



Performance Variability of Islamic Banks and Sustainable Finance: Early and During the Pandemic

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This study aims to present empirical evidence related to the variability of the performance of Islamic banks and the interest of Islamic banks in responding to sustainable finance policies at the beginning (2020) and during the pandemic (2021). This study uses secondary data derived from financial reports, annual reports, sustainability reports, and Corporate Social Responsibility (SCR) reports of Islamic banking companies listed on the Indonesian Stock Exchange for 2020 – 2021. The data were analyzed by descriptive quantitative methods, which consisted of 2 stages, namely: analysis of performance variability and content analysis. The results of this study indicate that a low ROA calculation result, even a negative value, does not necessarily reflect poor performance because earnings management policies influence it. The results of the analysis of sustainable financial performance show that Islamic Commercial Banks have a high commitment to implementing sustainable finance. This research is expected to provide the implication that sharia principles in implementing bank business can make the financial performance of Islamic banks last during the pandemic. In addition, these principles align with the principles of sustainable finance, making it easier for banks to adopt them. This requires an assessment policy to standardize the performance of implementing sustainable finance policies in the banking sector so that banks, especially Islamic banks, can compete to get the best predicate in implementing sustainable finance policies. The results of the assessment can be used as an evaluation for policymakers or the bank itself to achieve the best performance in carrying out sustainable finance practices and for interested parties to participate in supporting sustainable finance practices.

Keywords: Islamic Bank, Performance, Sustainable Finance, COVID-19

OPEN ACCESS

ISSN 2548 - 3501 (online)

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received: 03 April 2023

Accepted: 25 July 2023

Published: 31 July 2023

Citation: Okta and Elva (2023)

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INTRODUCTION

Climate change that occurs causes a decrease in productivity and an increase in company operating costs due to production disruptions (Worland, 2015). Sustainable development can create harmony and balance between social, economic, and environmental aspects when climate change occurs. The Implementation of sustainable development industry activities can be oriented to profit, people, and the planet (Nugroho, Utami, Doktorlina, Soekapdjo, & Husnadi, 2017). In principle, sustainable development can be identified into three main aspects: economic sustainability in producing goods and services. Second, environmental sustainability in creating natural resources, which includes economic resources. Third, sustainable development is a system capable of achieving equity, prosperity, accountability, and justice (Blackman & Rivera, 2011; Kulig, Kolfoort, & Hoekstra, 2010; Moldan, Janoušková, & Hák, 2012).

Financial institutions have an essential role in realizing sustainability (Halimatussadiyah et al., 2018). Sustainable finance is an issue that is growing nowadays in various countries, including Indonesia. This is driven by the impact of climate change that the global community has felt. Furthermore, if the impacts of climate change are not adequately mitigated, the world, in aggregate, will experience a decline in GDP of around 23% by 2100 (Burke, Hsiang, & Miguel, 2015). The impact on developing countries like Indonesia could be more profound than this percentage. Therefore, Indonesia continues to be committed to implementing sustainable finance that integrates a balance between economic, social, and environmental aspects in the long term by issuing one of the Financial Services Authority Regulations (POJK) No. 51/POJK.03/2017 as a guide (Rahayu & Djuminah, 2022).

The biggest challenge in implementing sustainable finance is convincing business actors and the community to change their views from focusing on short-term profits to achieving long-term sustainable value considering environmental aspects and social impacts on society. This is known as the principle of profit (economic), people (social), and planet (environment) (3P). Thus, efforts are needed to change the mind set of business actors and the community from pursuing short-term profits to sustainable long-term prosperity (Dialysa, 2015).

Sustainable finance examines the interaction between the financial sector, including investment and financing activities, and economic, social, and environmental issues. As part of the financial sector, banks have a significant role in supporting sustainable finance. Banks have a role as intermediary institutions so that banks can play their role in allocating funds to sustainable companies or projects. This can accelerate the transition to a low-carbon and circular economy, which is part of the sustainable goal (Karyani & Obrien, 2020).

Banks have a role to be able to influence social and environmental activities. Banks can support sustainable finance by providing sustainable products and services such as green loans, green bonds, or sustainable bonds for environmentally friendly purposes such as green buildings, solar panels, or renewable industry projects (Karyani & Obrien, 2020). In addition, banks can also provide education

to business actors and the public regarding sustainable finance through financial literacy activities.

After the advent of the 2009 global financial crisis, the role of Islamic finance in the financing all over the world is not negligible (Chenguel, 2023). The presence of a negative impact of the COVID-19 pandemic based on comparative study between the performance of Islamic and Conventional banks in 5 Arab countries, the Islamic banks were less affected compared to the Conventional banks (Zakarneh, Khasawneh, Al-Hakim, & Khrais, 2023). This condition supported with the investors in the Islamic banking industry had more positive sentiments (Aliani, Al-kayed, & Boujlil, 2022).

