



# The Impact of Green Banking Adoption, Company Size, and Good Corporate Governance on the Profitability of Islamic Commercial Banks in Indonesia

Nisa Arista, Ahmad Zuliensyah, Is Susanto  
State Islamic University of Raden Intan Lampung, Indonesia

## Article History

Received : 2026-03-14  
Revised : 2026-05-02  
Accepted : 2026-05-11  
Published : 2026-06-08

## Keywords:

Green Banking; Good Corporate Governance; Company Size; Profitability

## DOI:

<https://doi.org/10.54045/Mutanaqishah.v6i1.3499>

## JEL Classification:

G21, G32, Z12, Q14

## Corresponding author:

Nisa Arista  
[nisa.bltjy@gmail.com](mailto:nisa.bltjy@gmail.com)

## Paper type:

Research paper

## Abstract

**Purpose** – This study aims to analyse the effect of Green Banking implementation, Company Size, and Good Corporate Governance on the profitability of Islamic Commercial Banks in Indonesia for the period 2019–2024.

**Methodology** – Quantitative research using panel data from six Islamic Commercial Banks through financial reports and sustainability reports. Analysis using Fixed Effect Model (FEM) panel data regression.

**Findings** – Green Banking and GCG have a significant positive effect on ROA, while Company Size has no significant effect. Simultaneously, the three variables have no significant effect.

**Implications**– This study can serve as a basis for the conclusion that the profitability performance of Islamic Commercial Banks is not primarily influenced by the scale of total assets, but is more determined by the effectiveness of Green Banking implementation and the quality of Good Corporate Governance practices.

**Originality**– This study offers originality by integrating the variables of Green Banking, Company Size, and Good Corporate Governance into a single panel data model analysed from an Islamic economic perspective for the period 2019–2024.

## Cite this article:

Arista, N., Zuliensyah, A., & Susanto, I. (2026). The Impact of Green Banking Adoption, Company Size, and Good Corporate Governance on the Profitability of Islamic Commercial Bank in Indonesia. *Mutanaqishah: Journal of Islamic Banking*, 6(1), 53–67.  
<https://doi.org/10.54045/Mutanaqishah.v6i1.3499>



Department of Islamic Banking, Faculty of  
Islamic Economics and Business, IAIN  
Sultan Arifin Gorontalo, Indonesia

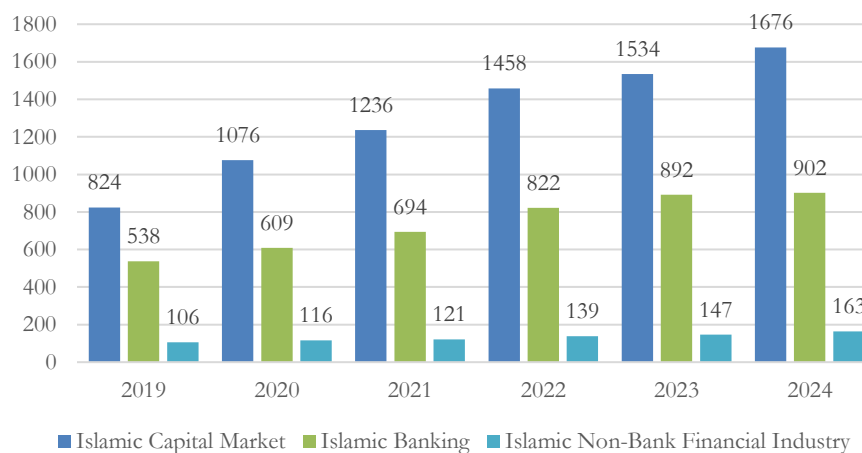
## 1. Introduction

Banking plays a crucial role in driving economic growth, including Islamic banking in Indonesia, which has shown a positive trend in fundraising and financing disbursements. Islamic commercial banks operate based on Islamic principles, avoiding usury, gharar, and maisir, which are based on the values of justice and benefit (Situmorang & Simanjuntak, 2019). Islamic bank performance is measured not only by profit but also by its contribution to the objectives of the maqasid of sharia (Annisa et al., 2025). However, despite the continued increase in Islamic banking assets, its market share remains relatively small, indicating challenges in increasing competitiveness (Fitriyani et al., 2024).



In the face of these conditions, profitability is a crucial indicator of a bank's ability to manage assets to generate profits, generally measured by Return on Assets (ROA) (Putra et al., 2024). However, the data indicate an imbalance between asset growth and profit growth, exerting pressure on profitability (Azhari & Wahyudi, 2020). This indicates that the increase in business scale has not been fully accompanied by efficiency and performance optimisation. A high ROA demonstrates a bank's ability to efficiently manage assets to generate profits. However, Islamic banks still have a relatively small market share compared to conventional banks, limiting their business scale and potential revenue (Mulya, 2021). Nevertheless, this situation encourages Islamic banks to optimise their asset and resource management to remain competitive. This is evident in the significant growth in assets, from IDR 538 trillion in 2019 to IDR 902 trillion in 2024, indicating strong expansion in this sector. However, this increase has not kept pace with the still-limited market share, which reached only 11.41% in June 2024, up from around 9% in June 2019. Figure 1 illustrates the development of Indonesia's Islamic financial industry and highlights the disparity between asset growth and market share expansion.

**Figure 1. Development of Sharia Financial Assets**



**Source:** Financial Services Authority (2024)

Figure 1 illustrates the disparity between the rapid growth of Islamic financial assets and the relatively limited expansion of market share. This condition suggests that the increase in asset scale has not been fully accompanied by improvements in competitiveness and operational performance. Financial Services Authority (OJK) data show that the average ROA declined from 2.77% in December 2023 to 2.62% in March 2024, despite 7.3% annual asset growth and profit growth of only about 1.5%. This imbalance highlights inefficiencies in managing asset expansion, which puts pressure on the profitability of Islamic Commercial Banks (BUS). To further examine the profitability performance of Islamic Commercial Banks, it is important to analyse the development of Return on Assets (ROA) during the observation period. The trend of ROA from 2019 to 2024 is presented in Figure 2.

