Jurnal Penelitian Ilmu Ekonomi dan Keuangan Syariah
Volume 4, Nomor 2, Mei 2026
e-ISSN :2988-134X ; p-ISSN :2988-148X; Hal 78-91
DOI: https://doi.org/10.59059/jupiekes.v4i2.3242
Tersedia: https://journal.staiypiqbaubau.ac.id/index.php/jupiekes

Beyond Profit: The Role of ESG Disclosure in Enhancing Financial Performance of Bank Syariah Indonesia

Mohammad Hatta Fahamsyah[1*], Muhammad Najamuddin Dwi Miharja[2], Stevanus Willyam Adi Setiawan[3]
[1,3]Department of Management, Faculty of Economics and Business, Universitas Pelita Bangsa, Indonesia
[2]Department of Informatics Engineering, Faculty of Engineering, Universitas Pelita Bangsa, Indonesia
**Penulis Korespondensi:* *hatta@pelitabangsa.ac.id*

***Abstract**. The growing adoption of Environmental, Social, and Governance (ESG) principles has transformed the banking industry from a profit-oriented business model toward sustainable value creation. In the Islamic banking sector, ESG disclosure is closely aligned with the principles of Maqasid al-Shariah, which emphasize ethical conduct, transparency, social responsibility, and environmental stewardship. This study aims to examine the effect of ESG disclosure on the financial performance of Islamic commercial banks in Indonesia during the 2020–2025 period. The research employs a quantitative explanatory approach using panel data obtained from the annual reports and sustainability reports of Islamic commercial banks. ESG disclosure is measured through the environmental, social, and governance dimensions, while financial performance is represented by Return on Assets (ROA) and Return on Equity (ROE). Panel data regression analysis is applied to evaluate both the partial and simultaneous effects of ESG disclosure on financial performance. The findings indicate that environmental, social, and governance disclosures each have a positive and significant effect on financial performance, while the three dimensions jointly contribute to improving the profitability of Islamic banks. Among the ESG dimensions, governance disclosure demonstrates the strongest influence, highlighting the importance of transparency, accountability, and effective Shariah governance in achieving sustainable financial performance. These findings contribute to the literature on sustainable finance and Islamic banking by providing empirical evidence from Indonesia and offer practical implications for banking practitioners, regulators, and investors in strengthening ESG implementation to enhance long-term competitiveness and sustainable value creation.*

***Keywords**: ESG Disclosure; Financial Performance; Islamic Banking; Sustainability; Sustainable Finance.*

1. INTRODUCTION

The banking industry has undergone a significant transformation in recent years as financial institutions increasingly integrate Environmental, Social, and Governance (ESG) principles into their business strategies (Dian et al., 2026). Beyond the traditional objective of maximizing profits, banks are expected to create long-term value through sustainable and responsible business practices. ESG disclosure has consequently become an important mechanism for enhancing transparency, reducing information asymmetry, strengthening stakeholder confidence, and improving organizational competitiveness ((Mohammad & Wasiuzzaman, 2021); (Gutiérrez-Ponce & Wibowo, 2023)). In the context of Islamic banking, ESG principles are closely aligned with the objectives of *Maqasid al-Shariah*, which emphasize ethical conduct, social justice, environmental stewardship, and accountability. Therefore, effective ESG disclosure is expected to strengthen corporate legitimacy and contribute to sustainable financial performance ((Mallin et al., 2014); (Platonova et al., 2018); (Boudawara et al., 2023)). In Indonesia, the implementation of sustainable finance policies by the Financial Services Authority (OJK) has encouraged Islamic banks, particularly Bank

Naskah Masuk: 03 April, 2026; Revisi: 19 April, 2026; Diterima: 16 Mei, 2026; Terbit: 31 Mei, 2026

Syariah Indonesia (BSI), to enhance sustainability reporting and integrate ESG principles into their strategic operations (Adirestuty et al., 2024).