Islamic banks have more advantages in supporting sustainable finance and taking sides with sustainable development globally. First, Islamic banks have a fair set of preferences and allocations to risk. Second, Islamic banks have adequate instruments to support the mobilization of domestic resources. Third, Islamic banks have social welfare tools to utilize cheap resources. Compared to the exciting feature in the non-sharia bank system, the profit-sharing feature in Islamic banks can provide more significant opportunities because it applies a risk-sharing arrangement. This confirms that Islamic banks have goals that encourage the welfare of the parties concerned so that it is in line with sustainable development (Nugroho, Nugraha, & Badawi, 2020).

Implementing sustainable finance in Islamic banks involves various cross-functionalities and divisions at various levels, namely the board of commissioners, sharia supervisory board, board of directors, and all bank staff. All elements need to be equipped with skills and knowledge about sustainable finance. This is intended to support the infrastructure and regulations that have been prepared to support sustainable finance (Aliyu, Hassan, Mohd Yusof, & Naiimi, 2017). 2020 should be the first year of implementing the phase II sustainable finance roadmap, which was initially planned for 2020-2024 (Keuangan, 2014). However, in 2020 there was a COVID-19 pandemic in Indonesia, which had a massive impact on various sectors, especially the financial sector. The implications of the COVID-19 pandemic have contributed to the threat of a worsening financial system followed by a decline in the performance of various economic activities (Indonesia, 2020). Therefore, the Implementation of the phase II sustainable finance roadmap has been postponed and is planned to be implemented in 2021-2025 (Keuangan, 2020). This is done in to hope that the banking sector is better prepared to implement sustainable finance.

The COVID-19 pandemic can be used as momentum to evaluate the importance of implementing the OJK phase II sustainable finance roadmap (2021-2025). The pandemic has caused an economic recession in various countries, including Indonesia (Handoyo, 2020). However, on the other hand, the COVID-19 pandemic also has some positive impacts. COVID-19 can be turned from a challenge into an opportunity to support the acceleration of the Implementation of sustainable finance in Indonesia. At the same time, this is a momentum for all parties to evaluate the importance of environmental, social, and governance (ESG) aspects in all business activities other than economic aspects. The results show that climate change

affects accelerating the transmission of COVID-19 (Iqbal et al., 2020; Tosepu et al., 2020), and it can increase public awareness of the environment (Caldevilla-Domínguez, Barrientos-Báez, & Padilla-Castillo, 2021). The COVID-19 pandemic has made banks more careful in determining financing requirements (Pyka & Nocoń, 2021). This is in line with the principles of sustainable finance. In addition, the COVID-19 pandemic also impacts the rapid development of technology (Handoyo, 2020) so that it has the opportunity to accelerate the implementation of sustainable finance.

The current challenge is how banks perform best to implement sustainable finance. Performance measurement is a significant factor for banks to consider before strategic planning; in this case, it is the Implementation of sustainable finance. Companies that perform well are expected to be able to implement sustainable financial policies properly (Weber & Oni, 2015). Sharia principles such as fairness and high prudence in the bank's business are expected to maintain the performance of Islamic banks, especially during the pandemic. In addition, these principles are also in line with sustainable finance principles, so Islamic banks will find it easier to implement sustainable finance.

This study focuses on how Islamic banks respond to sustainable financial policies during the pandemic. This research takes the background of Islamic Commercial Banks, which are listed on the Indonesia Stock Exchange. This is because banks registered as issuers or public companies are obligated to implement sustainable finance early, which comes into force on January 1, 2019, per the provisions of the Financial Services Authority Regulation Number 51/POJK.03/2017. Islamic Commercial Banks listed on the Indonesia Stock Exchange in 2020 - 2021:

1. PT Bank Rakyat Indonesia (BRI) Syariah Tbk (BRIS)
2. PT Bank Tabungan Pensiun Negara (BTPN) Syariah Tbk (BTPS)
3. PT Bank Panin Dubai Syariah Tbk (PNBS)

PT BRI Syariah Tbk will take corporate action in 2021. PT Bank Rakyat Indonesia (BRI) Syariah Tbk., PT Bank Syariah Mandiri, and PT Bank BNI Syariah in early February 2021 merged to become PT Bank Syariah Indonesia Tbk. Corporate action is the integration of business entities to become much more robust. This study wants to see the performance of Islamic banks in implementing sustainable finance starting from the beginning of the pandemic (2020) and during the pandemic (2021), which did not take corporate actions. Therefore, choosing research subjects only leaves PT BTPN Syariah Tbk and PT Bank Panin Dubai Syariah Tbk. PT Bank Panin Dubai Syariah Tbk performed less well than PT BTPN Syariah Tbk.