**Figure 2. Development of ROA of Islamic Commercial Banks**



**Source:** Financial Services Authority (2024)

Figure 2 shows the fluctuation of ROA in Islamic Commercial Banks from 2019 to 2024. ROA development fluctuated, starting at 1.73% in 2019, declining to 1.40% in 2020, then increasing to 1.55% in 2021 and 2.00% in 2022. It then slightly decreased to 1.88% in 2023 before rebounding to approximately 2.10% in 2024. These fluctuations indicate that, despite continued asset growth, the ability of Islamic Commercial Banks to generate profits remains unstable. Therefore, Islamic commercial banks need to improve the effectiveness of resource and risk management to maintain profitability.

In line with global sustainability pressures, the financial sector is also required to adopt ESG principles. In Indonesia, this is regulated through POJK No. 51/POJK.03/2017, which encourages the implementation of Green Banking practices in Islamic banking. Green banking is a banking strategy that integrates environmental aspects into operations and financing to maintain business sustainability and comply with Sharia principles (Nurmalia et al., 2021). Its implementation includes sustainable financing, resource efficiency, and environmental responsibility (Anggraini et al., 2019).

Previous research on the impact of Green Banking on profitability has yielded mixed results. Ratnasari (2018) found that the implementation of Green Banking negatively impacted profitability due to increased operational costs, particularly CSR costs. Conversely, Hanif et al. (2020) and Anggraini et al. (2019) showed that Green Banking had a positive effect on the profitability of Islamic commercial banks. These discrepancies indicate that the impact of Green Banking remains inconsistent and requires further testing (Sarker, 2020). In addition to Green Banking, Good Corporate Governance (GCG) is a crucial factor in determining bank performance and profitability. GCG encompasses transparency, accountability, and management control through structures such as an independent supervisory board and audit team (Mayangsari et al., 2025). From an Islamic perspective, GCG is reinforced by Islamic Corporate Governance (ICG) and the role of the Sharia Supervisory Board (SSB). However, previous research has shown inconsistent results regarding the impact of GCG on profitability (Cupian et al., 2023). Company size also influences profitability because it reflects the scale of operations and asset management capacity. Large companies have the advantage of scale and broader access to funding, but they also potentially face complexity and inefficiency (Jubaedah et al., 2024). Previous research has also shown mixed results, with both positive and insignificant effects.

Previous studies have yielded mixed results, with some finding a positive effect of firm size on profitability, while others found no significant effect. The 2019–2024 study period represents a crucial period for Indonesia's Islamic banking industry, marked by economic disruptions from the COVID-19 pandemic and the industry's consolidation. Previous studies have generally focused on internal financial factors such as operational efficiency and non-performing loans, while strategic aspects such as Green Banking and corporate governance have been relatively underexplored, particularly in Islamic Commercial Banks.

Based on inconsistencies in prior research findings and empirical evidence, this study aims to analyse the influence of Green Banking implementation, company size, and Good Corporate Governance on the profitability of Islamic Commercial Banks in Indonesia during 2019–2024. This study is expected to provide academic and practical contributions to strengthening the performance of Islamic banking, ensuring it is not only profit-oriented but also aligned with the principles of sustainability, good governance, and the values of Islamic maqasid.

## 2. Literature Review

### 2.1 Legitimacy Theory

Legitimacy theory holds that companies need to conduct operations in line with prevailing societal norms and values to gain social acceptance and maintain business continuity (Dowling & Pfeffer, 2018). Therefore, a company's existence is assessed not only from an economic perspective but also by its alignment with evolving social expectations. In the context of Islamic banking, demands for social and environmental responsibility are becoming increasingly important. Therefore, the implementation of green banking and the disclosure of environmental information can be seen as a company's efforts to demonstrate that its activities align with societal values. (Rawi

& Muchllish, 2010). These efforts also serve as a means to build trust and a positive public image (Gray et al., 1995). If a company is able to achieve legitimacy, it can strengthen its reputation and increase public trust, which ultimately has a positive impact on profitability (Rokhlianasari, 2015). Conversely, if a company's activities are misaligned with prevailing societal values, it can diminish public trust and lead to a decline in the company's financial performance. Conversely, if a company's activities are not aligned with prevailing societal values, this can erode public trust (Suchman, 1995). This decline in trust can ultimately impact the company's financial performance (Deegan et al., 2000).

## 2.2 Stakeholder Theory

Stakeholder theory holds that a company's sustainability is strongly influenced by support from stakeholders such as customers, investors, regulators, and the public. Each of these parties has expectations that must be considered to ensure that the relationship remains sound and mutually beneficial. Each of these parties has expectations that must be considered to ensure that the relationship remains sound and mutually beneficial (Freeman, 1984). In this study, Islamic banks need to be able to adapt to stakeholder needs, particularly in terms of transparency, social responsibility, and environmental awareness (Deegan, 2004). The implementation of green banking and good corporate governance (GCG) can be seen as concrete steps taken by companies to meet these expectations (Handoko, 2014). When a company is able to meet stakeholder expectations, its support will be stronger, thereby increasing trust and loyalty (Gray et al., 1995). This condition can ultimately have a positive impact on financial performance. Therefore, stakeholder theory supports the positive influence of green banking and GCG on profitability.

## 2.3 Profitability

Profitability describes a company's ability to generate profits from all its assets, which in this study is measured using ROA (Ramdhonah & Sari, 2019). Profitability levels can be used to assess how effectively a company utilises resources and implements its established strategies. In Islamic banking, profitability is not only determined by internal company factors but is also influenced by responses to external pressures, such as environmental issues and the implementation of good corporate governance (Hanif et al., 2020). The implementation of green banking, for example, can help increase operational efficiency while improving the company's image, potentially contributing positively to profitability (Anggraini et al., 2022). Furthermore, larger companies generally have the opportunity to achieve better economies of scale, thereby increasing efficiency (Siahaan et al., 2021). The implementation of Good Corporate Governance (GCG) also plays a role in reducing risk and improving the quality of decision-making, which ultimately impacts the company's financial performance (Sianturi et al., 2025). However, in the initial stages of implementation, green banking can incur additional operational costs, such as investment in technology and environmental programs, which have the potential to reduce profitability levels in the short term (Ratnasari 2018).