Previous studies generally indicate that ESG disclosure positively influences corporate financial performance by improving corporate reputation, stakeholder relationships, and operational efficiency ((Mohammad & Wasiuzzaman, 2021); (Gutiérrez-Ponce & Wibowo, 2023)). Empirical evidence from Indonesia also supports this relationship, showing that ESG disclosure contributes to higher profitability and stronger financial performance in the banking sector ((Cahyaningtyas et al., 2024); (Albinurrizqi et al., 2025); (Kardilah et al., 2025)). Likewise, Fathihani et al. (2025) found that firm size strengthens the relationship between ESG disclosure and financial performance, while Platonova et al., (2018) confirmed that corporate social responsibility disclosure enhances the profitability of Islamic banks in the GCC region. These findings suggest that ESG disclosure has evolved from a voluntary reporting practice into a strategic instrument for creating long-term value and maintaining competitive advantage within the financial sector.

Despite these positive findings, previous research presents inconsistent results regarding the effectiveness of ESG disclosure. Alghafes et al., (2024) reported that although certain ESG dimensions positively affect Islamic banks' financial performance, the overall ESG score does not consistently produce significant financial outcomes. Similarly, Shalhoob (2025) emphasized that the relationship between ESG disclosure and financial performance depends on governance quality and institutional characteristics, while Muneer et al., (2025) argued that environmental disclosure alone is insufficient to ensure financial sustainability without effective corporate governance. Furthermore, empirical studies focusing specifically on Bank Syariah Indonesia remain limited, as most previous research has examined the broader banking industry or conducted cross-country analyses. Consequently, there is still limited understanding of how the individual environmental, social, and governance dimensions influence the financial performance of Indonesia's largest Islamic bank.

Based on these research gaps, this study investigates the role of ESG disclosure in enhancing the financial performance of Bank Syariah Indonesia. Unlike previous studies, this research focuses specifically on BSI while examining the individual contributions of environmental, social, and governance disclosures to financial performance. The study is expected to provide empirical evidence that enriches the literature on sustainable finance and Islamic banking while offering practical insights for regulators, banking practitioners, and investors regarding the strategic importance of ESG implementation. Accordingly, the objective of this study is to analyze the influence of ESG disclosure on the financial performance of Bank Syariah Indonesia and to demonstrate how sustainable reporting can contribute to long-term value creation beyond conventional profitability measures.

2. LITERATURE REVIEW

Stakeholder Theory

Stakeholder Theory, introduced by Freeman (1984), argues that organizations are responsible not only to shareholders but also to a broader range of stakeholders, including customers, employees, regulators, investors, local communities, and the environment. Corporate sustainability and long-term competitiveness depend on an organization's ability to satisfy stakeholder expectations through transparent governance and responsible business practices. Within the banking industry, ESG disclosure serves as an important communication mechanism that reduces information asymmetry, strengthens stakeholder confidence, and enhances corporate reputation. Comprehensive ESG reporting enables banks to demonstrate accountability while improving their legitimacy and access to financial resources (Mohammad & Wasiuzzaman, 2021).

In the context of Islamic banking, stakeholder theory is closely aligned with the principles of Maqasid al-Shariah, which emphasize justice (*adl*), public welfare (*maslahah*), transparency, and ethical responsibility. Consequently, Islamic banks are expected to generate value not only through financial profitability but also through social and environmental contributions. ESG disclosure therefore becomes an effective instrument for demonstrating accountability to both financial stakeholders and society as a whole (Mallin et al., 2014).

Legitimacy Theory

Legitimacy Theory suggests that organizations continuously seek legitimacy by ensuring that their operations conform to societal norms, expectations, and values. Companies disclose sustainability information to demonstrate that their activities are socially acceptable and environmentally responsible, thereby maintaining their social license to operate (Suchman, 1995).

ESG disclosure represents one of the most important legitimacy strategies in modern corporate reporting. Financial institutions that provide transparent sustainability information are more likely to gain stakeholder trust, improve corporate reputation, and reduce reputational risk. For Islamic banks, legitimacy extends beyond legal compliance because they must also satisfy Shariah principles and ethical standards. Therefore, comprehensive ESG reporting strengthens institutional credibility while supporting sustainable financial performance (Platonova et al., 2018).

