

THE IMPACT OF FINANCIAL STABILITY AND AUDIT FIRM AFFILIATION ON THE LEVEL OF DISCLOSURE OF SUSTAINABLE GREEN BANKING

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Abstract

Green banking combines operational improvement, technological advancement, and modifications to client behavior in commercial banking. Activities in environmental, social, and corporate governance (ESG) management are part of the banking industry's adoption of sustainable green banking. The goal of ESG disclosure in banking organizations is to spur market growth, boost consumer confidence in banking goods and services, and give investors essential information for making investment decisions. This study intends to empirically demonstrate the impact of audit firm affiliation and financial stability on the degree of disclosure of sustainable green banking. A banking firm with an observation period of 2019–2022, listed on the Indonesia Stock Exchange, serves as the study's sample. The quantitative data used in this study were taken from published annual reports. Purposive sampling is a strategy used to obtain data. The study's independent variables are affiliation with an audit firm and financial stability as measured by return on equity (ROE). While the Environment, Social, and Governance Index (ESGI) will be used as a proxy for the dependent variable in this study, which is the degree of sustainable green banking. The natural logarithm of total assets is employed in this study's control variable for business size. The hypothesis being investigated is that the development of sustainable green accounting is positively influenced by financial stability and affiliation with audit firms. Several regression tests are used to evaluate this hypothesis. The findings of this study are intended to give banking organizations a general overview of the value of sustainable green banking in enhancing investor trust and improving their capacity to compete in the capital market.

Keywords: Audit Firm Affiliation; ESG Disclosure; Sustainable Green Banking; Return On Equity; Financial Stability

JEL Classification: M41, M48, O16

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INTRODUCTION

Public awareness of the environment and society is growing as a result of environmental crises like the three-year Covid-19 outbreak and climate change brought on by global warming. The significance of green banking has become increasingly apparent to the financial sector as a result. Although green banking is not a novel concept, its application is still subpar. This green banking strategy combines technological advancements, evolving consumer behavior, and operational improvement in the banking industry (Biswas, 2011). For the banking sector to become competitive, green banking must be implemented sustainably. Corporate governance, social responsibility, and environmental practices are all part of how financial institutions are implementing sustainable green banking (ESG).

Being a proactive member of United Nations, Indonesia must also develop sustainable practices in order to meet the Social Development Goals (SDGs). One way is by releasing the regulations included in POJK No. 51 / POJK.03/2017 on Sustainable Financial Application for Public Companies, Issuer, and Financial Services Institutions, which is also known as Sustained Financial OJK. Banks and other financial services organizations are required by regulation to provide a sustainability report outlining the POJK's continual implementation. This report serves as an example of how the public is entitled to transparency regarding environmental, social, and governance, or ESG. This banking company's sustainability report, an ESG disclosure, provides several significant purposes. This ESG disclosure might increase public trust in banking goods and services in addition to developing markets to become more competitive and offering crucial information to investors for their investment decisions.

Banking should be able to give the economic effect of the firm in a way that aligns with social and environmental objectives because of the integration of

sustainable reporting and corporate practices (Toti & Johan, 2022). Banks may also utilize this sustainable reporting to increase their emphasis on green banking practices that are sustainable and execute them through company policies, which will improve corporate governance. Sustainability reporting works in an approach similar to that of a new disclosure paradigm, which is to uncover value that can be integrated into company policy. Furthermore, as of Buallay (2019), the sustainable green banking practices described in this research are one of the instruments that financial institutions may use to expand their clientele and increase their competitiveness within the banking industry. It is advised that businesses use ESG practices since they may boost their competitive advantage, which will raise their economic value (Cakranegara & Sidjabat, 2021). Furthermore, the unveiling of this sustainable report will enhance the banking company's reputation by fostering public confidence through sustainable business practices that include green banking and sustainable governance.

Good corporate governance standards and ESG transparency in SDG implementation are crucial elements of information that investors should consider when making investment decisions. As a result, information regarding the use of ESG in financial institutions must be relevant, efficient, credible, and trustworthy. Because of this, it is anticipated of the banking company to have large resources capable of generating Environmental, Social, and Governance (ESG) reports in order to satisfy investor decision-making requirements (Wong, 2017). This research focuses on green banking, which is an increasingly important topic in the context of sustainability and environment awareness.