This research used criterion as a benchmark beyond both based on the provisions set by the Financial Services Authority (OJK) and the sustainable code of conduct that applies globally, such as the principles of the United Nations, Global Reporting Initiative (GRI), Equator Principle, and United Nations Environment Program Finance Initiative (UNEP FI). Hopefully, sharia principles in the Implementation of bank business make the financial performance of Islamic banks able

to survive during the pandemic. In addition, these principles align with the principles of sustainable finance, making it easier for banks to adopt them.

Furthermore, the formulation of the problem from this research is "How are the performance variability of Islamic banks and the response of Islamic banks related to sustainable finance policies at the beginning (2020) and during the pandemic (2021)?" This study aims to present empirical evidence related to the variability of the performance of Islamic banks and the interest of Islamic banks in responding to sustainable finance policies at the beginning (2020) and during the pandemic (2021).

Islamic banks become financial institutions based on Islamic law to implement Islamic teachings in fulfilling daily life (Aziz, 2012). Islamic banks have goals or objectives of sharia (maqashid sharia) principles, which refer to how the mechanism for implementing sharia principles can realize socio-economic justice and benefit society in general (maslahah) and is based on sincerity (falah). The combination of the principles of maqashid sharia, maslahah, and falah is one form of Implementation of the concept of sustainable finance, which includes economic, social, and environmental. Sharia principles set by Islamic banks also prohibit things that are considered to have significant risks as a form of the precautionary principle. In sharia principles, things that are prohibited include maysir (gambling), gharar (uncertainty), and riba (transfer risk). The existence of maqashid sharia, maslahah, and falah, as well as the prohibition of maysir, gharar, and riba, makes Islamic finance companies can become things that are in line with the principles of sustainable development.

One of the banking financial performance measures is using Return on Assets (ROA). ROA is one indicator to assess how well a company utilizes its assets to earn a profit. ROA can be calculated from net income divided by total assets, also referred to as the profitability ratio. ROA analysis is an analysis of the company's past performance results. However, its value can be used as a reference to see the company's financial performance in the future. The higher the ROA value, the higher the profitability value, so it can be said that the performance is getting better. On the other hand, the lower the ROA value, the lower the profitability, so it can be said that the performance is getting lower (Aliabadi, Dorestani, & Balsara, 2013).

Sustainable business development focuses not only on financial performance but also on environmental and social performance. The banking industry plays an essential role in sustainable development. Banks are experiencing a shift from traditional banks to adopting sustainable finance practices by integrating environmental, social, and governance as the primary strategy (Weber & Feltnate, 2018).

Evaluation is needed to assess the bank's performance in implementing sustainable finance. The evaluation is carried out by giving a score for 40 indicators presented in 5 groups of sustainable activities (Kumar & Prakash, 2018), namely:

1. Availability of sustainable financing products and services;

2. Management commitment to environmental aspects;
3. Management commitment to social aspects;
4. Sustainable finance policy, and
5. Code of ethics, reporting, and a sustainability index.

Furthermore, bank performance related to implementing sustainable finance can be categorized based on the level of Adoption. These indicators are summarized in a Sustainable Financial Performance Framework presented in [Table 1](#).

[\[Table 1 about here.\]](#)

[Table 1](#) describes a group of sustainable financial activities with specific indicators. The first group describes bank financing activities that pay attention to environmental and social aspects. The second group describes the bank's concern for environmental aspects through initiatives taken by banks to adopt environmental management. The third group reflects how banks carry out social responsibility in realizing a sustainable society. The fourth group reflects how banks maintain social and ethical standards through company policies such as anti-corruption policies, human rights, and business ethics. The last group reflects the extent of the bank's commitment to a sustainable code of conduct globally and engages with all stakeholders in disclosing non-financial performance.

Next, weighting is needed for each activity group so that the continuous performance assessment is valid and measurable. The maximum weight for each group is 20%. As for this study, the weighting is adjusted to the priority of sustainability goals set by the Financial Services Authority (OJK) regulations. The first group, the availability of sustainable products and services, becomes an important point so that it is given a weight of 40%. This is because the availability of sustainable products and services makes the most significant contribution to the realization of sustainable finance. The second and third groups were given a weight of 20% each, while the fourth and fifth groups were each given a weight of 10%.

The bank's sustainable financial performance assessment is then divided into four categories. The score presents the level of the bank's sustainable financial performance (Kumar & Prakash, 2018). This approach can serve as a guideline regarding the extent to which a bank's sustainable practices range from insignificant Adoption to substantial Adoption. The results of the stages of the bank's sustainable financial performance level score are presented in [Table 2](#).

