

THE IMPACT OF GOOD CORPORATE GOVERNANCE MECHANISMS ON BANK PERFORMANCE THROUGH THE IMPLEMENTATION OF GREEN BANKING

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Abstract: Good corporate governance emphasizes the importance of effective supervision by the board of directors and audit committee in overseeing bank policies and practices, including environmental policies. A strong supervisory structure, which is a part of GCG, can assist banks in identifying, measuring, and managing environmental risks more effectively. Through proper risk management, banks can mitigate the likelihood of adverse impacts on the bank's financial performance. This study aims to analyze the effectiveness of supervision for the internal company policymakers on bank financial performance given the requirement for green banking disclosure. The research design is causality using organizations, i.e., banks listed on the IDX-IC Share (Indonesian Stock Exchange) for the 2019 – 2022 period as the unit of analysis. The number of samples consisted of 103 companies annual data, while the data analysis used unbalanced panel data regression. The research results show that good corporate governance mechanisms (gender diversity, board size) and green banking affect bank performance, while audit committee size does not affect bank performance. Gender diversity does not affect green banking, while board size and audit committee size affect green banking. Green banking is only able to moderate the influence of board size on the bank's performance.

Keywords: Good Corporate Governance, Green Banking, Bank Performance

INTRODUCTION

In mid-July 2022, extreme weather occurred in several countries as far away as Europe, with air temperature reaching more than 40°C, which caused disruption in transportation operations and community activities (Bank Indonesia, 2022). In the executive summary published by Bappenas (2021) it is stated that to anticipate the impact of climate change and the resulting economic losses, appropriate and measurable policy decisions are needed. Among the mitigation actions is to pay attention to various climate change scenarios and climate risks, which aims to develop a resilient society to climate change. Based on Figure 1, the study results show that from 2019 to 2024, there is an increase in economic losses due to climate change. In 2022, losses would reach more than 100 trillion Rupiah and even reach 112.2 trillion Rupiah in 2023. These losses can be reduced by spontaneous adaptation actions (referring to programs related to adaptation per sector) until they fall by around 15% or reach 95.7 trillion. If planned climate resilience development actions are carried out, it is expected that the losses experienced can decline to almost 50% or below the figure of 50 trillion Rupiah (Bappenas, 2021).

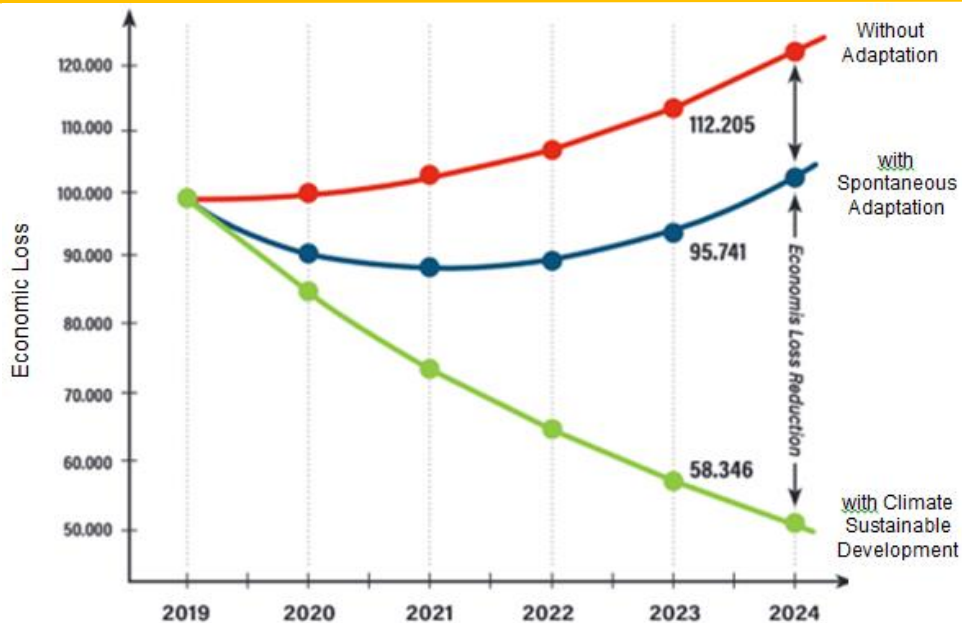


Figure 1. Policy scenarios for climate resilience

Source: Bappenas (2021)