Despite being a developing country, Indonesia has a flourishing green banking sector. Indonesian financial institutions require a more thorough understanding of bank accountability and transparency when

it comes to information utilizing about green banking. The Environment, Social, and Governance Index (ESGI), which is also used by POJK and MSCI to evaluate the transparency of sustainable financial practices in banking organizations, is used in the ESG disclosures that these banks prepare, both in Indonesia and worldwide. This index is derived from the Global Reporting Index (GRI), a matrix-based indicator of social responsibility (Reuters, 2017). This ESG assessment is carried out by an analysis of the company's sustainability reports. Pollution, the creation of new environmentally responsible products, individual rights, and shareholder values are a few of the topics evaluated. The ESGI, which MSCI created with a total of 48 (forty-eight) disclosure factors, will be used in this study. While examining and evaluating the sustainability reports that the firm publishes, the MSCI's evolution is comparable to that of the Thomson Reuters matrix.

The study examines the relationship between the level of disclosure about green banking and financial stability. High financial performance is usually associated with high share prices and financial stability for businesses. This is because financially stable companies will enhance their reputation by providing the public with information about their performance. The same remains true for a financial company's ESG disclosure. In their sustainability reports, banking firms that have demonstrated financial stability will reveal an extensive amount of information since they want to project a positive image to current and potential investors. The relationship between business financial success and ESG disclosure has been the subject of some previous research (Aydoğmuş et al., 2022; Bătae et al., 2020; Buallay, 2019; D'Amato et al., 2023; Fain, 2020). These prior studies provide actual evidence that a company's financial performance is affected by ESG disclosure. The perspective of this study is that ESG disclosure has been positively influenced by strong financial

performance. This is because there is a reciprocal link between the environment and the enterprise based on the legitimacy theory. The present study aims to investigate whether ESG exposure is affected by return on equity (ROE) and profitability as anticipated using this theory. Because ROE is one of the profitability measures that may evaluate both the financial stability and the market's perception of a firm's financial success, it is used in this analysis of financial performance.

A company's ESG initiatives have an impact on the choice, projection, and quality of its financial reporting. The effect of audit firm affiliation on the disclosure rates for green banking is also investigated in this study. It is a crucial component of sustainability information disclosure that is frequently disregarded. In order to integrate their understanding of ESG risks and business potential into financial reporting risk assessments, external auditors will aim to obtain as much information as possible about their customers' operations. Even in situations where there is little chance that a performance risk may result in a substantial misstatement, the client could benefit from the experience and knowledge of these auditors in managing ESG-related performance risks, such as the possibility of future business value loss (Asante-Appiah & Lambert, 2022). Contrary to audit companies that have no affiliation with the Big Four audit firm, external auditors who work for these firms are more experienced, skilled, and qualified. This is because the Big Four audit firms have more clients financially, more human resources, and a higher rate of audits (Zahid et al., 2022). As a result, we contend that the Big Four audit firms have enhanced ESG disclosure.

The study will examine at banks that are listed on the Indonesian Stock Exchange between 2019 and 2022, when environmental concerns and the global exposure to the COVID-19 pandemic started to receive a lot of prominence. The findings should give banking firms a general understanding

of the value of sustainable green banking disclosure in boosting investor trust and enhancing their ability to compete in the capital markets. Additionally, the study can help regulators by offering suggestions and comments on how to encourage banks to disclose ESG information to improve bank transparency and accountability when it comes to revealing information about green banks in sustainability reports.

LITERATURE REVIEW

Stakeholder Theory

A stakeholder is one or more persons or groups that have the ability to affect or be affected by the process of an organization's goals being achieved (Freeman & David, 1983). All parties, including stakeholders, will derive value from the information produced by the firm. A stakeholder is one of the parties involved that the company needs. Accordingly, the capacity of a business to continue operating will be impacted by stakeholder support. The company's continuous report is made public in order to demonstrate this support. Stakeholders will find this ongoing reporting to be an important tool for learning about the company's ESG practices during the reporting period. Therefore, stakeholders, particularly investors, can use information on ESG practices while making investment decisions.