[\[Table 2 about here.\]](#)

2020 should be the first year of implementing the phase II sustainable finance roadmap, originally planned for 2020-2024 (Keuangan, 2014). However, at the beginning of 2020 in Indonesia, there was a COVID-19 pandemic which had the worst impact on the financial sector (Devi, Warasniasih, Masdiantini, & Musmini, 2020). This certainly can affect the performance of the banking sector, including Islamic banking, to support the Implementation of sustainable finance. Islamic banks themselves have the advantage that they can be more resilient in the face of the pandemic. Efforts and strategies are urgently needed so that banks can be resilient in facing the

pandemic. The government has issued several policies to stimulate the national economy, which has proven to help especially the banking sector to survive during the pandemic (Hartadinata & Fariyah, 2021). Through the Financial Services Authority, the government has also postponed implementing phase II sustainable finance, which should have been carried out from 2020 to 2021. On the other hand, banks also have strategies to deal with the pandemic, one of which is through earnings management. The earnings management strategy can be different for each bank because it depends on the goals to be achieved by each company. Furthermore, banks, especially Islamic banks, can be better prepared to implement the phase II sustainable finance roadmap in 2021.

DATA AND METHODOLOGY

This study focuses on Islamic Commercial Banks listed on the Indonesia Stock Exchange (IDX) in 2020-2021. This study uses secondary data from financial statements, annual reports, sustainability reports, and Corporate Social Responsibility (CSR) reports of Islamic banking companies listed on the Indonesia Stock Exchange for 2020-2021. In 2020 there will be three (3) Islamic Commercial Banks listed on the Indonesia Stock Exchange (IDX), namely BRI Syariah, BTPN Syariah, and Bank Panin Dubai Syariah. Meanwhile, in 2021, BRI Syariah took corporate action and officially joined BNI Syariah and Bank Mandiri Syariah to become Bank Syariah Indonesia (BSI) in February 2021. Therefore, BRI Syariah should be excluded from the research sample. Thus, the sample in this research consists of two (2) companies, namely BTPN Syariah and Bank Panin Dubai Syariah. The data were analyzed by quantitative methods consisting of 2 stages, namely:

Analysis of Performance Variability

Analysis of performance variability is used to assess the performance of the two sample companies during 2020-2021. Performance is measured by calculating the Return on Assets (ROA) value with data sources in the 2020 - 2021 financial statements. ROA shows the ability of the company's assets to generate profits. ROA is calculated using the formula (Sudana, 2019):

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

ROA is calculated for BTPN Syariah and Panin Dubai Syariah at the beginning of the pandemic (in 2020) and during the pandemic (in 2021). Furthermore, the analysis is carried out by comparing BTPN Syariah's performance and Panin Dubai Syariah's performance.

Content Analysis

Content analysis is used to assess the performance of Islamic banks in implementing sustainable finance. Content analysis has been widely used in research related to CSR performance and sustainable finance (Gunawan, Permatasari, & Sharma, 2021; Islam, Jain, & Thomson, 2016; Kumar & Prakash, 2018). Content analysis can be done by transforming qualitative data into a quantitative format using scoring. Scoring is an analytical process to evaluate the qualitative data collected. The goal is to make it easier for researchers to conclude from the data that has been analyzed.

Content analysis in this study was carried out by searching for keywords related to sustainable finance on secondary data. Furthermore, guidelines need to be designed so that the analysis can be carried out consistently and systematically so that valid analysis results can be obtained. The following are the guidelines for content analysis:

1. Using keywords from 40 indicators in the Sustainable Financial Performance Framework;
2. Requires an in-depth understanding of the definition of indicators in the Sustainable Financial Performance Framework;
3. Determine the percentage weight for each group, namely 40% (group 1), 20% (group 2), 20% (group 3), 10% (group 4), and 10% (group 5);
4. Give a score of 2 if the indicator is disclosed in the annual report, sustainability report, and Corporate Social Responsibility (CSR) report and a score of 0 if the indicator is not disclosed in the annual report, sustainability report, and the year Corporate Social Responsibility (CSR) report 2020 – 2021;
5. Calculate the weighted weight for each indicator;
6. Calculate the total score for each company; and
7. Interpret the results of content analysis.

Companies that perform well are expected to be able to implement sustainable financial policies properly (Weber & Oni, 2015). The analysis of performance variability and content analysis in this study can provide further information on how the company's performance relates to supporting Islamic Commercial Banks to implement sustainable finance. In addition, the scoring on this content analysis can also provide information regarding mapping the extent to which Islamic Commercial Banks implement sustainable finance during 2020-2021.

RESULTS AND DISCUSSION PERFORMANCE VARIABILITY ANALYSIS

Performance variability shows an overview of the performance conditions of Islamic Commercial Banks as measured by ROA. The description of research results that describe the variability of performance for the period 2020-2021 is in [Table 3](#).