Changes in the current business climate encourage every organization to adapt, including the financial industries, such as banking (Handajani, 2019). Therefore, to support the climate resilience program and during Indonesia's G20 presidency, Bank Indonesia is striving to formulate policies to achieve the transition, facilitate increased commitment of financial institutions to support green financing, as well as create green policy innovations and synergies between authorities related to incentives provisions in the context of enhancing green financing, both from the banking side and the development of green financial markets (Bank Indonesia, 2022).

Environmentally friendly and environmental regulations are crucial for developing countries due to their vulnerability to global warming and climate change. Thus, the implementation of climate change policies is greatly relevant and appropriate in terms of limiting the global warming phenomenon (Bose et al., 2021). Issues regarding corporate ethical responsibility and environmental pressures also encourage the implementation of ethical responsibility in bank business practices (Handajani, 2019). As such, the adoption of green banking is quickly becoming the global standard which is socially and environmentally acceptable business operations. The environmentally friendly banking prevents environmental damage and preserves the earth more livable. In the last few decades, environmentally friendly banking or so-called green banking has even become a slogan in the field of sustainable banking (Mir & Bhat, 2022).

Based on the institutional theory, it is explained that individual and organizational actions can be caused by external social factors (Handajani, 2019; Petro et al., 2023; Rahmiati & Agustin, 2022). This theory can explain the relationship between organizations and the environment, such as the organizational process in carrying out its structure and business processes that strive to adapt to environmental factors. Banks

can respond to sustainability issues by implementing and publicizing green banking. These

activities will ensure that their business practices are in line with the ethical standards of the banking financial industry (Petro et al., 2023). The legitimacy theory is also applied in this research in connection with the social assessment of company actions that are considered strategic to gain support for the organizational existence (Gunawan et al., 2022). Bank supporting for environmentally friendly programs is expected to improve its image in the eyes of all stakeholders (Mir & Bhat, 2022; Owen & Temesvary, 2018).

If the interests of many stakeholders are not adequately addressed, managerial actions towards the creation of long-term value for shareholders will be at risk, so this achievement requires an effective corporate governance mechanism (GCG mechanism) (board size, board independence, institutional investors, etc.), which is likely to influence bank practices in green banking disclosure (Bose et al., 2018). The main objectives of good governance mechanisms are to protect shareholders' interests, minimize and manage agency problems, support the distribution of ownership and control, and implement differentiated supervision in improving a company's performance (Arora & Sharma, 2016; Athar et al., 2023; Mollah et al., 2017).

Good corporate governance is one of the bank's strategies to ensure a fair, healthy, and transparent business environment. Gender diversity, the existence of a board of directors, and the role of the audit committee are part of supervisory functions that can provide added value to shareholders in a sustainable manner in the long term (Dialysa, 2015). Corporate governance is considered an effective internal mechanism to help align and monitor managerial interests (Tauringana & Chithambo, 2015). Good corporate governance is indispensable to overcome the challenges and risks faced by the banking industry. GCG will strengthen the company's competitive position, increase its value, and manage resources and risks more effectively and efficiently, and provide confidence to shareholders and stakeholders to operate and develop (Farida & Purwanto, 2021; Mukhtaruddin et al., 2019).