Legitimacy Theory

The link between an organization and its surroundings is explained by the legitimacy theory (Mousa, et. al., 2015). The concept of legitimacy, which is derived from the idea of an organization, is characterized as the state or situation in which an entity's values align with those of the larger social system of which it is a part. Establishing the company's actions in accordance with social standards is one way to attain legitimacy. The framework provided by this legitimacy theory is crucial for examining how the business and the environment are related in the company's sustainability reports. These

sustainability reports can outline the green banking initiatives that financial institutions have implemented for environmental, social and governance (ESG).

Political Cost Hypothesis

A corporation's aim to maximize its potential wealth transfers or to reduce its transfers of assets to other parties is known as the political cost hypothesis (Scott, 2015). Political cost theory, rooted in positive accounting theory, focuses on explaining why firms engage in voluntary social disclosures to manage political costs and avoid political intervention, regulation, and associated costs (Milne, 2002). It suggests that firms disclose information to influence public policy, create a socially responsible image, and reduce political scrutiny and costs. The theory extends beyond economic and political factors to include social factors in explaining incentives for environmental disclosures. The relationship between environmental disclosure and political cost theory suggests that firms facing potential wealth transfers in the political process are likely to adopt accounting policies that reduce such transfers, leading to increased social and environmental disclosures (Setyorini & Ishak, 2012). Additionally, the political cost hypothesis indicates that firms with higher visibility in the political arena tend to make more voluntary disclosures to minimize political costs. This is consistent with the company's aim to enhance its public image by disclosing ESG and making the most of data and strategies.

Environmental, Social, and Governance (ESG) Disclosure

ESG disclosure comprises strategies to improve transparency and accountability about how effectively a business interacts with its stakeholders, including employees, clients, shareholders, and the community (Weber, 2014). Environment, social, and governance are the three components of ESG disclosure. POJK requires a corporate

sustainability report, and it should include these three ESG components as well.

Surveys of publicly accessible firm data, including annual reports, sustainability reports, and online resources, can provide environmental information. Social information can be obtained from surveys of information on ongoing reports or annual reports related to the way companies evaluate customer behavior in responding to a service or product offered, as well as other social issues such as charitable contributions, corporate ethics, and company efforts to protect human rights (Dorfleitner et al., 2020).

Governance information can be viewed through an overview of information on corporate governance guidelines, practices, and processes. The last element of this ESG covers the entire management and supervision framework of a company. This corporate governance will have a direct impact on the organization's progress, encourage investors and help optimize the company's assets, strengthen the business foundation, and the expected improvement in company performance. There are three requirements for the evaluation of governance elements, such as management score, shareholder score, and CSR strategy (Reuters, 2017).

Financial Stability

Financial stability inside the organization is a direct consequence of strong financial success. Using a profitability ratio, this financial performance may be assessed. An organization's capacity to turn a profit over a specific period is shown by a profitability ratio. and evaluate the financial performance of the business. Returned on equity (ROE) is one of the many ratios that can be used to determine the profitability ratio. The return on equity (ROE), which is computed by dividing the company's net profit by the total equity, is a measure that illustrates how well management has performed in returning the investors' capital (Hartzell et al., 2014).

Audit Firm Affiliation

The company's financial statements that have been audited by the external auditors of the audit firm are submitted to the Financial Services Authority (FSA) by each issuing company. The auditor's opinions contained in the audit financial report of the company are then used by stakeholders for business decision-making. Audit firms are legal entities that operate under the law and obtain business permits under Act No. 5 of 2011 on public accountants. The largest audit firm affiliates in the world consist of four and are commonly referred to as the Big Four audit firm. The Big Four Audit firm is considered to have higher quality than the Non-Big Four auditing firm because it has quality resources, high frequency of auditing, and its clients are financially good (Asante-Appiah & Lambert, 2022). The audit firms are as follows (Hayes, 2014): 1) Price Waterhouse Coopers (PwC), in Indonesia, the audit firm is partnered with the Haryanto Sahari & Co Tanudiredja, Wibisana & Co audit firm. 2) Klynveld Peat Marwick Goerdeler (KPMG), in Indonesia, the audit firm is partnered with the Sidharta, Sidhartha and Wijaya audit firm. 3) Ernst and Young (EY) in Indonesia the audit firm is partnered with the Purwanto, Sarwoko & Sandjajaja audit firm. 4) Deloitte Touche Thomatsu, in Indonesia the audit firm is partnered with the Oesman Bing Satrio & Co audit firm.