## 2.4 Green Banking

Green banking is a banking effort to integrate environmental aspects into policies, products, and operational activities to support sustainable development (Handoko, 2014). This concept has developed in line with growing public awareness of the importance of environmental preservation. From a legitimacy theory perspective, the implementation of green banking is a corporate strategy to gain social recognition by demonstrating environmental concern (Rawi & Muchllish, 2010). Meanwhile, from a stakeholder perspective, green banking represents a form of corporate responsibility in meeting the demands of stakeholders (Deegan, 2004). Analytically, the implementation of green banking tends to have a positive impact on profitability by increasing customer trust and corporate reputation (Hanif et al., 2020). However, implementing this policy also requires significant initial investments, such as environmentally friendly technology and CSR programs, which can have negative impacts in the short term (Karyani & Obrien, 2020). Therefore, the impact of green banking on profitability can be positive in the long term.

## 2.5 Company Size

Company size reflects the scale of operations, as measured using the natural logarithm of total assets (Siahaan et al., 2021). The larger the company, the greater the resources available to support operational activities. Large companies generally have advantages in the form of economies of scale, broader access to funding, and the ability to diversify risks (Nasir, 2020). This allows companies to increase efficiency and drive profitability. However, large company size can also create management complexity, potentially reducing efficiency if not managed optimally (Maryani & Syukri, 2020). Therefore, in general, company size tends to have a positive effect on profitability, although under certain conditions it may be insignificant.

## 2.6 Good Corporate Governance

Good Corporate Governance (GCG) is a corporate governance system that emphasises the principles of transparency, accountability, responsibility, independence, and fairness in company management (Umam, 2020). The implementation of GCG aims to ensure that the company is managed professionally and responsibly. In this study, GCG was measured based on bank self-assessments, which reflect the quality of corporate governance implementation (Sianturi et al., 2025). Good GCG implementation can reduce conflicts of interest between management and owners and minimise the risk of moral hazard (Nuridah et al., 2023). Analytically, GCG positively impacts profitability by improving operational efficiency, decision-making quality, and investor confidence in the company. However, the effectiveness of GCG is highly dependent on its implementation, so not all mechanisms have the same impact on company performance.

## 2.7 Hypotheses

### 2.7.1 The Effect of Green Banking on Profitability

From the perspective of Legitimacy Theory, companies strive to maintain alignment between their operations and prevailing societal values. The implementation of green banking can be understood as a bank's response to social demands related to environmental concerns. Mechanistically, this effort has the potential to increase corporate legitimacy, which is then reflected in increased public trust, a positive image, and attractiveness to investors and customers. This condition can ultimately drive improved financial performance, including profitability. From a Stakeholder Theory perspective, the implementation of green banking also demonstrates a company's ability to accommodate the interests of various stakeholders who are increasingly concerned about sustainability aspects. When stakeholder expectations are met, relationships become stronger, contributing to stability and improved company performance.

Empirical findings show mixed results. Kayana et al. (2025) suggest that green banking is theoretically expected to positively affect profitability by strengthening the bank's reputation. These results align with research by Hanif et al. (2018) and Anggraini et al. (2022), which found a positive effect of green banking on the profitability of Islamic Commercial Banks in Indonesia. On the other hand, Karyani and Obrien (2020) showed that implementing green banking had a negative impact on profitability, despite increasing company value. This indicates that, in the initial stages, implementing this policy can increase operational costs, resulting in suboptimal financial benefits. Based on this description, the following hypothesis is proposed:

*H<sub>1</sub>: Green Banking has a significant effect on Profitability*

### 2.7.2 The Effect of Company Size on Profitability

From the perspective of Legitimacy Theory, larger companies tend to have greater public exposure, which encourages them to maintain stable performance and reputation to sustain legitimacy in the public eye. Large company size is also often associated with higher credibility, which can increase investor and customer trust. Furthermore, Stakeholder Theory explains that large companies have broader resource capacity and more complex relationships with various

stakeholders. Mechanistically, this condition enables companies to improve operational efficiency, expand access to funding, and diversify their businesses, ultimately increasing profitability. Empirically, Siahaan et al. (2021) and Nasir (2020) found that company size has a positive and significant effect on profitability, as reflected in increased Return on Assets (ROA). Maryani and Syukri (2020) showed that company size does not significantly influence profitability. These differences in findings indicate that the influence of company size is context-dependent and warrants further testing in Islamic Commercial Banks in Indonesia.

*H<sub>2</sub>: Company Size has a significant effect on the Profitability*

### 2.7.3 The Effect of Good Corporate Governance on Profitability

From the perspective of Legitimacy Theory, the implementation of Good Corporate Governance (GCG) is a company's effort to demonstrate that its activities comply with societal norms, ethics, and expectations. Good governance practices can increase public trust and strengthen corporate legitimacy. Furthermore, Stakeholder Theory emphasises that GCG helps protect the interests of various stakeholders by enhancing transparency, accountability, and oversight. Mechanistically, GCG implementation can reduce conflicts of interest and operational risks, thereby supporting improved corporate financial performance. Empirically, Umam et al. (2020) and Sianturi et al. (2025) show that GCG has a positive effect on profitability. However, Nuridah et al. (2023) found that not all GCG mechanisms have a significant effect. The audit committee had no effect, while independent commissioners and institutional ownership had a significant effect. This suggests that the effectiveness of GCG depends heavily on the mechanisms implemented by each bank.

*H<sub>3</sub>: Good Corporate Governance has a significant effect on Profitability*

## 3. Research Methods

### 3.1 Data

This study uses a quantitative approach, combining cross-sectional and time-series data from secondary panel data. The cross-sectional data were obtained from six Islamic Commercial Banks in Indonesia, while the time-series data cover the observation period from 2019 to 2024. The primary data source was obtained through documentation techniques, namely by accessing and downloading the annual and sustainability reports officially published by each bank on their company websites and in the Financial Services Authority (OJK) database. Furthermore, a literature review was conducted to strengthen the theoretical foundation by drawing on prior scientific journals, textbooks, and related regulations, such as the Financial Services Authority Regulation (POJK) No. 51 on Sustainable Finance.