According to the agency theory, because managers are not owners, they gain incentives to maximize their profits to the detriment of shareholders. Therefore, agency theorists suggest governance structures that encourage effective monitoring of agents to reduce agency costs (Okoyeuzu et al., 2021). Good control, with good governance mechanisms, can reduce agency costs (Meah et al., 2021). The stewardship theory explains that most managers act as honest and reliable individuals who always work in the best interests of the organization (Athar et al., 2023). Manager satisfaction and company success are highly correlated with each other. This exchange is achieved by recognizing that self-actualization will occur when corporate goals and collective goals are achieved (Samson & Tarila, 2014).

This research is focused on the banks listed on IDX_IC shares, which takes green banking as a mediating variable on the influence of GCG mechanisms (gender diversity, board size, and audit committee size) on the banks' performance. Thus, the effectiveness of the supervision of the company's internal policymakers on bank performance can be recognized, especially with the green banking disclosure requirements.

Gender diversity is an important component of corporate management since most of the board's duties is carried out through committees. Better alignment of skills and functions, as well as the appointment of female directors, can help diversity on boards of directors (Green & Homroy, 2018). Diversity in skills, knowledge, and experience is recognized as a prerequisite for better decision-making (Meah et al., 2021). In the financial services-related business, women are significantly underrepresented in leadership positions, usually at first or mid-level levels with lower salaries. However, the impact of gender diversity is now changing with improvement and depends on the quality of bank management (Owen & Temesvary, 2018). Women are now considered strategic resources for organizations because they are believed to have higher skills than their counterpart, including technical, social, and leadership skills needed to change habits (Okoyeuzu et al., 2021). Its existence is also considered to be able to curb agency costs (Ullah et al., 2020).

As the banking business becomes more competitive, the board of directors complex plays a vital role through effective monitoring and supervision (Gafoor et al., 2018). A larger board will result in better decision-making because its members have a greater variety of degrees, certifications, experience, knowledge, skills, exposure, and a variety of academic qualifications (Athar et al., 2023; Farida & Purwanto, 2021). There is a common thought that a larger board is better for a company performance because they have a variety of expertise to help make better decisions and it is difficult for a strong CEO to dominate (Ofoeda, 2017). The board of directors is essential because it is collectively responsible for the success of a company. The board of directors sets the company's strategic goals and ensures that adequate financial and human resources are available for achieving its goals. As stated in the stewardship theory, most managers act as honest and reliable individuals who always work in the best interests of the organization (Athar et al., 2023). Therefore, the more members there are, the more effective it is likely to be. Previous research (Ofoeda, 2017; Isik dan Ince, 2016) found that board size influences bank performance.

Mechanisms for ensuring reliable and high-quality financial reporting are largely focused on the audit committee structure (Susilawati & Murwaningsari, 2021). The audit committee has the task of monitoring and maintaining the credibility and integrity of financial data a company provides. Previous research found that the audit committee is greatly dependent on its size and it shows that banks with large audit committees can enhance bank profitability because different members have diverse expertise (Boachie, 2023). The size of the audit committee is an assurance mechanism to promote fairness since it has been proven to influence company performance, enabling to improve supervision, especially in accounting processes and transparency (Ofoeda, 2017). Transparency in this case refers to the disclosure of bank activities that are more environmentally friendly.

Among the efforts to preserve the environment is by implementing the concept of a green or sustainable economy, which is continuously carried out by the government, as well as the banking sector (Mahira et al., 2023). All environmentally friendly initiatives are not solely driven by the motive to always fight global warming and climate change; rather they are part of the formation of ethics and norms in company management practices (Bose et al., 2021). As stated in the legitimacy theory, organizations tend to

adapt to the norms and institutional demands that exist in their environment. Concern for these external conditions can have an impact on improving bank performance (Awino, 2014).

All banks are attributed to exhibit a lot of potential, not only preserving the planet/earth but also changing the whole world to be more energy conscious. Banks support environmental programs by educating their consumers about environmentally friendly banking and implementing all techniques to help save the environment while improving their reputation (Mir & Bhat, 2022). In Bose et al. (2021), it is explained that environmentally friendly bank operations are likely to attract customers, wider stakeholders, and potential customers.