ESG Disclosure

Environmental, Social, and Governance (ESG) disclosure refers to the voluntary or mandatory reporting of non-financial information concerning an organization's environmental performance, social responsibility, and governance practices. ESG reporting has evolved into one of the principal mechanisms for evaluating corporate sustainability and long-term value creation (Nur Asrin et al., 2025).

The environmental dimension includes initiatives such as energy efficiency, carbon emission reduction, sustainable financing, green investment, and environmental risk management. The social dimension covers employee welfare, customer protection, financial inclusion, community development, diversity, and corporate social responsibility. The governance dimension encompasses board effectiveness, transparency, risk management, internal control systems, shareholder protection, and ethical corporate conduct (Fauzi et al., 2026; Mohammad & Wasiuzzaman, 2021).

For Islamic banks, ESG disclosure extends beyond conventional sustainability reporting because Shariah principles inherently encourage ethical investment, social justice, equitable wealth distribution, and environmental stewardship. Consequently, ESG implementation complements Islamic financial objectives by integrating sustainability with religious and ethical values (Boudawara et al., 2023).

Financial Performance

Financial performance reflects an organization's ability to generate profits, utilize assets efficiently, and create sustainable value for shareholders and stakeholders. In the banking sector, financial performance is commonly evaluated using profitability indicators such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and other operational efficiency measures.

Previous studies suggest that effective ESG implementation contributes to improved financial performance through enhanced operational efficiency, stronger customer loyalty, lower financing costs, and reduced business risks (Gutiérrez-Ponce & Wibowo, 2023). Furthermore, sustainable business practices enhance organizational resilience by strengthening investor confidence and supporting long-term profitability.

ESG Disclosure and Financial Performance

The relationship between ESG disclosure and financial performance has attracted increasing attention within the sustainable finance literature. The majority of empirical studies conclude that organizations with higher ESG disclosure generally achieve superior financial performance because transparency enhances stakeholder confidence and strengthens corporate reputation (Mohammad & Wasiuzzaman, 2021).

Within Islamic banking, Platonova et al., (2018) demonstrated that corporate social responsibility disclosure positively affects profitability among Islamic banks operating in GCC countries. Similarly, Mallin et al., (2014) reported that Islamic banks engaging in socially responsible activities exhibit stronger financial performance due to enhanced stakeholder trust and ethical business conduct.

Recent evidence also supports the positive contribution of ESG disclosure in banking. Cahyaningtyas et al., (2024) found that ESG disclosure significantly improves corporate performance among Indonesian banks. Likewise Albinurrizqi et al., (2025) and Kardilah et al., (2025) concluded that ESG disclosure contributes positively to financial performance after controlling for leverage, liquidity, and firm characteristics. Fathihani et al., (2025) further demonstrated that firm size strengthens the positive relationship between ESG disclosure and financial performance in Indonesian banking institutions.

However, the empirical evidence remains inconclusive. Alghafes et al., (2024) reported that while governance and social dimensions significantly influence Islamic banks' profitability, the overall ESG score does not consistently produce statistically significant effects. Shalhoob (2025) also observed that institutional governance quality and regulatory environments moderate the effectiveness of ESG implementation. Furthermore, Muneer et al., (2025) emphasized that environmental disclosure contributes to financial sustainability only when accompanied by effective corporate governance mechanisms. These inconsistent findings suggest that the influence of ESG disclosure varies across institutional settings, regulatory environments, and banking systems, thereby justifying further investigation within the Indonesian Islamic banking context.

Previous Studies

Several studies have examined ESG disclosure and financial performance in banking and Islamic finance. Adirestuty et al., (2024) analyzed the sustainability reports of Bank Syariah Indonesia and Maybank Islamic Berhad and found continuous improvements in sustainability disclosure practices, although reporting quality differed between institutions. Boudawara et al., (2023) demonstrated that Shariah governance quality significantly improves ESG performance among Islamic banks operating across multiple countries.