The population in this study includes all financial reports of Islamic Commercial Banks in Indonesia registered with the OJK during the 2019–2024 period. The sampling technique used a purposive sampling method with the following criteria: (1) the bank was consistently registered throughout the study period; (2) it published complete and sequential financial reports and annual reports; (3) disclose green banking or sustainability practices; (4) have complete data related to the research variables; and (5) in the case of a merger, use data from the surviving entity to maintain data continuity. Based on these criteria, six banks were selected as research samples, namely Bank Syariah Indonesia, Bank Muamalat Indonesia, Bank Mega Syariah, Bank Panin Dubai Syariah, Bank Jabar Banten Syariah, and Bank Aladin Syariah.

### 3.2 Variables measurement

The variables used in this study consist of dependent and independent variables. The operational definitions, measurement indicators, and scales of the variables used in this study are presented in Table 1.

**Table 1. Variable Measurement**

Variable	Description	Code	Scale
Profitability	Profitability measures a bank's success and efficiency in performing its financial intermediation functions and utilising all of its assets to generate profits.	ROA	Ratio
Green Banking	Green Banking is a manifestation of the commitment to actualize sustainable finance initiatives that prioritise the alignment of economic, social, and environmental interests.	GB	Ratio
Company Size	Company size in banking refers to the operational dimensions or scale of a financial institution, which can be measured using various criteria, including total assets. Total assets are chosen because they reflect the bank's overall economic resources.	UP	Ratio
Good Corporate Governance	Good Corporate Governance is a mechanism that directs and supervises company control activities on an ongoing basis to increase company value, as a form of accountability to shareholders, without neglecting the interests of stakeholders, including employees, creditors, and the community.	GCG	Interval

### 3.3 Estimation technique

Data analysis in this study was conducted using a panel data regression method that combines time-series and cross-sectional data. The regression model used in this study is presented in Equation (1).

$$P_{i,t} = a + \beta_1 GB_{i,t} + \beta_2 UP_{i,t} + \beta_3 GCG_{i,t} + e_{i,t} \quad (1)$$

Where  $P$  is profitability,  $GB$  is green banking,  $UP$  is company size, and  $GCG$  is good corporate governance. Estimation model selection was performed using the Chow and Hausman tests to determine the most appropriate model among the Common Effects Model, the Fixed Effects Model, and the Random Effects Model.

## 4. Results and Discussion

### 4.1. Descriptive Statistics

This section presents descriptive statistics for the variables used in the study. Table 2 presents the descriptive statistics of the research variables, including the mean, median, minimum, maximum, and standard deviation values during the observation period.

**Table 2. Descriptive Statistics**

Variable	N	Mean	Median	Min	Maximum	Std. Deviation
PROB	36	1,913	1,260	-6,720	11,150	3,195
GB	36	563.524,5	450.539,0	37.826,0	3.085.211,0	593.220,1
UP	36	66.756,64	14.707,95	2.173,10	408.613,4	109.421,6
GCG	36	1,944	2,000	1,000	3,000	0,410

Source: Eviews 13 (processed)

Based on the descriptive statistics table, all variables in this study have a total of 36 observations from Islamic Commercial Banks in Indonesia during the period 2019–2024. The profitability variable (ROA) has a minimum value of  $-6.720$  and a maximum of  $11.150$ , with an average of  $1.913$  and a standard deviation of  $3.195$ , indicating fluctuations in profitability between banks during the study period. The Green Banking (GB) variable has a wide range of values, with a minimum value of  $37,826.0$  and a maximum of  $3,085,211.0$ , as well as an average value of  $563,524.5$  and a standard deviation of  $593,220.1$ , which indicates differences in the level of implementation of Green Banking policies and activities among Islamic Commercial Banks.

Furthermore, the Company Size (UP) variable has a minimum value of  $2,173.10$  and a maximum of  $408,613.4$ , with a mean of  $66,756.64$  and a standard deviation of  $109,421.6$ , indicating substantial variation in business scale across banks. Meanwhile, the Good Corporate Governance (GCG) variable shows a minimum value of  $1,000$  and a maximum of  $3,000$ , with an average of  $1,944$  and a standard deviation of  $0.410$ , indicating that the implementation of corporate governance in Islamic Commercial Banks is relatively stable, although there are still differences in the level of GCG quality between banks during the research period.

#### 4.2 Selection of Panel Data Models

This section presents the results of the Chow test used in the study. This test was conducted to determine the most appropriate regression model between the Common Effects Model and the Fixed Effects Model. This test can determine whether differences in characteristics between cross-sectional units require a specific modelling approach. The results of the Chow test are presented in Table 3.

**Table 3. Chow Test Results**

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.419983	(5,27)	0.0617
Cross-section Chi-square	13.330205	5	0.0205

**Source:** Eviews 13 (processed)

Based on the Chow test results, the p-value was  $0.0205$ , which is less than the significance level of  $0.05$ . This result indicates that the null hypothesis is rejected, so the Common Effect Model (CEM) is considered inappropriate. Therefore, the Fixed Effect Model (FEM) is considered more appropriate because it better explains variation in panel data in accordance with the characteristics of each individual or cross-section in this study. Furthermore, the Hausman test. This section presents the results of the Hausman test, which was used to determine the best regression model in the study. This test aims to select between a fixed-effects model and a random-effects model, considering the consistency and efficiency of the estimation. The results of the Hausman test are presented in Table 4.

**Table 4. Hausman Test Results**

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	13.789409	3	0.0032

**Source:** Eviews 13 (processed)

The test results show a probability value of  $0.0032$ , which is well below the significance level of  $0.05$ . Thus, it can be concluded that the Fixed Effect Model (FEM) is the most appropriate to use compared to the Random Effect Model. This is because the FEM assumption is considered better able to represent the characteristics of the data. Therefore, the Fixed Effect Model was chosen as the main estimation model in this study.

### 4.3 Fixed Effect Model Estimation

This section presents the regression model's estimation results used in the study. Based on previous testing, the selected model was the Fixed Effect Model, which is considered most appropriate for explaining the relationship between variables. The estimation results of the Fixed Effect Model, which provide an overview of the independent variables' influence on the dependent variable, are presented in Table 5.