Previous researchers found that the GCG mechanism in the form of gender diversity (Arora & Sharma, 2016; Green & Homroy, 2018; Meah et al., 2021; Owen & Temesvary, 2018); board size (Athar et al., 2023; Noguera, 2020; Gafoor et al., 2018; Green & Homroy, 2018; Ofoeda, 2017; Isik & Ince, 2016); audit committee size (Boachie, 2023; Ofoeda, 2017) influences bank performance. However, the research of Ullah et al. (2020) found that gender diversity did not affect bank performance. In addition, the research conducted by Samson and Tarila (2014) and Farooq et al. (2023) found that board size did not affect bank performance.

Green banking is positively related to bank performance, indicating that that green banking cost efficiency is the main driving factor of bank performance improvement (Bose et al., 2021). Likewise, Awino (2014) found that green banking had a positive effect on bank financial performance and he concluded that bank management must pay attention to green banking because its importance in determining bank performance.

Previous research (Alazzani et al., 2017; Gallego-Sosa et al., 2020) found that gender diversity affects green banking. Meanwhile, other researchers (Petro et al., 2023; Farida & Purwanto, 2021; Handajani, 2019; Bose et al., 2018; Tauringana & Chithambo, 2015) found that board size had a positive effect on environmental performance (green banking). In the number of boards as a proxy for GCG mechanisms, the increasing number reflecting diverse expertise and experience is able to encourage the board of commissioners to communicate with external parties and various and wider interest groups, both in financial and non-financial aspects, such as environmental initiatives by banks (Handajani, 2019). Different findings from Alazzani et al. (2019), and Farida and Purwanto (2021) found that gender diversity did not affect green banking.

This study focuses on the banking sector listed on IDX_IC shares, placing green banking as a mediating variable for bank performance. The results of this study can be used to develop more effective strategies for integrating environmentally friendly practices with good governance. This will enhance the effectiveness of the company's internal policymakers' supervision of financial performance and highlight the importance of green banking disclosure requirements.

METHODS

The design of this research is causality with purposive sampling method was chosen as the method of sample selection. The population consisted of banks listed on IDX-IC shares for the period of 2019 – 2022.

Table 1. The number of research samples

No	Criteria	2019	2020	2021	2022
1	The bank listed on IDX-IC until 2022	43	45	47	47
2	Bank without green banking report	(2)	(1)	-	-
3	Bank without complete data (female directors)	(18)	(16)	(17)	(17)
	Number of sample before outliers	27	30	30	30
4	Outliers	(3)	(4)	(3)	(4)
	Number of research sample	24	26	27	26

Source: Processed data, 2024

Based on Table 1, the number of banking samples listed on IDX-IC (BEI) from 2019 – 2022 accounted for 103 companies' annual data. The data were analyzed using unbalanced panel data regression with the formulae as follows:

Model 1:

$$BP_{i,t} = \beta_0 + \beta_1 GBI_{i,t} + \beta_2 GD_WPB_{i,t} + \beta_3 BS_{i,t} + \beta_4 ACS_{i,t} + \epsilon_{i,t} \dots\dots\dots(1)$$

Model 2:

$$GBI_{i,t} = \beta_0 + \beta_1 GD_WPB_{i,t} + \beta_2 BS_{i,t} + \beta_3 ACS_{i,t} + \epsilon_{i,t} \dots\dots\dots(2)$$

Where: BP = bank performance; GBI = green banking disclosure index; GD_WPB = gender diversity; BS = board size; ACS = audit committee size.