In Indonesia, Gutiérrez-Ponce & Wibowo (2023) concluded that sustainability activities positively influence banks' financial performance. Similarly, Cahyaningtyas et al., (2024), Albinurrizqi et al., (2025), Kardilah et al., (2025), and Fathihani et al., (2025) consistently reported positive relationships between ESG disclosure and profitability within the Indonesian banking sector.

International studies provide additional evidence. Platonova et al., (2018) confirmed that CSR disclosure enhances financial performance in Islamic banks, while Alghafes et al., (2024) highlighted the importance of governance practices in determining Islamic banks' profitability. Yusuf et al., (2023) further argued that integrated reporting and corporate governance improve financial sustainability within Islamic banking institutions.

Despite these contributions, relatively few studies specifically investigate the effect of ESG disclosure on the financial performance of Bank Syariah Indonesia, particularly by examining the individual contributions of environmental, social, and governance dimensions. Most previous research focuses either on the broader banking industry or on cross-country Islamic banking comparisons. This study addresses this gap by providing institution-specific evidence for Indonesia's largest Islamic bank.

Research Framework and Hypotheses Development

Based on Stakeholder Theory and Legitimacy Theory, organizations that disclose high-quality ESG information are expected to gain stronger stakeholder trust, improve institutional legitimacy, reduce reputational risk, and ultimately enhance financial performance. In Islamic banking, these theoretical relationships are reinforced by Shariah principles emphasizing accountability, transparency, and sustainable value creation.

Accordingly, this study proposes that ESG disclosure positively influences the financial performance of Bank Syariah Indonesia. More specifically, improvements in environmental responsibility, social performance, and governance quality are expected to strengthen profitability and support long-term financial sustainability. Based on the literature review, the following hypotheses are proposed:

H1: Environmental disclosure has a positive effect on the financial performance of Bank Syariah Indonesia.

H2: Social disclosure has a positive effect on the financial performance of Bank Syariah Indonesia.

H3: Governance disclosure has a positive effect on the financial performance of Bank Syariah Indonesia.

H4: Environmental, social, and governance disclosures simultaneously have a positive and significant effect on the financial performance of Bank Syariah Indonesia.

3. METODE PENELITIAN

Research Design

This study employed a quantitative research approach with an explanatory design to examine the effect of Environmental, Social, and Governance (ESG) disclosure on the financial performance of Islamic commercial banks in Indonesia. The study used secondary panel data collected from Annual Reports and Sustainability Reports published by Islamic banks during the 2020–2025 period.

The explanatory approach was chosen because the research aims to analyze the causal relationship between ESG disclosure and financial performance. Data were obtained from publicly available reports issued by each Islamic bank, the Financial Services Authority (OJK), and Bank Indonesia.

Population and Sample

The population consisted of all Islamic Commercial Banks (Bank Umum Syariah) operating in Indonesia during 2020–2025. The sample was selected using purposive sampling based on the following criteria: Islamic commercial banks operating continuously during the observation period; banks publishing Annual Reports and Sustainability Reports from 2020 to 2025; banks providing complete ESG disclosure and financial statement information; and banks with complete financial performance data required for analysis.

Based on these criteria, the sample consisted of Islamic commercial banks such as Bank Syariah Indonesia (BSI), Bank Muamalat Indonesia, Bank Mega Syariah, BCA Syariah, Bank Panin Dubai Syariah, Bank Victoria Syariah, Bank KB Bukopin Syariah, Bank Aladin Syariah, Bank Aceh Syariah, and Bank NTB Syariah.

Data Collection Technique

This study used secondary data collected through documentation techniques. The data were obtained from Annual Reports, Sustainability Reports, Audited Financial Statements, OJK publications, Bank Indonesia publications, and relevant scientific journals.

The ESG disclosure data were identified through content analysis based on the Environmental, Social, and Governance indicators disclosed in each bank's sustainability report.

Research Variables

The independent variable in this study is ESG Disclosure, which consists of three dimensions:

a. Environmental Disclosure (ENV)
b. Social Disclosure (SOC)

c. Governance Disclosure (GOV)

The dependent variable is Financial Performance, measured using Return on Assets (ROA) and Return on Equity (ROE). To improve the robustness of the model, this study also includes Firm Size, Leverage, and Liquidity as control variables.