**Table 5. Results of the Fixed Effect Model (FEM) Test**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROB	0.028	0.016	1.731	0.094
GB	0.000	0.000	2.320	0.028
UP	-0.000	0.000	-0.427	0.672
GCG	0.439	0.048	9.001	0.000

**Source:** Eviews 13 (processed)

Based on the results of the Fixed Effect Model (FEM) estimation, it can be concluded that the Green Banking (GB) and Good Corporate Governance (GCG) variables have a significant effect on profitability with a probability value of 0.0281, which is smaller than the significance level of 0.05, with a positive coefficient of 0.000000180, indicating that increased implementation of Green Banking contributes positively to increased bank profitability. In addition, the GCG variable shows a very significant effect with a probability value of 0.0000 and a positive coefficient of 0.439092, indicating that the better the implementation of corporate governance, the higher the profitability of Islamic Commercial Banks.

Meanwhile, the previous period's profitability variable (PROB) has a p-value of 0.0948, which is greater than 0.05, so it is not significant in the current period, even though it has a positive coefficient. The Company Size variable (UP) also does not show a significant effect, with a probability value of 0.6727 and a negative coefficient, indicating that company size does not necessarily determine the profitability of Islamic Commercial Banks. Overall, these results confirm that sustainability factors, namely Green Banking and corporate governance quality, are the main determinants of increased profitability for Islamic Commercial Banks during the research period.

## 4.2 Discussion

### 4.2.1 The effect of Green Banking on Profitability

Based on the estimation results from the Fixed Effects Model (FEM), the Green Banking variable has a positive and significant effect on the profitability of Islamic Commercial Banks in Indonesia. This is indicated by a probability value of 0.0281, which is smaller than the significance level of 0.05, so it can be statistically concluded that Green Banking has a significant effect on profitability. In addition, the positive coefficient of 0.000 indicates a unidirectional relationship: increased implementation of green banking is followed by higher bank profitability. This finding shows that sustainability practices are not only related to social responsibility but also contribute meaningfully to financial performance.

These results can be explained by Legitimacy Theory, which holds that companies need to align their activities with prevailing societal values to maintain legitimacy (Dowling & Pfeffer, 2018). In this context, green banking can be understood as a bank's response to increasing attention to environmental issues. When banks demonstrate commitment to these aspects, public trust tends to increase. This trust, in turn, strengthens relationships with customers and ultimately contributes to improved financial performance. Furthermore, Legitimacy Theory also emphasises the importance of maintaining compliance with social norms on an ongoing basis (Rokhlisanari, 2015). Therefore, the implementation of green banking serves not only to fulfil obligations but also to maintain legitimacy. This aligns with Stakeholder Theory, which states that a company's sustainability is greatly influenced by stakeholder support (Gray et al., 1995). In practice, this

support is evident in increased trust, easier access to funding, and broader business opportunities, which ultimately contribute to the bank's profitability.

When compared with previous research, these findings align with those of Anggraini and Iqbal (2022) and Hanif et al. (2020) which showed that green banking positively impacts banking performance. However, these results differ from those of Ramdani et al. (2023), who found a negative effect. This difference can be understood by considering variations in the research period and in the level of implementation readiness. In the previous period, the implementation of green banking tended to increase operational costs without optimal financial benefits. Meanwhile, during 2019–2024, the implementation of green banking began to show more tangible results, especially after regulatory strengthening, such as POJK No. 51/POJK.03/2017, which encouraged more targeted implementation of sustainable finance.

These research results indicate that the impact of green banking on profitability does not occur instantly but rather depends on the extent to which the practice is integrated into the company's strategy. Green banking will have a more optimal impact when it is positioned beyond mere obligation, but becomes part of the bank's business strategy. In such circumstances, sustainability practices not only strengthen legitimacy but also begin to generate economic value. The findings indicate that Islamic commercial banks in Indonesia are entering a more developed stage of green banking implementation. Sustainability is no longer seen merely as an image-building measure but has become a factor supporting financial performance. This demonstrates that Islamic financial principles and the concept of sustainability align in creating long-term value.

#### **4.2.2 The effect of Company Size on Profitability**

Based on the estimation results from the Fixed Effects Model (FEM), company size does not significantly affect the profitability of Islamic Commercial Banks in Indonesia. This is indicated by a probability value of 0.6727, which is greater than 0.05. The negative coefficient indicates that increasing company size is associated with lower profitability, although this relationship is not statistically significant. Therefore, company size cannot explain the variation in profitability during the study period. These results can be explained through Legitimacy Theory, which states that a company's sustainability is determined not only by the size of its resources but also by its ability to adapt to societal values and expectations (Dowling & Pfeffer, 2018). In this context, large company size does not automatically guarantee better financial performance unless it is accompanied by management aligned with social and environmental demands.

Furthermore, legitimacy theory emphasises the importance of maintaining compliance with applicable norms on an ongoing basis (Rawi & Muchllish, 2010). Therefore, banks with substantial assets do not necessarily have greater legitimacy if they lack efficient and transparent management. This aligns with Stakeholder Theory, which states that a company's success is strongly influenced by stakeholder support (Freeman, 1984). In this regard, bank profitability is determined more by the quality of relationships and the level of stakeholder trust than by the company's size. When compared with previous research, these findings align with those of Syafi'i and Haryono (2021), and Herawati and Desmiza (2025), which showed that company size had no significant effect on profitability. However, these results differ from the research by Belianti et al. (2022), which found a significant positive effect. This difference can be understood by considering the differences in the research period and the underlying economic conditions.

Furthermore, the characteristics of Islamic banking, which emphasise prudence and adherence to Sharia principles, can limit banks' flexibility to optimise their asset allocation. This situation is especially relevant during the study period, which encompassed the COVID-19 pandemic, when there was an economic slowdown and an increased risk of non-performing financing. As a result, banks with substantial assets were not always able to convert their resources into profits optimally. Overall, the results of this study indicate that company size is not the primary factor determining the profitability of Islamic Commercial Banks. Its influence depends largely on how effectively these assets are managed. In today's industry, factors such as operational efficiency, financing quality, and technology utilisation are becoming more dominant than company size alone. The findings emphasise that asset growth must be balanced with optimal management to

contribute to financial performance. Therefore, Islamic Commercial Banks need to focus not only on growing their company size but also on improving the quality of resource management and business strategies.