[\[Table 3 about here.\]](#)

[Table 3](#) shows that BTPN Syariah had a positive performance (ROA) at the beginning of the pandemic (in 2020) and increased during the pandemic (in 2021). On the other hand, Bank Panin Dubai Syariah provided a declining performance from 2020 to 2021, even negative performance in 2021. Meanwhile, the average ROA of BTPN Syariah is higher than Bank Panin Dubai Syariah. However, Bank Panin Dubai Syariah has a better performance than BTPN Syariah.

A more in-depth analysis is needed regarding the direction of the company's management policies through the information disclosed in the company's annual report to assess the company's performance. The first wave of the COVID-19 pandemic occurred in early 2020, and the second wave that occurred in 2021 had an impact on increasing non-performing financing in the banking sector, including Islamic banking. Strategic efforts need to be made so that companies can be resilient in facing the pandemic through earnings management

policies (Shahwan & Esra'a, 2021; Simon, Devi, Ariani, & Winata, 2022; Usheva & Vagner, 2021).

Earnings management strategy can be different for each company. This depends on the goals the company wants to achieve in the future. In this case, BTPN Syariah implements an earnings management strategy by making relatively consistent profits so that the company looks stable and not at high risk. On the other hand, Bank Panin Dubai Syariah conducts profit management by making the company's profit in the current period shallow and even loss. Panin Dubai Syariah Bank can provide positive profits at the end of 2021. However, the management of Bank Panin Dubai Syariah has written off several non-performing financing accounts that have an impact on recording company losses at the end of 2021. This strategy aims to improve the company's performance so optimal results can be obtained for the following years.

The results of this study indicate that the results of low ROA calculations and even negative values do not necessarily reflect poor performance because earnings management policies influence them. Based on a more in-depth analysis of the annual report, BTPN Syariah and Bank Panin Dubai Syariah have quite good performance. This proves that applying sharia principles in bank business can make Islamic banks more resilient in facing the pandemic. With good performance, banks can also have good sustainable financial performance.

ANALYSIS OF SUSTAINABLE FINANCIAL PERFORMANCE FOR ISLAMIC COMMERCIAL BANKS

This study presents the results of a comprehensive and measurable analysis of the sustainable financial performance of Islamic Commercial Banks. The analysis was carried out for two banks' samples, BTPN Syariah and Bank Panin Dubai Syariah. Each bank is evaluated based on sustainable financial activities consisting of:

- a. Availability of sustainable financing products and services;
- b. Management commitment to environmental aspects;
- c. Management commitment to social aspects;
- d. Sustainable finance policy, and
- e. Code of ethics, reporting, and a sustainability index.

The assessment of the sustainability performance evaluation is carried out through scoring. The following is a description of the results of the analysis of sustainable financial performance based on its activities.

Availability of sustainable financing products and services

The availability of sustainable financing products and services is critical in assessing sustainability performance. This can be seen from the information disclosed by the bank in the sustainability report. The more complete the availability of sustainable products and services, the better the bank's performance in implementing sustainable finance. [Table 4](#) describes the analysis of sustainable financial performance based on the availability of sustainable financing products & services.

[\[Table 4 about here.\]](#)

Management commitment to environmental aspects

Management's commitment to environmental aspects illustrates the bank's environmental concern. This can be seen from how the bank's environmental management is disclosed in the bank's sustainability report. The more complete the information disclosed regarding the bank's concern for the environment, the better the bank's performance in implementing sustainable finance. Table 5 shows an analysis of sustainable financial performance based on management's commitment to environmental aspects.

[\[Table 5 about here.\]](#)

BTPN Syariah and Bank Panin Dubai Syariah have the same score, meaning that both banks have the same sustainable financial performance related to management's commitment to environmental aspects. In this case, both banks have excellent performance because they have carried out 4 out of 5 activities that are indicators of management's commitment to environmental aspects. Both banks still need to have ISO 14001 as an international standard certification related to environmental management systems. However, this does not dampen the commitment of Islamic banks to care about the environment because, in practice, Islamic banks already have principles that align with sustainable finance principles.

Management commitment to social aspects

Management's commitment to social aspects illustrates the company's social and community concerns. This can be seen from the information disclosed by the bank in the sustainability report. The more complete the information disclosed regarding the bank's concern for the social and social sector, the better the bank's performance in implementing sustainable finance. Table 6 shows an analysis of sustainable financial performance based on management's commitment to social aspects.