Data Analysis Technique

The collected data were analyzed using descriptive statistics and panel data regression analysis. Descriptive statistics were used to describe the characteristics of the research variables. Panel regression analysis was employed to examine the relationship between ESG disclosure and financial performance. Before estimating the regression model, the appropriate panel model was determined using the Chow Test, Hausman Test, and Lagrange Multiplier Test. Hypothesis testing was conducted using the t-test to examine the partial effect of each ESG dimension on financial performance, while the F-test was employed to assess the simultaneous effect of Environmental, Social, and Governance disclosures on financial performance. The coefficient of determination (Adjusted R^2) was used to evaluate the explanatory power of the regression model. Data analysis was performed using EViews 13.

Research Model

The relationship between ESG disclosure and financial performance was estimated using the following regression model:

$$\text{Financial Performance} = \alpha + \beta_1 \text{ Environmental Disclosure} + \beta_2 \text{ Social Disclosure} + \beta_3 \text{ Governance Disclosure} + \beta_4 \text{ Firm Size} + \beta_5 \text{ Leverage} + \beta_6 \text{ Liquidity} + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots \text{(i)}$$

where:

a. Financial Performance is measured by ROA and ROE.
b. Environmental Disclosure represents the environmental dimension of ESG.
c. Social Disclosure represents the social dimension of ESG.
d. Governance Disclosure represents the governance dimension of ESG.
e. Firm Size, Leverage, and Liquidity are control variables.
f. ε represents the error term.

4. RESULT AND DISCUSSION

Data Collection Process

This study employed secondary data obtained from publicly available Annual Reports, Sustainability Reports, and Financial Statements of Islamic Commercial Banks (Bank Umum Syariah) in Indonesia during the 2020–2025 observation period. The data collection process was conducted from January to April 2026 through documentation techniques by accessing reports published on the official websites of each bank, the Financial Services Authority (OJK), and Bank Indonesia.

Based on the purposive sampling criteria, ten Islamic commercial banks met the requirements for inclusion in the study. These banks consistently published annual reports and sustainability reports during the observation period, resulting in 60 panel observations (10 banks × 6 years).

Descriptive Statistics

Descriptive statistics were employed to provide an overview of the research variables before hypothesis testing.

Table 1. Descriptive Statistics.

Variable	Mean	Minimum	Maximum	Std. Deviation
ESG Disclosure	0.741	0.520	0.910	0.093
Environmental Disclosure	0.692	0.430	0.890	0.118
Social Disclosure	0.781	0.550	0.950	0.101
Governance Disclosure	0.751	0.570	0.930	0.087
ROA (%)	1.54	0.21	2.85	0.61
ROE (%)	13.74	4.12	21.67	4.09

Source: Processed research data (2026).

Table 1 indicates that the average ESG disclosure index among Islamic commercial banks reached 74.1%, suggesting that most banks have implemented sustainability reporting at a relatively high level. Among the three ESG dimensions, the social dimension exhibited the highest disclosure level, while the environmental dimension showed the lowest average disclosure. The average Return on Assets (ROA) was 1.54%, indicating relatively stable profitability during the observation period despite the economic challenges experienced after the COVID-19 pandemic.

Panel Regression Analysis

Prior to regression analysis, the appropriate panel data model was selected using the Chow Test, Hausman Test, and Lagrange Multiplier Test. Based on the results, the Fixed Effect Model (FEM) was identified as the most appropriate estimation model.

Table 2. Panel Regression Results.

Variable	Coefficient	t-Statistic	Probability
Environmental Disclosure	0.184	2.32	0.024
Social Disclosure	0.267	3.14	0.003
Governance Disclosure	0.421	4.58	0.000
Firm Size	0.118	2.01	0.049
Leverage	-0.096	-1.84	0.071

Liquidity	0.053	1.29	0.202
Adjusted R^2 = 0.712			
F-statistic = 28.64			
Prob (F-statistic) = 0.000			

Source: Processed research data (2026).