#### **4.2.3 The effect of Good Corporate Governance on Profitability**

Based on the estimation results from the Fixed Effects Model (FEM), the Good Corporate Governance (GCG) variable has a positive and significant effect on the profitability of Islamic Commercial Banks in Indonesia. This is indicated by a probability value of 0.0000, which is lower than the 0.05 significance level, and a positive regression coefficient of 0.439092. These results indicate that the better the implementation of GCG, the higher the level of profitability a bank can achieve. Theoretically, this finding can be explained through Legitimacy Theory, which emphasises that a company's sustainability is significantly influenced by public acceptance of operational activities that align with prevailing norms and values (Dowling & Pfeffer, 2018). In this context, the implementation of GCG reflects bank management's efforts to conduct operations transparently, accountably, and responsibly, thereby gaining and maintaining public legitimacy (Rawi & Muchllich, 2010). Furthermore, Legitimacy Theory also emphasises the importance of consistency in demonstrating the alignment of company activities with social values, one of which is through information transparency (Rokhlianasari, 2015). This aligns with Stakeholder Theory, which states that company sustainability is highly dependent on stakeholder support (Freeman, 1984). In practice, sound GCG implementation can increase stakeholder trust, reduce risk, and encourage better decision-making. These conditions ultimately contribute to improved bank financial performance.

When compared with previous research, these findings align with Putri (2023) and Gholy and Nadya (2020), which showed that GCG has a positive and significant effect on banking profitability. However, these results differ from the research by Khafifah et al. (2022) and Anggraeni et al. (2023), which found an insignificant effect. This difference can be understood by considering the conditions of the study period. During the COVID-19 pandemic, banking performance was under pressure, preventing GCG implementation from having an optimal impact on profitability. Meanwhile, during 2019–2024, GCG implementation improved, driven by increased operational efficiency and better asset management.

Overall, the results of this study indicate that GCG implementation plays a crucial role in increasing the profitability of Islamic Commercial Banks. GCG not only serves as a form of regulatory compliance but also as a mechanism that supports risk management, reduces conflicts of interest, and improves the quality of managerial decisions. Therefore, effective GCG implementation can drive more optimal and sustainable operational performance. These findings demonstrate that GCG has become a strategic factor in improving the competitiveness and financial performance of Islamic Commercial Banks. Therefore, strengthening GCG implementation consistently is necessary to ensure a greater contribution to future profitability.

## **5. Conclusion**

The results of this study indicate that Islamic bank profitability is determined not solely by financial factors but also by non-financial factors. Partially, Green Banking and Good Corporate Governance (GCG) were shown to have a positive and significant effect on Return on Assets (ROA). This indicates that implementing sustainability principles and good governance can improve bank financial performance. On the other hand, company size did not significantly influence profitability. This finding suggests that large assets do not necessarily guarantee high profits if not balanced by effective management. Meanwhile, the results of simultaneous testing indicate that none of the three variables significantly influences profitability. This suggests that other factors outside the model may influence Islamic bank performance.

These findings have several implications for both banks and regulators. Sharia banks need to be more serious about implementing Green Banking as part of a long-term strategy, not simply as a means of fulfilling obligations. This effort can help improve efficiency while building a positive public image. Furthermore, the implementation of GCG needs to be continually strengthened,

particularly in transparency and accountability. Good governance will increase customer and investor trust, which ultimately impacts financial performance. For regulators, these findings can inform the formulation of policies that encourage the integration of sustainability and governance. In the context of Islamic economics, this also aligns with the values of trustworthiness, justice, and welfare.

This study still has several limitations. The variables used do not cover all factors that can influence the profitability of Islamic banks. Furthermore, the study period was relatively limited, so the results may not necessarily reflect long-term conditions. For future research, it is recommended to include additional relevant variables, such as operational efficiency, financing risk, and the development of banking digitalisation. The use of more diverse analytical methods should also be considered for more in-depth research results. Furthermore, expanding the study period and sample size is expected to yield stronger, more generalizable results.

### Acknowledgements

The author would like to thank the Islamic Economics and Business Department at Raden Intan State Islamic University of Lampung for its academic support in preparing this article. He also expresses his appreciation to the various parties who aided with data collection and in completing this research on the influence of green banking standards, company size, and good corporate governance on the profitability of Islamic Commercial Banks in Indonesia. Their support and assistance were instrumental in the smooth completion of this research and the preparation of this article.

### Author Contributions

Conceptualisation: Nisa Arista

Data curation: Nisa Arista, Is Susanto

Formal analysis: Nisa Arista, A Zuliansyah, Is Susanto

Investigation: Nisa Arista

Methodology: Nisa Arista

Project administration: Nisa Arista

Supervision: Nisa Arista

Validation: Nisa Arista

Visualisation: Nisa Arista

Writing – original draft: Nisa Arista

Writing – review & editing: Nisa Arista, A Zuliansyah, Is Susanto

### References

- Anggraini, D., Aryani, D. N., & Prasetyo, I. B. (2019). Analisis Implementasi Green Banking Dan Kinerja Keuangan Terhadap Profitabilitas Bank Di Indonesia. *Jurnal Bisnis, Manajemen Dan Informatika*, 1141–1161. <https://doi.org/10.26487/jbmi.v17i2.11264>
- Anggraini, S., Fasa, M. I., Suharto, & Fachri, A. (2022). Pengaruh Green Banking Terhadap Profitabilitas Bank Umum Syariah Di Indonesia. *Journal of Business Management and Islamic Banking*, 1(1), 73–88. <https://doi.org/10.14421/jbmib.2022.011-05>
- Anggraeni, & Giranti, O. (2023). Pengaruh Good Corporate Governance (GCG), Kualitas Aset dan Efisiensi terhadap Profitabilitas pada Bank Syariah di Indonesia. *JLAKU : Jurnal Ilmiah Akuntansi dan Keuangan*, 2(3), 210–223. <https://doi.org/10.24034/jiaku.v2i2.6018>
- Annisa, N., Ekawati, E., & Susanto, I. (2025). Analisis Uji Kinerja Bank Syariah Menggunakan Maqashid Syariah Index dan Islamicity Performance Index (Studi pada Bank Umum Syariah tahun 2021-2024). 4(3), 602–616. <https://doi.org/10.54259/akua.v4i3.5191>
- Azhari, A. R., & Wahyudi, R. (2020). Analisis Kinerja Perbankan Syariah di Indonesia : Studi Masa Pandemi Covid-19. *JESI (Jurnal Ekonomi Syariah Indonesia)*, 10(2), 96.