[\[Table 6 about here.\]](#)

BTPN Syariah has a higher score than Panin Dubai Syariah Bank, meaning that BTPN Syariah's sustainable financial performance related to social aspects is better than Panin Dubai Syariah. BTPN Syariah, until 2021 has around 23 branch offices spread throughout Indonesia, more than Bank Panin Dubai Syariah, which has ten branch offices. Therefore, BTPN Syariah has more opportunities to provide targeted investment for specific communities and access to services for people in remote areas. Furthermore, the two banks still need to have ISO 26000 as a global standard for implementing corporate social responsibility. However, banks still pay attention to their social responsibilities because Islamic banks have principles that align with sustainable finance related to social awareness. In this case, the bank associates with social organizations such as the Amil Zakat Institution to carry out social responsibility.

Sustainable finance policy

Companies need several policies so that sustainable finance can run smoothly. This can be seen from the information disclosed by the bank in the sustainability report. The more complete the information disclosed, the better the sustainable financial performance. [Table 7](#) shows an analysis of sustainable financial performance based on related policies.

[\[Table 7 about here.\]](#)

BTPN Syariah and Bank Panin Dubai Syariah have the maximum score regarding sustainable finance policies. This shows that from an internal perspective, Islamic banks fully support the Implementation of sustainable finance by issuing several related policies. The policy aims as a guideline so that the Implementation of sustainable finance stays in the corridor that has been set.

Code of ethics, reporting, and a sustainability index

The code of ethics, reporting, and sustainability index are the final criteria for assessing sustainable financial performance. This criterion can be used as a benchmark regarding the extent to which banks comply with the sustainable code of ethics, both based on the provisions set by the Financial Services Authority (OJK) and the sustainable code of conduct that applies globally, such as the principles of the United Nations, Global Reporting Initiative (GRI), Equator Principle, and United Nations Environment Programme Finance Initiative (UNEP FI). This criterion can also measure the extent to which the existence and role of banks in promoting sustainable development through a sustainability index that applies in a country, in this case, Indonesia. The sustainability indexes include the ESG Quality Index 45 IDX KEHATI issued by the Indonesian Biodiversity Foundation (KEHATI) in collaboration with the Indonesia Stock Exchange (IDX) and the IDX ESG Leader Index issued by the Indonesia Stock Exchange (IDX). The more information disclosed in the sustainability report, the better the bank's performance in implementing sustainable finance. Table 8 shows the analysis of sustainable financial performance based on the code of ethics, reporting, and sustainability index.

[\[Table 8 about here.\]](#)

BTPN Syariah's score has increased from 2020 (score = 1) to 2021 (score = 1.2), meaning that there is an increase in sustainability financial performance as indicated by the inclusion of BTPN Syariah in the ESG Quality 45 IDX KEHATI index in 2021. This shows that the existence of BTPN Syariah is increasing in promoting sustainable finance. The Panin Dubai Syariah Bank has the same performance between 2020 and 2021. Concerning bank compliance with the code of ethics and sustainability disclosure, both banks have the same performance. Furthermore, the two banks are not members of the GRI membership, Equator Principles, and UNEP FI. However, both banks follow sustainability implementation guidelines, such as the GRI guidelines, in implementing sustainable finance. This shows that the sustainable financial activities of BTPN Syariah and Panin Dubai Syariah are still focused domestically.

The next step is to assess the extent to which the Implementation of the sustainable financial performance of Islamic Commercial Banks. This aims to show banks' readiness to respond to sustainable financial policies during the pandemic. [Table 9](#) summarizes the overall sustainable financial performance analysis.

[\[Table 9 about here.\]](#)

Based on sustainable finance activities, it can be explained that the best performance of Islamic banks in implementing sustainable finance is in their policies such as anti-corruption policies, human rights policies, and gender equality. Management commitment to environmental aspects ranks second. Management commitment to social aspects ranks third. The availability of sustainable financing products and services ranks fourth. Next, the last one is the code of ethics, reporting, and sustainability index.

The scoring for both banks has increased from 2020 to 2021. This means that the sustainable financial performance of the two banks has increased. BTPN Syariah in 2020 has a score of 16.2 and 16.4 in 2021, meaning that the bank is in the fourth stage of performance, namely the substantial adoption stage. This indicates that BTPN Syariah understands and incorporates various aspects of sustainability in the bank's business and is essential in promoting sustainable development. Panin Dubai Syariah Bank in 2020 has a score of 13 and in 2021, Bank Panin Dubai Syariah experienced an increase in score of 14.6, meaning that the bank experienced an increase in sustainable financial performance in stage 3, namely the satisfactory adoption stage. Panin Dubai Syariah Bank is actively adopting several environmental management and social welfare practices.