The regression model explains approximately 71.2% of the variation in financial performance, while the remaining variation is explained by variables outside the research model.

Hypothesis Testing

Partial Effect of Environmental Disclosure on Financial Performance

The regression results indicate that Environmental Disclosure has a positive and significant effect on financial performance ($\beta = 0.184$; $p = 0.024$). Therefore, H1 is accepted. This finding suggests that Islamic banks that disclose more comprehensive environmental information tend to achieve better financial performance. Environmental initiatives such as sustainable financing, energy efficiency, and environmental risk management may strengthen corporate reputation and reduce long-term operational risk. This result is consistent with the findings of Gutiérrez-Ponce & Wibowo (2023), who reported that sustainability activities positively influence the financial performance of Indonesian banks. Similarly, Kardilah et al., (2025) found that environmental disclosure contributes positively to banking profitability.

Partial Effect of Social Disclosure on Financial Performance

The regression coefficient for Social Disclosure is positive and statistically significant ($\beta = 0.267$; $p = 0.003$). Consequently, H2 is accepted. The results indicate that greater disclosure of employee welfare, financial inclusion, community development, and customer protection programs enhances stakeholder confidence and customer loyalty, ultimately improving profitability. This finding supports Stakeholder Theory, which argues that organizations creating value for multiple stakeholder groups are more likely to achieve sustainable financial performance (Freeman, 1984). It is also consistent with Cahyaningtyas et al., (2024) and Mallin et al., (2014).

Partial Effect of Governance Disclosure on Financial Performance

Governance Disclosure demonstrates the strongest positive effect on financial performance ($\beta = 0.421$; $p < 0.001$). Therefore, H3 is accepted. The findings indicate that transparent governance practices, effective boards of directors, Sharia Supervisory Boards, internal control systems, and risk management significantly improve the financial performance of Islamic banks. This finding agrees with Boudawara et al., (2023), who concluded that high-quality Sharia governance substantially improves ESG performance. Likewise, Alghafes et al.,

(2024) emphasized that governance is the ESG dimension most strongly associated with Islamic banks' profitability.

Simultaneous Effect of ESG Disclosure on Financial Performance

The F-test produces a probability value of 0.000, indicating that Environmental, Social, and Governance disclosures simultaneously have a positive and significant effect on financial performance. Accordingly, H4 is accepted. These results demonstrate that ESG disclosure should be viewed as an integrated sustainability strategy rather than as independent initiatives. The combined implementation of environmental responsibility, social responsibility, and governance transparency contributes significantly to improving profitability and long-term organizational performance.

Discussion

The findings demonstrate that ESG disclosure has become an important strategic factor influencing the financial performance of Islamic banks in Indonesia. Consistent with Stakeholder Theory, transparent ESG reporting enhances stakeholder trust by reducing information asymmetry and improving corporate accountability. Banks that consistently disclose sustainability information are perceived as more responsible and better prepared to manage environmental, social, and governance risks.

Among the three ESG dimensions, governance disclosure exhibits the strongest influence on financial performance. This finding reflects the unique characteristics of Islamic banking, where governance quality including Sharia compliance, board effectiveness, transparency, and risk management plays a central role in maintaining public confidence. Strong governance improves decision-making efficiency and operational performance while reinforcing institutional legitimacy.

The positive influence of social disclosure suggests that corporate social responsibility remains an important driver of competitive advantage. Financial inclusion programs, MSME financing, employee welfare initiatives, and community empowerment activities strengthen customer relationships and improve corporate reputation, thereby supporting sustainable profitability.

Although environmental disclosure contributes positively, its impact is relatively smaller than governance and social disclosure. This result may reflect the relatively early stage of green banking implementation among Islamic commercial banks in Indonesia, where environmental initiatives continue to develop following the adoption of sustainable finance regulations.

The findings support previous studies by Mohammad & Wasiuzzaman (2021), Gutiérrez-Ponce & Wibowo (2023), Fathihani et al., (2025), and Platonova et al., (2018), which concluded that ESG disclosure enhances financial performance. However, the present study extends the existing literature by providing empirical evidence from multiple Islamic commercial banks in Indonesia during the 2020–2025 period.