- [https://doi.org/10.21927/jesi.2020.10\(2\).96-102](https://doi.org/10.21927/jesi.2020.10(2).96-102)
- Belianti, L., Ruhadi, & Setiawan. (2022). Pengaruh Indeks Maqashid Syariah dan Ukuran Perusahaan terhadap Profitabilitas. *Indonesian Journal of Economics and Management*, 2(2), 441–451. <https://doi.org/https://doi.org/10.35313/ijem.v2i2.3692>
- Cupian, C., Mulyana, F. A., & Noven, S. A. (2023). Pengaruh corporate governance terhadap green banking disclosure index pada perbankan syariah periode 2016–2019. *Jurnal Ilmiah Ekonomi Islam*, 9(2), 2385–2392. <https://doi.org/https://doi.org/10.29040/jiei.v9i2.8932>
- Deegan, C. (2004). *Financial Accounting Theory*. McGraw-Hill Book Company.
- Deegan, C., Rankin, M., & Tobin, J. (2000). An Examination of the Corporate Social and Environmental Disclosures of BHP from 1983–1997: A Test of Legitimacy Theory. *Accounting, Auditing & Accountability Journal*, 13(1), 48–77. <https://doi.org/http://dx.doi.org/10.1108/09513570210435861>
- Dowling, J., & Pfeffer, J. (2018). Organizational Legitimacy: Social Values and Organizational Behavior. *Pacific Sociological Review*, 18(3).
- Fitriyani, P., Fasa, M. I., & Susanto, I. (2024). *Keuangan Di Indonesia: The Role Of Islamic Banking In Increasing Financial*. November, 7324–7331.
- Freeman, R. E. (1984). *Strategic Management: A Stakeholders Approach*. Cambridge University Press.
- Gholy, P. A., & Nadya, P. S. (2020). Pengaruh Penerapan Good Corporate Governance terhadap Profitabilitas pada Bank Umum Syariah pada Periode 2014–2018. *Jurnal Nisbah*, 6(2), 108–115. <https://doi.org/10.30997/jn.v6i2.3265>
- Gray, R., Kouhy, R., & S Lavers. (1995). Corporate Social and Environmental Reporting : A Review Of The Literature and Longitudinal Study Of UK Disclosure. *Accounting, Auditing & Accountability Journal*, 8(2), 47–77. <https://doi.org/10.1108/09513579510146996>
- Handoko, Y. (2014). Implementasi Social And Environmental Disclosure Dalam Perspektif Teoritis. *Jurnal JIBEKA*, 8(2), 74. <https://doi.org/10.32812/jibeka.v8i2>
- Hanif, N., N. W., & Fatullah, I. (2020). Green Banking Terhadap Profitabilitas Bank Umum Syariah Di Indonesia. *Jurnal Ilmiah Keuangan dan Perbankan*, 3(2), 86–99. <https://doi.org/10.24127/JF.V3I2.532>
- Herawati, S. K. N., & Desmiza. (2025). Pengaruh Penerapan Green Banking, Ukuran Perusahaan, Dana Pihak Ketiga, Dan Kinerja Keuangan Terhadap Profitabilitas Bank Konvensional Yang Terdaftar Di Bursa Efek Indonesia Periode 2019–2023. *COSTING: Journal of Economic, Business and Accounting*, 8(2), 1889–1908. <https://doi.org/10.31539/costing.v8i2.14350>
- Jubaedah, Astuti, A., Setiadi, I. K., Putra, A. M., Hadi, P., F., A., Supriadi, Y. N., Fatimah, A. K., S., Wangsa, A. D., Marmen, J., Nofasti, F., Levianto, J., & Parmonangan, J. (2024). *Strategi optimalisasi dan pertumbuhan perbankan syariah*. Eureka Media Aksara.
- Karyani, E., & Obrien, V. V. (2020). Green Banking and Performance : The Role of Foreign and Public Ownership. *Jurnal Dinamika Akuntansi Dan Bisnis*, 7(2), 221–234. <https://dx.doi.org/10.24815/jdab.v7i2.17150>
- Kayana, N. Z., Inayati, N. I., Wibowo, H., & Dirgantari, N. (2025). Green Banking, Good Corporate Governance, Dan Firm Size : Dampaknya Terhadap Profitabilitas Perbankan (2019–2023). *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA)*, 9(3), 342–364. <https://doi.org/10.31955/mea.v9i3.6245>
- Khafifah, A., Amiruddin, N., Muslim, & Ahmad, H. (2022). Analisis Faktor Good Corporate Governance , Nilai Perusahaan , dan Profitabilitas Perusahaan Perbankan di Bursa Efek Indonesia pada Masa Pandemi Covid-19. *Center of Economic Student Journal*, 5(2), 63–73. <https://doi.org/https://doi.org/10.56750/csej.v5i1.98>
- Maryani, T., & Syukri, H. (2020). Effect of CR, DER, TATO, and Firm Size on Profitability in Pharmaceutical Companies Listed on IDX. *Kurs: Jurnal Akuntansi, Kewirausahaan Dan Bisnis*, 5(1), 58–69. <https://www.ejournal.pelitaindonesia.ac.id/index.php/KURS/article/view/728>
- Mayangsari, D., Zuliansyah, A., & Musthofa, U. H. (2025). *The Effect Of Leverage, Corporate Governance, And Company Characteristics On Tax Avoidance ( Case Study On Manufacturing Companies Listed*

