variable contributes to the explanation of the variance in the dependent variable is the aim of this test.

**Table 4. Hypothesis Test**

<b>CSR</b>	<b>Coefficient</b>	<b>Robust Std. err.</b>	<b>T</b>	<b>P&gt;t</b>
GC	,0320022	,0115579	2,77	0,008
BS	,0845485	,0353215	2,39	0,021
Lv	-,003084	,0013515	-2,28	0,027
_cons	-1,157697	,5663668	-2,04	0,047

Source: Processed data by stata

The results of the t test can be explained that green credit variable has a coefficient of 0.0320022, a t-value of 2.77, and a p-value of 0.008. At the 5% significance level, the impact of green credit on CSR is significant, as indicated by a p-value of less than 0.05. In other words, there is enough data to draw the conclusion that green credit significantly increases corporate social responsibility. In this case, a one-unit increase in green credit will result in a 0.032-unit increase in CSR, corresponding to a positive coefficient of 0.0320022. At the 95% confidence level, this finding is statistically significant. Green financing, or financing that supports environmentally friendly projects, is an important factor in improving corporate social responsibility (CSR) performance. Increased spending or emphasis on green credit demonstrates a firm's commitment to social responsibility, especially in supporting environmental sustainability.

The bank size variable has a coefficient of 0.0845485, a t-value of 2.39, and a p-value of 0.021. In addition, the p-value is smaller than 0.05, indicating that, at the 5% significance level, the relationship between bank size and CSR is significant. A one-unit increase in bank size will result in a 0.084-unit increase in CSR, corresponding to a positive coefficient of 0.0845485. It is evident that there is actual significance in this relationship with a 95% confidence interval.

A greater ability to engage in CSR initiatives often correlates with greater bank size. The more money a bank can invest in social and environmental projects, the greater its contribution to corporate social responsibility (CSR). Banks with larger assets typically face greater pressure and incentives from various stakeholders to engage in greater social responsibility.

The leverage variable has a coefficient of -0.003084, a t-value of -2.28, and a p-value of 0.027. The effect of leverage on CSR is significant at the 5% significance level, as the p-value is smaller than 0.05. On the other hand, the negative coefficient of -0.003084 indicates that CSR will decrease as leverage increases. According to the statistical analysis, the contribution to CSR will decrease by 0.003 units for every one unit increase in leverage. Moreover, the 95% confidence interval supports the expectation that leverage will negatively impact CSR at this range.

This finding implies that firms will engage in fewer CSR initiatives as their debt ratio increases. This could be because highly leveraged firms concentrate more on debt servicing than on social activities or social responsibility, which are often perceived as additional costs.

### **Effect of Green Credit on CSR**

Based on the T test results, it shows that there is a significant positive influence between the level of green credit and CSR disclosure. The results show that banks that are more active in disbursing green credit tend to have better CSR disclosures. This is because banks that focus on green practices want to highlight their commitment to sustainability through CSR disclosures.

The results of this study are in line with research conducted by Mustofa et al (2020) which states that banks' commitment to sustainable development and their level of responsibility for their social responsibility is shown through green loans and CSR disclosures. These programs have the ability to enhance a bank's reputation and image among the general public in addition to offering tangible environmental benefits. In addition to attracting socially conscious clients and investors, banks can stand out in an increasingly crowded market by demonstrating their commitment to environmental challenges.

Moreover, banks engaged in green finance can strengthen their position in the market and guarantee the sustainability of their operations in the future by meeting increasingly stringent regulatory and legislative requirements related to sustainability. Therefore, proper CSR disclosure in relation to green lending serves not only as a communication tool but also as a business strategy that can provide long-term benefits to banks.

### **Effect of Bank Size on CSR**

Based on the T test results, it shows that there is a significant positive influence between bank size and CSR. These results indicate that larger banks tend to have higher CSR disclosures. Large banks have more resources and encouragement to perform and disclose their CSR activities.

The results of the study are in line with research conducted by Widiastuti et al (2018) which states that size has a positive effect on CSR disclosure. This can be explained by several things. First, larger banks can support the implementation of CSR initiatives with greater resource capacity. Banks with more resources can launch more ambitious and long-lasting corporate social responsibility projects, including green credit schemes or investments in renewable energy.