Hypothesis Development

Strong financial success is typically correlated with a high share price and stable finances for businesses. This is explained by the fact that businesses with strong economic stability will enhance their reputation by providing the public with information about their performance. The same applies for banking businesses' ESG disclosures; they have strong financial stability and provide a wealth of information in their sustainability reports to project a positive image to current and

potential investors. ESG performance refers to an intangible that may guide the business toward a more strategic and effective use of its resources (Quintiliani, 2022). This is consistent with the political cost theory (Scott, 2015), which asserts that businesses want to maximize their wealth—in this instance, the disclosure of ESG-related information and practices—to enhance their reputations. Political cost theory suggests that firms facing potential wealth transfers in the political process are likely to adopt accounting policies that reduce such transfers, leading to increased social and environmental disclosures (Setyorini & Ishak, 2012). The theory also encompasses the idea of legitimacy theory, which extends beyond economic and political factors to include social factors in explaining incentives for environmental disclosures (Milne, 2002).

The legitimacy hypothesis states that there is a reciprocal link between an organization and its surroundings (Mousa, et al., 2015). The concept of legitimacy, which is derived from the idea of an organization's legitimacy, is described as the state or situation that arises when an entity's values align with those of the wider social system of which it is a part. Establishing the company's actions' alignment with societal ideals is one way to legitimize them. Consequently, in order to prove its validity to the public, a financially stable corporation will make as much ESG disclosure as feasible.

Both of these theories serve as the foundation for the research of whether ESG disclosure is impacted by the financial stability that is predicted with return on equity (ROE). ROE is included in this evaluation of financial stability since it is one of the profitability metrics that may evaluate financial stability and market judgments of a company's financial performance. Because ROE is controllable by managers and may be utilized to build strategic planning for value management, it has a strong relationship with ESG (Quintiliani, 2022). Moreover, there is no

definitive conclusion on the impact of ESG information on a company's financial performance due to divergent opinions of how the company's financial success and sustainability in the long run relate to each other. It's possible that this occurs from the perspective of the business and the investor sees the ESG data (Hastalona & Sadalia, 2021). This may be explained by the fact that companies with high ESG performance typically outperform their competitors in terms of financial success. This leads to greater financial stability, which in turn makes the corporation larger and performs better in terms of ESG score (Lisin et al., 2022). Given the perspective, the following formulation of the hypothesis may be made:

H1. Return on Equity has a positive effect on ESG disclosure level.

A company's ESG efforts affect the choice, representation, and quality of its financial reporting. In order to transform financial reporting risk assessments into an understanding of ESG risks and business-related possibilities, external auditors will get information about their clients' operations. An external auditor's financial audit entails a thorough risk evaluation of all business factors that might compromise the integrity of financial data, such as ESG financing methods, reputation risk, resource allocation, and profitability (Zahid et al., 2023). Compared to audit companies that are not linked with the Big Four, external auditors affiliated with these firms possess superior experience and knowledge. The financial statements of the company being audited will be trustworthy, transparent, and valuable since they will meet high quality audit requirements if the assistance firm is a respectable one, an audit business connected to the Big Four. In addition to supporting good corporate governance and internal controls, rigorous audits can help improve financial performance (Asante-Appiah & Lambert,

2022). Based on the view, the hypothesis can be formulated as follows:

H2. Audit firm affiliation has a positive effect on ESG disclosure level.