- On The Jakarta Islamic Index For The Period 2019-2023* ).  
<https://doi.org/10.30868/ad.v9i01.8070>
- Mulya, C. F. (2021). *Memajukan Industri Keuangan Syariah Berdaya Saing*. Yayasan Pustaka Obor Indonesia.
- Nasir, M. J. A. (2020). Pengaruh Leverage, Pertumbuhan Penjualan, Dan Ukuran Perusahaan Terhadap Profitabilitas. *Ekonomi*, 18(2), 261–286.  
<http://jurnal.upnyk.ac.id/index.php/BE/article/view/5642/3895>
- Nuridah, S., Merliyana, S., E., & Surachman, S. N. (2023). Pengaruh Good Corporate Governance Terhadap Profitabilitas Merliyana STIE Indonesia Jakarta. *Jurnal Ekonomi, Bisnis Dan Manajemen*, 2(2), 1–10. <https://doi.org/10.58192/ebismen.v2i2.773>
- Nurmalia, G., Zuliansyah, & Kurniawan, M. (2021). Green Banking Dan Rasio Kecukupan Modal Mempengaruhi Pertumbuhan Laba Bank Umum Syariah Di Indonesia. *FIDUSLA : Jurnal Ilmiah dan Keuangan Perbankan*, 4(2), 173–187. <https://doi.org/10.24127/jf.v4i2.690>
- Otoritas Jasa Keuangan. (2024). *Laporan Perkembangan Keuangan Syariah Indonesia 2024*. <https://ojk.go.id/id/kanal/syariah/data-dan-statistik/laporan-perkembangan-keuangan-syariah-indonesia/Pages/Laporan-Perkembangan-Keuangan-Syariah-Indonesia-2024.aspx>
- Putra, W. E., Masriani, I., Roza, S., Lubis, T. A., & Ningsih, M. (2024). *Nilai Perusahaan Dan Eco-Efisiensi : Kunci Keberlanjutan*. Penerbit Adab.
- Putri, S. A. (2023). Pengaruh Green Banking, Good Corporate Governance, Ukuran Perusahaan, dan Efisiensi Operasional terhadap Kinerja Keuangan (Studi Kasus pada Perbankan Konvensional yang Terdaftar di Otoritas Jasa Keuangan Tahun 2019-2021). [Skripsi yang tidak diterbitkan]. Sekolah Tinggi Ilmu Ekonomi Bank BPD Jawa Tengah.
- Ramdani, R., Mawardi, I., & Sulaeman, S. (2023). Impact of Green Banking Implementation, Financial Performance, and Covid-19 Crisis on Islamic Bank Profitability in Indonesia. *International Journal of Islamic Economics and Finance (IJIEF)*, 6(2), 225–246. <https://doi.org/10.18196/ijief.v6i2.16802>
- Ramdhanah, Z. I. S., & Sari, M. (2019). Pengaruh Struktur Modal, Ukuran Perusahaan, dan Profitabilitas terhadap Nilai Perusahaan (Studi Empiris pada Sektor Pertambangan yang Terdaftar di Bursa Efek Indonesia periode 2013-2017). *Indonesian Journal of Strategic Management*, 2(1), 67–82. <https://doi.org/10.25134/ijsm.v2i1.1859>
- Ratnasari, T. (2018). Model Integrasi Untuk Mengukur Dampak Green Banking Dan Kinerja Keuangan Terhadap Profitabilitas Bank. [Tesis Magister yang tidak diterbitkan]. Universitas Muhammadiyah Yogyakarta.
- Rawi, & Muchllish, M. (2010). Kepemilikan Manajemen, Kepemilikan Institusi, Leverage, Dan Corporate Social Responsibility. *Simposium Akuntansi Nasional*, 1–28.
- Rokhlianisari, S. (2015). Teori-Teori Dalam Pengungkapan Informasi Corporate Social Responsibility Perbankan. *Al-Awwal*, 7(1), 1–11. <http://dx.doi.org/10.24235/amwal.v7i1.217>
- Sarker, M. N. I. (2020). Islamic Banking and Finance: A Potential Approach to Economic Sustainability in China. *Journal of Islamic Marketing*, 11(6), 1725–41. <https://doi.org/https://doi.org/10.1108/JIMA-04-2019-0076>
- Siahaan, C., Silalahi, A. S., Syahyunan, & Sariartha, A. S. (2021). Analysis of Green Banking Sustainability And Financial Performance Implementation Towards Profitability of Banking Listed On The Indonesia Stock Exchange In 2012-2018. *Journal of Management Analytical and Solution*, 1(1), 1–12. <https://doi.org/10.32734/jomas.v1i1.5240>
- Sianturi, T. G., Ujung, S., Pasaribu, N., & Lubis, P. K. D. (2025). Pengaruh Good Corporate Governance Terhadap Profitabilitas Perusahaan Sektor Property dan Real Estate yang Terdaftar di Bursa Efek Indonesia. *INNOVATIVE : Journal of Social Science Research*, 5(2), 2347–2361. <https://doi.org/10.31004/innovative.v5i2.18599>
- Situmorang, C. V., & Simanjuntak, A. (2019). Pengaruh Good Corporate Governance Terhadap Kinerja Keuangan Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia. *JURNAL AKUNTANSI DAN BISNIS : Jurnal Program Studi Akuntansi*, 5(2), 160. <https://doi.org/10.31289/jab.v5i2.2694>

- Suchman, M. C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *The Academy of Management Review*, 20(3), 571–610. [https://doi.org/https://doi.org/10.2307/258788](https://doi.org/10.2307/258788)
- Syafi'i, I., & Haryono, S. (2021). Pengaruh Leverage, Ukuran Perusahaan dan Inflasi terhadap Profitabilitas pada Bank Umum Syariah di Indonesia. *MALLA: Journal of Islamic Banking and Finance*, 5(1), 17. <https://doi.org/10.21043/malia.v5i1.10482>
- Umam, M. F. S. (2020). Pengaruh Dewan Pengawas Syariah Dan Proporsi Dewan Komisaris Independen Terhadap Kinerja Keuangan Perbankan Syariah Indonesia. *Jurnal Ekonomi dan Bisnis*, 3(1), 72–80.