Second, regulatory pressure on large banks is usually stronger, both from financial regulators and governments. They have to comply with increasingly complex laws, such as those relating to CSR reporting, as they become more well-known financial organizations. Regulatory pressure pushes large banks to disclose their corporate social responsibility (CSR) efforts more thoroughly and openly. Third, stakeholder expectations are higher for large banks. When it comes to social responsibility, stakeholders such as governments, communities, investors and customers typically hold large banks to a higher standard. They expect these banks to actively contribute to preserving social and environmental sustainability in addition to their primary concentration on profits. Large banks are also more vulnerable to reputational risk. The reputation of large-scale banks can be affected if they do not practice social responsibility as they are more well-known and visible in the industry. Therefore, large banks often use CSR disclosure to uphold their brand and show that they care about the impact of their operations on society and the environment.

### **Effect of leverage on CSR**

This study shows a substantial negative relationship between leverage and Corporate Social Responsibility (CSR) disclosure, as indicated by the t-test results. According to this study, banks that have higher leverage usually make fewer CSR reports. This pattern can be explained by the fact that banks under greater financial pressure tend to have higher leverage, which means they may be less interested in CSR initiatives that are not related to short-term financial performance.

This result is in line with the findings of the Chakroun et al (2017) study that leverage significantly decreases CSR disclosure. According to the report, banks with high levels of leverage experience shifting managerial priorities in addition to increased financial risk. The need to maintain financial stability and pressure from creditors may cause attention to be diverted away from CSR projects. In this situation, CSR initiatives may receive less attention and resources. Therefore, rather than funding larger social projects, more focus will be placed on debt repayment and maintaining short-term financial performance. Therefore, this study offers significant new information on the potential impact of banks' financial structure on their social responsibility efforts as well as broader implications for CSR practices in the banking industry.

## **5. Conclusion**

### **5.1. Conclusion**

By analysing the impact of green credit, bank size, and leverage on corporate social responsibility (CSR) disclosure in the banking industry, this study succeeds in achieving its objective. The findings show a strong correlation between these three factors and CSR disclosure, which provides important information on how to implement more morally and environmentally responsible banking practices.

According to this study, green credit significantly increases CSR disclosure. Banks that participate in green financing tend to report CSR activities more openly, which demonstrates their dedication to moral and sustainable business practices.

Bank size was also found to have a positive impact; larger banks are more transparent in reporting CSR programmes and are better able to distribute funds for such programmes. In contrast, leverage has a negative impact; banks with greater levels of debt typically report fewer CSR initiatives as they are more concerned with fulfilling their financial responsibilities.

Overall, this study shows that although high leverage hinders CSR disclosure, large banks and those participating in green financing are more aggressive in CSR disclosure.

### **5.2. Limitation**

There are several limitations in this study. Firstly, the time frame used is limited to 2018-2022. This short time period may not be sufficient to capture the long-term dynamics of macroeconomic conditions or policy changes. For example, laws relating to banking practices and CSR disclosures may change along with social and economic developments, such as the global sustainability movement, regulatory modifications, or the financial crisis. As such, the findings of this study cannot be extrapolated to a broader time frame and may only represent the situation during a specific period.

Secondly, secondary data-which has its own limitations-was used in this study. While secondary data can provide in-depth information, it is conceivable that not all potential influences on CSR disclosure are covered in such data. Examples of elements that may not be represented in the available statistics are organisational culture, internal company policies, and employee opinions on corporate social responsibility. It is important to consider these factors when interpreting the results as incomplete data may cause bias in the analyses and results.

Thirdly, this analysis is limited to listed Indonesian banks. This allows us to analyse the domestic banking market in great detail, but the findings may not be applicable to the global banking sector. The different regulatory, cultural, and market environments found in each country may have an impact on CSR disclosures and practices. Thus, studies conducted in other countries or across different business sectors may yield different results.

### **5.3. Suggestion**

Based on the findings and limitations of this study, it is recommended that future research expand the scope of the study by including banks from other countries. Researchers can broaden the scope and increase the validity of the findings by doing this. In addition to offering a broader perspective, cross-country research will enable comparison of CSR activities across different legal and cultural frameworks. This will contribute to the understanding of how national and international issues affect CSR disclosure.

Further research could also include additional independent variables that could have a substantial effect on CSR disclosure. Factors such as profitability, ownership composition, or frequency of board meetings may provide more information about the dynamics that influence banks' CSR reporting decisions.

It is also expected that policy makers and regulators will use this data to create guidelines that encourage better CSR disclosure. Given the substantial impact identified by this study, special emphasis should be given to the areas of leverage and green credit. Banks can be incentivised to engage in more active CSR disclosure if policies support and encourage their participation in green credit. Regulations governing leverage ratios can also help banks to strike a balance between their commitment to social responsibility and their financial commitments.

As a result, this study offers scholarly contributions as well as actionable recommendations for stakeholders who want to improve CSR disclosure in the banking industry. In the future, collaboration between academics, professionals, and legislators will be crucial to promote more sustainable and transparent banking practices.

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