Table 2. Operational definition of variables

Variable	Definition	Measurement	Reference
Bank performance	Return on equity: equal to the ratio of the annual return on company equity	Net profit after interest and tax (EAT)/equity	(Hossain et al., 2020); (Riyadi & Santoso, 2018)
Green banking	The green banking disclosure index consists of 21 items	$GBI_{i,t} = \frac{\sum X_{i,t}}{n_{i,t}}$	(Bose et al., 2018); Handajani, 2019)
Gender diversity	Percentage of female directors on the board	(Number of female directors/total board) x 100%	(Noguera, 2020); (Athar et al., 2023)
Board size	Natural logarithm of total board of directors	Ln (number of board members)	(Athar et al., 2023), (Bose et al., 2018)
Audit Committee Size (ACS)	Natural logarithm of total audit committee.	Ln (number of audit committee members)	(Athar et al., 2023)

Table 3. Green banking disclosure items

Item	
GDBI-1	Bank policies regarding environmental preservation or policies for handling climate change
GDBI-2	Environmentally friendly project financing
GDBI-3	Reduction of paper waste
GDBI-4	Implementation of policies and technology to reduce water and gas waste in internal bank operations
GDBI-5	Use of environmentally friendly materials
GDBI-6	Energy conservation in carrying out business operations
GDBI-7	Steps taken to combat climate change and reduce emissions
GDBI-8	Introduction of new environmentally friendly products
GDBI-9	Reporting information regarding bank initiatives and involvement in building networks on environmental issues
GDBI-10	Conducting a study regarding the impact of a potential client's business on the environment before providing financing facilities
GDBI-11	Organizing or planning to organize seminars, workshops, or training in the near future to increase citizens' environmental awareness
GDBI-12	Awards for environmentally friendly activities and excellence in environmental reporting practices
GDBI-13	Appreciation for customer and partner initiatives in preserving the natural environment
GDBI-14	Sponsor a facility that is in harmony with the environment
GDBI-15	Establishment of a climate change fund
GDBI-16	Establishment of a green branch
GDBI-17	Internalization of green marketing
GDBI-18	Initiatives and involvement of banks to train their employees regarding green movements
GDBI-19	The amount of budget allocated each year for environmentally friendly banking practices
GDBI-20	Actual amount spent on various green banking activities
GDBI-21	Use of a separate page for green banking reporting in the annual report

Source: Bose et al. (2018); Handajani (2019)

RESULTS AND DISCUSSION

Table 4. Descriptive statistics

	BP	GBI	GD_WPB	BS	ACS
Mean	0.0670	0.6251	0.2976	1.8836	1.3210
Maximum	0.1843	1.0000	0.7500	2.7726	2.3026
Minimum	-0.0425	0.1429	0.0769	1.0986	0.6931
Std. Dev.	0.0544	0.2256	0.1678	0.4636	0.2817
Observations	103	103	103	103	103

Source: Processed Data, 2024

Based on Table 4, the bank performance variable (BP) as measured by the profit-to-equity ratio has a minimum value of -0.0425 and a maximum value of 0.1843. The average value is 0.0670 and standard deviation of 0.0544. The green banking variable (GBI) as measured by the green banking disclosure index has a minimum value of 0.1429 and a maximum value of 1. The average value is 0.6251 > 0.2256. The gender diversity variable (GD_WPB) which is measured by the percentage of female board members has a minimum and maximum value of 0.0769 and 0.75, respectively. The average value is 0.2976 > 0.1678, which is very low, indicating that there are far fewer female than male board members. The board size (BS) variable which is measured by the natural log of the number of boards has a minimum and maximum value of 1.0986 and 2.7726, respectively, while the average value is 1.8836 > 0.4636. The audit committee size (ACS) variable, which is measured by the natural log of the number of audit committees, has a minimum and maximum value of 0.6931 and 2.3026, respectively, while the average value is 1.321 > 0.2817. All variables have a mean value > std. deviation, which indicates that these variables have homogeneous data.

Before testing the hypothesis, initially, a classical assumption test was carried out. Based on the test results, both Model 1 and Model 2 have no violation of classical assumptions (normality, multicollinearity, heteroscedasticity, and autocorrelation).