The description of the results of the analysis of sustainable financial performance above shows that Islamic Commercial Banks are highly committed to implementing sustainable finance. BTPN Syariah, which recorded positive performance at the beginning and during the pandemic, provided better sustainable financial performance. Meanwhile, Bank Panin Dubai Syariah, which recorded lower financial performance and a negative value in 2021, has proven to carry out sustainable finance well. Even though in 2021, the company's performance is negative, Panin Dubai Syariah Bank has improved quite good performance in sustainable finance. This proves that sharia principles in the Implementation of bank business make the financial performance of Islamic banks able to survive during the pandemic. In addition, these principles are in line with sustainable finance principles, so it is easier for banks to adopt them. Furthermore, the trend of increasing sustainable performance scores from the two banks shows that Islamic banks still have great potential to improve maximum performance in realizing sustainable development.

CONCLUSION

The COVID-19 pandemic in Indonesia, which began in early 2020 and occurred in 2021, impacted increasing non-performing financing in the banking sector, including Islamic banking. Strategic efforts need to be made so that companies can be resilient in facing the pandemic through earnings management policies (Shahwan & Esra'a, 2021; Simon et al., 2022; Usheva & Vagner, 2021). A low ROA calculation result, even a negative value, does not necessarily reflect poor performance because earnings management policies influence it. Earnings management strategy can be different for each company.

The description of the results of the analysis of sustainable financial performance above shows that Islamic Commercial

Banks are highly committed to implementing sustainable finance. This proves that sharia principles in the Implementation of bank business make the financial performance of Islamic banks able to survive during the pandemic. In addition, these principles align with the principles of sustainable finance, making it easier for banks to adopt them.

Sharia principles in the Implementation of bank business make the financial performance of Islamic banks able to survive during the pandemic with their own earning management policy. In addition, these principles align with the principles of sustainable finance, making it easier for banks to adopt them. This result of the research can be used for decision making process of all stakeholders regarding Islamic banks. This requires an assessment policy to standardize the performance of implementing sustainable finance policies in the banking sector so that banks, especially Islamic banks, can compete to get the best predicate in implementing sustainable finance policies. In addition, the results of the assessment can be used as an evaluation for policymakers or the bank itself to achieve the best performance in carrying out sustainable finance practices and for interested parties to participate in supporting sustainable finance practices.

This paper is based only on the Islamic Commercial Banks of Indonesia's data. Therefore, this is the reason that these results cannot be generalized to the whole Commercial Banks in Indonesia.

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Conflict of Interest Statement: The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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TABLE 1 | Sustainable Financial Performance Framework

Num	Sustainable Finance Activities
A. Availability of Sustainable Financing Products and Services (40%)	
1	Sustainable financing
2	Green climate fund
3	Environmentally based financing
4	MSME Financing
5	Sustainability advocacy services
6	Green mortgage
7	Social-based investment
8	Inclusive financial products
9	Venture capital for eco-friendly products
10	Green Bond
B. Management Commitment to Environmental Aspects (20%)	
11	ISO 14001 certification
12	Specific sector exclusions
13	Environmental risk management in credit policy
14	Quantitative information regarding environmental care initiatives
15	Adopt environmentally friendly technology
C. Management commitment to social aspects (20%)	
16	Social care program
17	Charity funds and sponsors
18	Financial literacy and credit counseling program
19	Skills development and training programs
20	Public complaint service
21	The target for community investment
22	ISO 26000 certification
23	Healthcare and sanitation services
24	Access to financial services for people in remote areas
25	Access to financial services for the underprivileged
D. Sustainable finance policy (10%)	
26	Anti-fraud and anti-corruption policies
27	Policy for Human Rights
28	Policies regarding business ethics
29	Employee training
30	Gender equality and diversity
E. Code of ethics, reporting, and a sustainability index (10%)	
31	Disclosure of sustainability reports
32	Disclosure of business responsibility reports
33	Environmental policy
34	GRI membership
35	The signing of the Equator Principle
36	Adherence to UN global principles
37	The signing of UNEP FI
38	Disclosure compliance with Financial Services Authority regulations
39	ESG Quality Index 45 IDX KEHATI
40	IDX ESG Leader Index

Source: (Kumar & Prakash, 2018)

TABLE 2 | Category Stages Score Level Adoption of Sustainable Finance Bank

Stage	Score	Bank Sustainable Finance Practice Adoption Level
1	0-5	Insignificant Adoption (indicates the reluctance of banks to adopt sustainable finance voluntarily)
2	6-10	Early Adoption (indicates the bank is starting to adopt internal environmental management and social responsibility)
3	11-15	Satisfactory Adoption (indicates the bank is actively adopting management practices on environmental and social aspects)
4	16-20	Substantial Adoption (indicates the bank understands and incorporates various aspects of sustainability in the bank's business and plays an essential role in promoting sustainable development)

Source: (Kumar & Prakash, 2018)

TABLE 3 I Variability of ROA 2020-2021

ROA	2020	2021	Average
BTPN Syariah	7.16%	10.71%	8.94%
Panin Dubai Syariah	0.06%	-6.72%	-3.33%