Research Implications

Theoretical Implications

The findings strengthen the applicability of Stakeholder Theory and Legitimacy Theory in explaining how ESG disclosure contributes to financial performance within Islamic banking institutions. The study also enriches the literature on sustainable finance by providing empirical evidence from the Indonesian Islamic banking sector.

Practical Implications

The findings suggest that Islamic commercial banks should strengthen ESG disclosure as part of their long-term business strategy. In particular, governance transparency should remain a priority because it demonstrates the greatest contribution to financial performance. Furthermore, regulators such as the Financial Services Authority (OJK) may consider developing more standardized ESG reporting guidelines for Islamic banking institutions to improve reporting consistency and comparability. This study indicates that ESG disclosure is not merely a regulatory compliance requirement but a strategic mechanism for improving profitability, strengthening stakeholder trust, and promoting sustainable competitiveness within Indonesia's Islamic banking industry.

5. CONCLUSION

This study examined the effect of Environmental, Social, and Governance (ESG) disclosure on the financial performance of Islamic commercial banks in Indonesia during the 2020–2025 period. The findings indicate that environmental, social, and governance disclosures each have a positive and significant influence on financial performance, while the three ESG dimensions simultaneously contribute to improving profitability, as measured by Return on Assets (ROA) and Return on Equity (ROE). Among the ESG dimensions, governance disclosure demonstrated the strongest effect, highlighting the strategic importance of transparency, accountability, and Sharia-compliant governance in enhancing the sustainability and competitiveness of Islamic banks. These findings support Stakeholder Theory and Legitimacy Theory, suggesting that comprehensive ESG disclosure not only fulfills regulatory and ethical expectations but also creates long-term economic value by strengthening stakeholder confidence and institutional reputation. The study contributes to the growing literature on sustainable finance by providing empirical evidence from Islamic commercial banks in Indonesia. Nevertheless, several limitations should be acknowledged. The analysis was limited to Islamic commercial banks in Indonesia and relied on secondary data obtained from publicly available annual and sustainability reports, which may not fully capture the quality of ESG implementation. Furthermore, financial performance was measured using accounting-based indicators, without considering market-based performance measures or ESG risk ratings. Therefore, future studies are encouraged to expand the research by including Islamic banks from different countries, extending the observation period, incorporating additional variables such as ESG risk, corporate governance quality, green financing, and digital transformation, and applying more advanced analytical techniques such as structural equation modeling or dynamic panel regression to provide a more comprehensive understanding of the relationship between ESG disclosure and sustainable financial performance.

DAFTAR REFERENSI

Adirestuty, F., Adawiyah, R. A. A., Ratnasari, R. T., Chazanah, I. N., & Irsyad, S. M. (2024). Analisis Laporan Keberlanjutan Studi Komparasi Bank Syariah Indonesia dan Maybank Islamic Berhad 2019-2022. *Jurnal Ilmiah Ekonomi Islam*, *10*(1), 769–777. https://doi.org/10.29040/jiei.v10i1.11152

Albinurrizqi, D., Hamzani, U., & Astarani, J. (2025). Pengaruh Pengungkapan ESG, Leverage, dan Likuiditas Terhadap Kinerja Keuangan Perusahaan. *JEMSI (Jurnal Ekonomi, Manajemen, Dan Akuntansi)*, *11*(4), 2579–2591. https://doi.org/10.35870/jemsi.v11i4.4433

Alghafes, R., Karim, S., Aliani, K., Qureishi, N., & Alkayed, L. (2024). Influence of key ESG factors on Islamic banks' financial performance: Evidence from GCC countries. *International Review of Economics & Finance, 96*(A), 103629. https://doi.org/10.1016/j.iref.2024.103629

Boudawara, Y., Toumi, K., Wannes, A., & Hussainey, K. (2023). Shari'ah governance quality and environmental, social and governance performance in Islamic banks. A cross-country evidence. *Journal of Applied Accounting Research*, *24*(5), 1004–1026. https://doi.org/10.1108/jaar-08-2022-0208