Table 5. Hypothesis testing results

Variable	Model 1 (BP)		Model 2 (GBI)	
	Coefficient	Prob.	Coefficient	Prob.
C	-0.1399	0.0012	0.0094	0.9591
GBI	0.0843	0.0005*		
GD_WPB	0.1008	0.0010*	-0.0492	0.7017
BS	0.0493	0.0001*	0.2242	0.0000*
ACS	0.0232	0.2065	0.1768	0.0234**
R-squared	0.4451		0.3902	
Adjusted R-squared	0.4165		0.3653	
Observation	103			

Source: Data processed by Eviews Version 10, 2024

Based on Table 5, in Model 1, it shows that the GBI regression coefficient is 0.0843 and the probability value is 0.0005 < 0.01. It can be concluded that GBI has a significantly positive effect on bank performance. The GD_WPB regression coefficient is 0.1008 and the probability is 0.0010 < 0.01. It can indicate that GD_WPB has a significantly positive effect on bank performance. The BS regression coefficient is 0.0493 and the probability is 0.0001 < 0.01. It can indicate that BS has a significantly positive effect on bank performance. Meanwhile, the ACS regression coefficient is 0.0232 and the probability is 0.2065 > 0.05, which indicates that ACS does not affect bank performance.

Based on Table 5, in Model 2, it shows that the GD_WPB regression coefficient is -0.0492, while the probability value is 0.7017 > 0.05, indicating that GD_WPB does not affect green banking. Furthermore, the BS regression coefficient is 0.2242 and the probability is 0.0000 < 0.01, which can be concluded that BS has a significantly positive effect on green banking. The ACS regression coefficient is 0.1768, while the probability is 0.0234 < 0.05, indicating that ACS has a significantly positive effect on green banking.

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The Sobel test is used to determine the indirect effect of independent variables (GD_WPB; BS; ACS) on the dependent variable (bank performance) through the green banking as the intervening/ mediating variable (GBI).

Table 6. Sobel test results

	Indirect effect		Z Sobel		remark
GD_WPB => GBI => BP	0.7025		-0.3819	Z Sobel; < 1.98	indirect effect – insignificant
BS => GBI => BP	0.0040		2.8703	Z Sobel; >1.98	indirect effect– significant
ACS => GBI => BP	0.0524		1.9398	Z Sobel; < 1.98	indirect effect – insignificant

Source: data processed, 2024

Based on Table 6, the indirect effect of gender diversity (GD_WPB) on bank performance has a Z Sobel value of 0.3819 < 1.98, which indicates that green banking cannot mediate the effect of gender diversity on bank performance. Moreover, the indirect effect of board size (BS) on bank performance has a Z Sobel value of 2.8703 > 1.98, which means that there is an indirect effect of the board size variable on bank performance. In other words, green banking can mediate the effect of board size on bank performance. The indirect effect of audit committee size (ACS) on bank performance has a Sobel Z value of 0.1.9398 < 1.98, indicating that green banking cannot mediate the influence of audit committee size on bank performance.

Gender diversity has a significantly positive effect on bank performance. Meanwhile, gender diversity is a variable of non-function-specific diversity that is potentially conducive to cognitive diversity and high-performance management teams. However, women are unlikely to have a major influence on company performance unless they become a vital position of the company hierarchy (Lafuente & Vaillant, 2019). Therefore, the presence of women in leadership positions is associated with better internal control, thereby reducing agency conflicts and increasing a company's performance and value (Ullah et al., 2020). Diversity on the board improves a company's performance by providing a variety of information and resources in various ways. Therefore, companies with more women on their boards of directors have better financial performance (Farooq et al., 2023). This statement is in line with the findings of Meah et al. (2021), Owen dan Temesvary (2018), Green dan Homroy (2018)), and Andrieş et al. (2020). Andrieş et al. (2020) attested that the presence of women on a bank's board of directors would improve governance, which would cause a bank to become more profitable and reduce risk.