RESEARCH METHODS

This type of study is known as empirical research that is quantitative. The purpose of the study is to show how audit firm affiliations and financial stability, as shown by return on equity, affect the rates of sustainable green banking disclosures, as determined by ESG disclosures. The sample of this study was 42 (forty-two) banking companies listed on the Indonesian Stock Exchange (BEI) in the period 2019-2022 selected using purposive sampling techniques. As to the samples taking criteria are shown in Table 1.

This study will use secondary data obtained by indexing (check lists) on sustainability reports, annual reports, and financial reports of banking companies listed on the Indonesian Stock Exchange (BEI) period 2019-2022.

The independent variable of this study is the sustainable green banking disclosure rate projected by the MSCI's ESG Development Index (ESGI). ESGI has 48 (forty-eight) indicator items. Each item will be indexed and checked. The number of disclosures contained in such an annual report or sustainability report will then be summed up and divided by the total ESG disclosure required by ESGI. On the other hand, the independent variables used in

this research are financial stability and affiliation of audit firms. The measurement of financial stability will use the return on equity (ROE) derived from dividing the net profit (before interest and tax) by the total equity of the company (Triyani et al., 2020). Based on previous research (Hu et al., 2021), the measurement used ROE is more stable compared to other measuring methods to measure financial performance when associated with ESG disclosure. The control variable used in this study is the size of the company. The size of the company in this study is measured by the natural logarithm of total assets at the end of the year (Shalit & Sankar, 1977). Assets are used as a proxy of the size of a company because the total assets are relatively stable and is able to reflect the size or smallness of an enterprise.

Descriptive statistics will be used in this study and will continue with a preliminary test consisting of a normality test and a classical assumption test. These classical assumptions will include autocorrelation tests, multicollinearity tests, and heteroscedasticity tests to avoid biased results. Outlier testing is done to address the disturbances that cause the data to become biased. The normality test on this study will use the Monte Carlo method. Once the data is declared normal, the next classical assumption test is the autocorrelation test using the One Run Test, the multicollinearity test using Variance Inflation Factor (VIF), and the heteroscedasticity test using Park Test.

Table 1. Purposive Sampling

Criteria	Total
Banking sector companies listed on the Indonesian Stock Exchange (BEI) in the period 2019-2022.	42
Banking sector companies delisted and suspended on the Indonesian Stock Exchange (BEI) in the period 2019-2022.	0
A banking sector company that is not publishes an annual report or sustainability report for the period 2019-2022.	0
Total x period	168
Outlier	22
Total	146

Panel data is used in this study. As a result, testing is required to identify the appropriate estimate model for this research. The Chow test, the Hausman test, and the Lagrange Multiplier test are the three testing phases that may be carried out. The Chow test compares between a common effect model and a fixed effect model, which one is better. The Hausman Test should be used if the results of the Chow test indicate that a fixed effect model is a substantial model. The Hausman test is used to evaluate whether random effect or fixed effect is the better estimate model. The Lagrange Multiplier test does not need to be performed if the Hausmann test findings show that the fixed effect was the significant model. Conversely, if the findings of Hausman's test indicate that random effect is a relevant model, then a more sophisticated test is necessary. The hypothesis will be tested using panel regression with the following model:

$$ESGD_{i,t} = \beta_0 + \beta_1ROE_{i,t} + \beta_2AUD_{i,t} + \beta_3SIZE_{i,t} + \varepsilon_{i,t} \dots\dots\dots(1)$$

- ESGD_{i,t} : ESG disclosure
- ROE_{i,t} : return on equity
- AUD_{i,t} : audit firm affiliation
- SIZE_{i,t} : company size
- β₀ : constant
- β₁, β₂, β₃ : coefficient
- ε_{i,t} : residual error

RESULT AND DISCUSSION

Standard deviation, average, minimum, and maximum values of the tested data are

displayed using descriptive statistics. The data utilized for further processing amounted to 146 (one hundred forty-six) out of the 168 (one hundred sixty-eight) firms in the research sample, after the outlier test identified 22 (twenty-two) companies as outliers. Table 2 displays descriptive statistical data for corporation size (SIZE), ESG disclosure (ESGD), CAP affiliation (AUD), and return on equity (ROE).