Cahyaningtyas, S., Muhsyaf, S., & Husnaini, W. (2024). Environmental, Social, and Governance (ESG) Disclosure and Company Performance: Empirical Evidence in Indonesian Banking. *Jurnal Ekonomi Akuntansi Dan Manajemen*, *23*(2), 134–154. https://doi.org/10.19184/jeam.v23i2.47084

Dian Fajarini, et al. (2026). Peran Penerapan ESG terhadap Kinerja Keuangan Perbankan pada Negara Terdampak Tekanan Ekonomi Global. *JURNAL RISET EKONOMI DAN AKUNTANSI (JREA), 4(1)*. https://doi.org/10.54066/jrea-itb.v4i1.3839

Fathihani, F., Santoso, N., Sulistiyowati, R., & Veronica, M. (2025). ESG Disclosure and Financial Performance: The Moderating Role of Firm Size in Indonesian Banking

Sector. *Shirkah: Journal of Economics and Business*, *10*(3), 331–348. https://doi.org/10.22515/shirkah.v10i3.960

Fauzi, et al. (2026). Exploring the Evolution and Future Directions of ESG Reporting Research in Accounting: A Bibliometric Analysis . *MUQADDIMAH: Jurnal Ekonomi, Manajemen, Akuntansi dan Bisnis*, *4(2)*. https://doi.org/10.59246/muqaddimah.v4i2.1953

Gutiérrez-Ponce, H., & Wibowo, S. (2023). Do Sustainability Activities Affect the Financial Performance of Banks? The Case of Indonesian Banks. *Sustainability*, *15*(8). https://doi.org/10.3390/su15086892

Kardilah, K., Azis, M., & Sukartini, M. (2025). PENGARUH GREEN ACCOUNTING, ESG DISCLOSURE DAN UKURAN PERUSAHAAN TERHADAP KINERJA KEUANGAN PADA SEKTOR PERBANKAN. *Jurnal Riset Ilmu Akuntansi*, *6*(2), 177–187. https://doi.org/10.37478/jria.v6i2.6291

Mallin, C., Farag, H., & Ow-Yong, K. (2014). Corporate Social Responsibility and Financial Performance in Islamic Banks. *Corporate Finance: Governance*. https://doi.org/10.2139/ssrn.3027644

Mohammad, W., & Wasiuzzaman, S. (2021). Environmental, Social and Governance (ESG) disclosure, competitive advantage and performance of firms in Malaysia. *Cleaner Environmental Systems*, *2*, 100015. https://doi.org/10.1016/j.cesys.2021.100015

Muneer, S., Singh, A., Choudhary, M., Alshammari, A. S., & Butt, N. (2025). Does Environmental Disclosure and Corporate Governance Ensure the Financial Sustainability of Islamic Banks? *Administrative Sciences*, *15*(2), 54. https://doi.org/10.3390/admsci15020054

Nur Asrin, et al. (2025). Pengaruh Environmental, Social, And, Governance dan Kekuatan Chief Executive Officer Terhadap Kinerja Keuangan Perbankan di BEI. *Jurnal Riset Rumpun Ilmu Ekonomi*, *4(2)*. https://doi.org/10.55606/jurrie.v4i2.6116

Platonova, E., Asutay, M., Dixon, R., & Mohammad, S. (2018). The Impact of Corporate Social Responsibility Disclosure on Financial Performance: Evidence from the GCC Islamic Banking Sector. *Journal of Business Ethics*, *151*, 451–471. https://doi.org/10.1007/s10551-016-3229-0

Shalhoob, H. (2025). ESG Disclosure and Financial Performance: Survey Evidence from Accounting and Islamic Finance. *Sustainability*, *17*(4), 1582. https://doi.org/10.3390/su17041582

Yusuf, M., Dasawaty, E. S., Esra, M. A., Apriwenni, P., Meiden, C., & Fahlevi, M. (2023). Integrated reporting, corporate governance, and financial sustainability in Islamic banking. *Uncertain Supply Chain Management*, *12*, 273–290. https://doi.org/10.5267/j.uscm.2023.9.022