Source: processed data, 2022

TABLE 4 I Analysis of Availability of Sustainable Financing Products & Services

(Maximum Score 8)

Num	Activities	BTPN Syariah		Panin Dubai Syariah	
		2020	2021	2020	2021
1	Sustainable financing	0.8	0.8	0.8	0.8
2	Green climate fund	0.8	0.8	0	0.8
3	Environmentally based financing	0.8	0.8	0	0.8
4	MSME Financing	0.8	0.8	0.8	0.8
5	Sustainability advocacy services	0.8	0.8	0.8	0.8
6	Green mortgage	0	0	0	0
7	Social-based investment	0.8	0.8	0	0
8	Inclusive financial products	0.8	0.8	0.8	0.8
9	Venture capital for eco-friendly products	0.8	0.8	0.8	0.8
10	Green Bond	0	0	0	0
	Total	6.4	6.4	4	5.6

Source: processed data, 2022

TABLE 5 I Analysis of Management Commitment to Environmental Aspect

(Maximum Score 4)

Num	Activities	BTPN Syariah		Panin Dubai Syariah	
		2020	2021	2020	2021
1	ISO 14001 certification	0	0	0	0
2	Specific sector exclusions	0.8	0.8	0.8	0.8
3	Environmental risk management in credit policy	0.8	0.8	0.8	0.8
4	Quantitative information regarding environmental care initiatives	0.8	0.8	0.8	0.8
5	Adopt environmentally friendly technology	0.8	0.8	0.8	0.8
Total		3.2	3.2	3.2	3.2

Source: processed data, 2022

TABLE 6 I Analysis of Management Commitment to Social Aspect

(Maximum Score 4)

Num	Activities	BTPN Syariah		Panin Dubai Syariah	
		2020	2021	2020	2021
1	Social care program	0.4	0.4	0.4	0.4
2	Charity funds and sponsors	0.4	0.4	0.4	0.4
3	Financial literacy and credit counseling program	0.4	0.4	0.4	0.4
4	Skills development and training programs	0.4	0.4	0.4	0.4
5	Public complaint service	0.4	0.4	0.4	0.4
6	The target for community investment	0.4	0.4	0	0
7	ISO 26000 certification	0	0	0	0
8	Healthcare and sanitation services	0.4	0.4	0.4	0.4
9	Access to financial services for people in remote areas	0.4	0.4	0	0
10	Access to financial services for the underprivileged	0.4	0.4	0.4	0.4
	Total	3.6	3.6	2.8	2.8

Source: processed data, 2022

TABLE 7 I Analysis of Sustainable Finance Policy

		(Maximum Score 2)			
Num	Activities	BTPN Syariah		Panin Dubai Syariah	
		2020	2021	2020	2021
1	Anti-fraud and anti-corruption policies	0.4	0.4	0.4	0.4
2	Policy for Human Rights	0.4	0.4	0.4	0.4
3	Policies regarding business ethics	0.4	0.4	0.4	0.4
4	Employee training	0.4	0.4	0.4	0.4
5	Gender equality and diversity	0.4	0.4	0.4	0.4
Total		2	2	2	2

Source: processed data, 2022

TABLE 8 I Analysis of the Code of Ethics, Reporting, and Sustainability Index

(Maximum Score 2)

Num	Activities	BTPN Syariah		Panin Dubai Syariah	
		2020	2021	2020	2021
1	Disclosure of sustainability reports	0.2	0.2	0.2	0.2
2	Disclosure of business responsibility reports	0.2	0.2	0.2	0.2
3	Environmental policy	0.2	0.2	0.2	0.2
4	GRI membership	0	0	0	0
5	The signing of the Equator Principle	0	0	0	0
6	Adherence to UN global principles	0.2	0.2	0.2	0.2
7	The signing of UNEP FI	0	0	0	0
8	Disclosure compliance with Financial Services Authority regulations	0.2	0.2	0.2	0.2
9	ESG Quality Index 45 IDX KEHATI	0	0.2	0	0
10	IDX ESG Leader Index	0	0	0	0
	Total	1	1.2	1	1

Source: processed data, 2022

TABLE 9 I Sustainable Financial Performance of Islamic Commercial Banks 2020-2021

Number	Sustainability Finance Activities	Score			
		BTPN Syariah		Panin Dubai Syariah	
		2020	2021	2020	2021
1	Availability of sustainable financing products and services	6.4	6.4	4	5.6
2	Management commitment to environmental aspects	3.2	3.2	3.2	3.2
3	Management commitment to social aspects	3.6	3.6	2.8	2.8
4	Sustainable finance policy	2	2	2	2
5	Code of ethics, reporting, and a sustainability index	1	1.2	1	1
	Total Score	16.2	16.4	13	14.6

Source: processed data, 2022