The fixed effect model with a prob value > F of 0.0000 (see Figure 1) was the best model, according to the Chow Test findings. The Hausman test is used to evaluate whether random effect (RE) or fixed effect (FE) is the better estimate model. Consequently, the Hausman test was used to identify the best estimated model, which is either the FE model or the RE model.

The Hausman test results in Figure 2 showed that the prob>Chi2 value of 0.0017 is smaller than α 0.05. Thus, the results of this test show that the best estimate model is the fixed effect model. Therefore, the Lagrange multiplier test does not need to be done.

Based on the results of the classical assumption test it can be concluded that the data of this study is worthy of being tested. The results of the classical assumption test are shown in Table 3. Table 4 is the result of Goodness of Fit Test (F-test) and Table 4 is the result of Hypothesis Test. Based on Table 3, the known significance value is 0,000 (less than 0.05), so it can be concluded that the regression model fits.

Table 2. Results of Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Dev
ROE	146	-9.550	25.640	6.540	7.078
AUD	146	0.000	1.000		
SIZE	146	28.560	35.230	31.524	1.676
ESGD	146	0.000	1.000	0.604	0.177

Fixed-effects (within) regression
 Group variable: kode3

Number of obs = 146
 Number of groups = 40

R-sq:
 within = 0.0549
 between = 0.4015
 overall = 0.3363

Obs per group:
 min = 1
 avg = 3.6
 max = 4

corr(u_i, Xb) = 0.4561

F(2,104) = 3.02
 Prob > F = 0.0530

ESGScore	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
ROE	.0048971	.0020581	2.38	0.019	.0008157 .0089784
AUD	.0174357	.0406311	0.43	0.669	-.0631374 .0980087
_cons	.5633745	.0239191	23.55	0.000	.515942 .6108071
sigma_u	.15262132				
sigma_e	.07844062				
rho	.79104497	(fraction of variance due to u_i)			

F test that all u_i=0: F(39, 104) = 7.00 Prob > F = 0.0000

Figure 1. Result of Chow Test

	Coefficients			
	(b) fe	(B) re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
ROE	.0048535	.0051115	-.000258	.0010861
AUD	.0134335	.0839739	-.0705404	.0297185
size	.0063256	.0394326	-.033107	.0113637

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \text{chi2}(3) &= (b-B)' [(V_b-V_B)^{-1}] (b-B) \\ &= 15.13 \\ \text{Prob}>\text{chi2} &= 0.0017 \end{aligned}$$

Figure 2. Result of Hausman Test

Table 3. Results of Classical Assumptions

Type of test	Criteria and Results	Conclusion
Normality Test (Monte Carlo)	Criteria: <i>Sig.</i> > 0.05 Result: 0.328	Normal distributed data
Autocorrelation Test (One Run Test)	Criteria: <i>Sig.</i> > 0.05 Result: 0.089	Autocorrelation does not occur
Multicolliniarity Test (VIF)	Criteria: <i>Tolerance</i> > 0,10 VIF < 10,00 Result: ROE <i>Tolerance</i> = 0.647 VIF = 1.545 AUD <i>Tolerance</i> = 0.681 VIF = 1.469	Multicolliniarity does not occur

Table 3. Continue

Type of test	Criteria and Results	Conclusion
Heteroscedasticity (Park Test)	Criteria: <i>Sig.</i> > 0.05 Result: <i>ROE</i> = 0.707 <i>AUD</i> = 0.614	Heterocedasticity does not occur

Table 4. Result of Goodness of Fit Test

Model	Sum of Squares	df	Mean Square	F	Sig.
1 <i>Regression</i>	2.271	5	0.454	28.143	0.000
<i>Residual</i>	2.260	140	0.016		
Total	4.531	145			

Table 5. Result of Panel Regression

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.354	0.245		-5.525	0.000
ROE	0.009	0.002	0.375	6.133	0.000
AUD	0.185	0.021	0.524	8.661	0.000
SIZE	0.059	0.008	0.546	7.371	0.000