Board size has a significantly positive effect on bank performance. This finding is in line with what is expressed in the stewardship theory that managers tend to ignore personal interests to pursue the company's best interests. Donaldson and Davis (1991) affirm that when a manager stays for a long time in a company, he and the company become one unit. They emphasize that it is because managers see the company as an extension of themselves. Thus, they became more enthusiastic about ensuring the long-term existence and success of the company rather than using it for their interests. The stewardship theory also argues that involving more leaders (dual leadership) can provide companies with unmatched specific knowledge regarding the challenges and

opportunities a company may encounter (Gafoor et al., 2018). The research results are in line with the findings of several previous researchers (Ofoeda, 2017; Isik & Ince, 2016) where board size has a positive effect on bank performance. In Ofoeda (2017), he explained that larger boards had more expertise to assist in better decision-making. They are also in a better position to monitor management operations to ensure that decision making is performed to benefit the company. However, this finding is contrary to the those of Arora dan Sharma (2016); Athar et al. (2023); Noguera (2020); and Farooq et al. (2023), in which they found that board size undermined bank performance (ROE).

Audit committee size does not affect a bank performance. This finding is opposed to those of Ofoeda (2017), and Boachie (2023) which found that there was a positive influence of audit committee size on bank performance. In Boachie (2023), it is attested that audit committees with a small number of members lacked a diversity of skills and knowledge. Therefore, it become ineffective. However, an appropriately sized audit committee will enable members to use their experience and expertise in the best interests of stakeholders. The research results show that the average audit committee size is 1.3210, which is an average of three or four audit committee members. As such, these numbers already show that there are sufficient members of the audit committee. However, when the results are insignificant, it can be inferred that the effectiveness of the audit committee in the company does not depend on the number of audit committee members. Instead, a few permanent members will be more effective when the level of supervision is carried out in a focused and better manner.

Green banking has a significantly positive effect on the bank performance. It is in line with the institutional theory which states that the actions of individuals and organizations, such as banks can be caused by external and social factors (Handajani, 2019; Petro et al., 2023; Rahmiati & Agustin, 2022). In such a case, banks can respond to sustainability issues by implementing and publicizing green banking to ensure that business practices are in line with the ethical standards of the banking financial industry (Petro et al., 2023). This finding is also in line with the previous research findings (Awino, 2014; Bose et al., 2021), which found that green banking affected bank performance.

Environmentally friendly banks can improve their reputation (Mir & Bhat, 2022; Owen & Temesvary, 2018) by which they are able to increase customer trust and loyalty, as well as differentiating the bank from its competitors, attracting the interest of investors who are concerned about the environment, thereby increasing their access to capital. Green banking encourages banks to develop sustainable products and services, including minimizing loans for certain activities that can impair the environment, achieving a certain percentage of environmental loans as a total percentage, and introducing environmentally friendly financial products, such as financing renewable energy projects or loans for green investments (Mozib Lalon, 2015), which can create new opportunities for revenue growth.

Based on the research results, two indicators are most frequently expressed, namely 'use of separate pages for reporting environmentally friendly banking in annual reports' and 'reduction of paper waste' with each percentage equal to 98.3%. It shows that based on the sample used, the level of disclosure is significantly high. In line with research by Gunawan et al. (2022), the indicator 'paper waste reduction' is the most frequently expressed because in banking operations, paper is the main material used for customer reports, mail delivery activities, and other operational supporting activities. The reduction in paper consumption also occurs due to the growing trend of e-banking in

Indonesia nowadays. By using digital e-banking, most transactions now use eco-friendly printing and paperless processes. The lowest disclosure is in the indicator information about bank customers and value chain partners who won awards for their initiatives in preserving the natural environment (22.2%), and the second indicator is the application of policies and technology to reduce water and gas waste in the bank's internal operations (27.4%). Regarding water-saving policies and technology, more banks use PDAM (regional water supply company) water services and rarely mention how savings are made with technology, such as the use of water-saving taps.

Gender diversity does not affect green banking. This finding is in line with the research results of Gallego-Sosa et al. (2020) and Farida dan Purwanto (2021). The banks in this study had a gender imbalance in their boards of directors, in women are underrepresented. The lack of women representation on the board of directors shows that their role has no impact on the companies' policies and performance (Gallego-Sosa et al., 2020). Farida dan Purwanto (2021) investigated the Islamic banking in Indonesia, in which their finding was that disclosure of corporate social responsibility was not influenced by the presence of women on the board of directors of Islamic banking in Indonesia, which was still low in Indonesia. The study results show that the average women's representation on the board of directors was only 29.76 percent, which was significantly low below 50%. It indicates that on average, there were only one or two female representatives on the board, so it had no impact on the disclosure of corporate social responsibility (green banking). The female leaders' role seems to be only to support diversity; yet it does not have decision-making role, especially regarding environmental disclosure. This study finding is in line with the those of Alazzani et al. (2019), revealing that the small number of women on the board of directors cannot sufficiently influence a company's decisions.

Board size has a significantly positive effect on green banking. Instead of a small number, great number of board members will have a more diverse range of experience and expertise. A large number of board of directors will allow companies to communicate with a broader group of stakeholders, and it will encourage more green banking disclosure (Farida & Purwanto, 2021; Tauringana & Chithambo, 2015).

Audit committee size has a significantly positive effect on green banking. The existence of an audit committee ensures the continual improvement of company's responsible performance. The audit committee oversees company operations ethically and morally to encourage and express broader social responsibility (Sakynah et al., 2023). With more members on an audit committee, there will likely be diverse perspective, knowledge, and expertise. As such, it can help identify risks and opportunities related to green banking practices as well as provide more comprehensive insight into how a company's financial and operational decisions impact environmental aspects. Its existence can help disclose green finance (Rahmiati & Agustin, 2022).

Based on Table 5, of the three proxies used in this study, only board size can be moderated by green banking. On the other hand, proxies of gender diversity and audit committee size cannot be moderated by green banking in their influence on bank performance. The representation of women on the board bring about different perspectives and enrich discussions on sustainability issues, including green banking practices (Owen and Temesvary, 2018). The different viewpoints, information, views, and problem-solving approaches is thriving through women's participation because they have a higher level of understanding about the economy and its processes (Febriyane

et al., 2023). However, the diversity may not be directly related to specific knowledge or commitment to environmental issues or sustainability in general. Therefore, its existence does not play a role in improving bank performance through its efforts to enhance green banking disclosure. The number of audit committees can influence the disclosure of environmental economic activities (Rahmiati & Agustin, 2022), but the impact of sustainability performance may not be directly measurable in the short term. Thus, the role of green banking is not able to mediate the influence of audit committee size on bank performance.

CONCLUSION

The research results show that the GCG mechanism is indeed effective in supervising and controlling a company's operations. It is proven that gender diversity and board size have a direct effect on a bank's performance, while audit committee size does not affect a bank's performance since the effectiveness of an audit committee in a company does not depend on the number of committee members. Instead, a few permanent members will be more effective when the level of supervision is carried out in a focused and sound manner. The size of the audit committee may not matter if they can properly identify and address risks and provide useful advice to improve financial reporting and corporate governance. Board size and audit committee size affect green banking, yet gender diversity does not affect green banking. Research evidence shows that the number of women representatives on the board of directors is limited. Even though it can influence a bank's financial performance, it may not be involved in other aspects, such as environmental performance disclosure (green banking).

Green banking is only able to moderate the effect of board size on bank performance. As a mediator, green banking encourages boards of directors to consider environmental impacts in their business strategies, which in turn can improve bank performance.

This research scope is constrained in the mechanism to board size and audit committee size. Therefore, further studies are expected to deploy other measures that can look more focused and more important in their role in bank performance, like as their independence and competence. While green banking disclosure still adopts a dummy (0-1), further researchers can deeply delve to measure the level of disclosure, such as using a scale of 1 – 8 or 0 – 5 as proposed by Gunawan and Abadi (Gunawan & Abadi, 2017), i.e., qualitative scoring or quantitative scoring (charts, tables, monetary value, etc.).

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