Based on Table 5 the size of the company (SIZE) can control the relationship between the dependent variable ROE and AUD with the dependent variable ESGD, this is shown with a significance value of 0.000 (less than 0.05). It can be inferred from the data mentioned that return on equity (ROE) positively affects the rate of ESG disclosure; that is, the greater the ROE, the higher the level of ESG disclosure. Additionally, ROE has a beta value of 0.009 and a significance value of 0.000. These results prove that companies that have good financial stability will disclose information about their company's performance to the public and build their reputation. Banking companies that have good financial stability, reflected in a high ROE ratio, will disclose a lot of information in their sustainability reports because they want to give a good image to both investors and prospective investors. This is in line with the political cost hypothesis (Scott, 2015) and the theory of legitimacy (Mousa, et. al., 2015) that states that companies with high financial stability

will maximize ESG disclosure to raise their corporate image and show their legitimacy to the public.

Furthermore, the results of this study also showed that audit firm affiliation (AUD) has a beta value of 0.185 with a significance value of 0.000, so it can be concluded that audit firm affiliation has a positive influence on the ESG disclosure rate. These results show that when companies that use audit firm affiliated with the Big Four will have higher ESG Disclosure levels. These findings demonstrate that in order to accurately convert ESG risks and business potential into financial reporting risk assessments, external auditors will collect a great deal of business-related data from their clients. This experience and expertise will help clients manage performance risks associated with ESG such as the risk of a company's loss of value in the future, even when such performance risk is highly unlikely to lead to material misrepresentation (Asante-Appiah & Lambert, 2022; Zahid et al., 2022).

Companies that use auditing services affiliated with the Big Four have high expectations of its continuing financial statements as a reputable audit firm tends to assess risks in depth and can maximize information obtained from the company with the aim of increasing adequate assurance of the company's financial reports, including the disclosure of continuing reports. The audit results of such a reputable audit firm also have high credibility and can be trusted by the public so that the company believes that investors will make good decisions with their level of confidence in the quality of the audited continuing report.

CONCLUSION AND RECOMMENDATION

The objective of this research is to provide empirical evidence about the impact of audit firm affiliations and financial stability on the disclosure level of sustainable green banking. Return on equity and auditing firm affiliation have been shown through empirical testing to positively affect ESG disclosures. This indicates that sustained green banking disclosure rates are positively impacted by financial stability and the affiliations of audit firms. The findings also demonstrate that the greater the degree of sustainable green banking transparency, the more businesses that engage the audit services of the Big Four audit firms.

The findings provide empirical evidence that the affiliation of audit firms and their financial stability have an impact on the disclosure rates of sustainable green banking. Some recommendations for certain rules pertaining to sustainable financial regulation in Indonesia may be made in accordance with this study. Ideally, more regulation is required by regulators in relation to sustainable financial disclosure, particularly in relation to the disclosure item. The cost of disclosure increases with the number of ESG disclosures that the firm makes. As a result of carrying significant disclosure costs, a bank with

unstable financial performance may find it more difficult to compete in the capital markets.

Furthermore, the corporation will face additional challenges due to the audit firm's reputation, which is associated with the Big Four audit firms. The greater the audit charge, the better the audit firm's reputation and quality of human resources. In order to make sustainable financial disclosure efficient, relevant and trustworthy, banking institutions must charge sufficiently high audit fees to cover the cost of audit services in ESG risk assessments in businesses. Consequently, the company's financial and non-financial plans and policies will be thoroughly assessed and evaluated by an external auditor, expanding the audit's scope and number of processes. In these circumstances, the association for the audit profession may also talk about and strengthen the public accountants' competency to increase the public accountants' ability to evaluate these ESG risks. As a result, there is an additional option for auditing companies; these businesses have many of the same characteristics as those connected with the Big Four.

There are unavoidably variations in the circumstances across banking companies, even though this study can objectively demonstrate that financial stability and audit firm affiliation affect sustainable green banking disclosure rates. The study solely concentrates on the ESG disclosure checklist included in the sustainability report, making it impossible for researchers to evaluate the significance and substance of banking businesses' ESG disclosures. There are several recommendations for more research based on the limitations of this study. In order to do direct effect evaluations and evaluate the application of ESG disclosure standards, particularly in the goal of developing sustainable green banking, more study might employ content analysis.

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