



When Capital Matters More Than Commitment: CSR Disclosure and Bank Performance in an Emerging Market

Septa Diana Nabella*, Dwi Sihono Raharjo, Luqman Hakim

Doctoral Program in Management Science, Universitas Persada Indonesia Y.A.I., Jakarta, Indonesia.

*Email: septa.2166390014@upi-yai.ac.id

Received: 18 February 2026

Accepted: 02 June 2026

DOI: <https://doi.org/10.32479/irmm.23607>

ABSTRACT

This study examines whether corporate social responsibility disclosure (CSR) in emerging market banking reflects strategic sustainability commitment or is primarily driven by financial capacity. Using panel data from 13 large Indonesian conventional banks (KBMI III and IV) over the 2019–2023 period, we analyse the determinants of CSR disclosure and its relationship with bank financial performance. Fixed-effects regression results show that capital adequacy and bank size are significant positive drivers of CSR disclosure, while credit risk, liquidity, and macroeconomic conditions are not. Moreover, CSR disclosure does not have a statistically significant effect on bank profitability, measured by return on assets, and does not mediate the relationship between bank-specific characteristics and financial performance. These findings indicate that CSR disclosure in a highly regulated emerging market banking system is largely shaped by financial capacity and institutional scale rather than by value-creating sustainability strategies. The study contributes to the banking literature by highlighting the contextual limits of the CSR performance nexus and the role of regulation in standardising non-financial disclosure practices.

Keywords: Corporate Social Responsibility Disclosure, Bank Capital Adequacy, Bank Performance, Emerging Markets, Bank Regulation, Panel Data

JEL Classifications: G21, G28, M14, C23

1. INTRODUCTION

The role of banks in modern economies extends beyond financial intermediation to encompass broader social and environmental responsibilities. As highly regulated institutions that rely heavily on public trust, banks are increasingly expected to demonstrate accountability not only through financial performance but also through transparent disclosure of their social and environmental impacts (Scholtens, 2009; Weber, 2017). Corporate social responsibility (CSR) disclosure has therefore become a critical component of banking governance, particularly in emerging markets where institutional development and stakeholder scrutiny are still evolving (Islam et al., 2016; Buallay, 2019). In the banking sector, CSR disclosure serves a dual function. On the one hand, it

operates as a mechanism to enhance organisational legitimacy by signalling conformity with societal norms, regulatory expectations, and global sustainability agendas (Suchman, 1995; Deegan, 2002; Mandagie et al., 2024). On the other hand, CSR disclosure is often promoted as a strategic instrument that can strengthen reputation, reduce information asymmetry, and potentially improve financial performance (Dhaliwal et al., 2011; El Ghouli et al., 2017). Despite these expectations, empirical evidence on the financial payoff of CSR disclosure in banking remains mixed and inconclusive.

Prior studies report heterogeneous findings regarding the relationship between CSR disclosure and bank performance. Some studies document a positive association, suggesting that socially responsible banks benefit from enhanced stakeholder

trust and long-term value creation (Simpson and Kohers, 2002; Buallay et al., 2020). In contrast, other studies find insignificant or even negative effects, particularly in the short term, indicating that CSR activities may generate costs that outweigh immediate financial benefits (Nelling and Webb, 2009; Bansal et al., 2021). These inconsistencies suggest that the effectiveness of CSR disclosure is highly context dependent. In emerging economies, CSR disclosure is often shaped more by regulatory compliance and internal capacity than by voluntary ethical commitment (Khan et al., 2021). Banks with stronger capital positions and larger asset bases tend to possess greater financial flexibility, enabling them to allocate resources to CSR activities and produce more comprehensive disclosures (Giannarakis, 2014; Buallay, 2019). Conversely, banks facing higher risk exposure or liquidity constraints may prioritise financial stability over sustainability initiatives (Beltratti and Stulz, 2012). This raises a critical question: does CSR disclosure in emerging market banks reflect genuine commitment to sustainability, or is it primarily driven by financial capacity?

Indonesia provides a particularly relevant context to address this question. Following regulatory reforms by the Financial Services Authority (Otoritas Jasa Keuangan, 2021), Indonesian banks are classified into core capital groups (KBMI), which significantly influence their operational scope, risk-taking capacity, and strategic orientation. Large banks classified as KBMI III and KBMI IV dominate the national banking system and are subject to higher public visibility and regulatory scrutiny. At the same time, mandatory sustainability reporting requirements have been gradually introduced, potentially transforming CSR disclosure into a compliance-oriented practice rather than a strategic choice (OJK, 2021; Wijaya and Sari, 2022). Furthermore, the Indonesian banking sector experienced substantial structural and macroeconomic challenges during the post-pandemic period. Fluctuations in credit risk, liquidity conditions, and economic growth may have affected banks' ability and willingness to engage in CSR activities. Prior studies suggest that macroeconomic conditions can influence both CSR engagement and financial performance, although the direction and magnitude of these effects remain unclear in emerging markets (Ullmann, 1985; Wang et al., 2016; Dorothy and Endri, 2024). Against this backdrop, this study investigates the determinants of CSR disclosure and its implications for bank performance in Indonesia over the 2019–2023 period. Specifically, it examines whether capital adequacy, credit risk, liquidity, firm size, and economic growth influence CSR disclosure and whether such disclosure translates into improved profitability. By focusing on large conventional banks, this study captures the behaviour of institutions with substantial resources and regulatory obligations, where CSR disclosure is expected to be most pronounced. This study contributes to the literature in three important ways. First, it enriches CSR and banking research by providing empirical evidence from an emerging market where sustainability reporting is increasingly institutionalised, but its financial consequences remain ambiguous (Buallay et al., 2020). Second, it disentangles the role of financial capacity and commitment by examining whether CSR disclosure is driven primarily by capital strength and organisational scale rather than risk exposure or macroeconomic conditions. Third, it evaluates the mediating role of CSR disclosure

in the relationship between bank-specific characteristics and financial performance, offering a more nuanced understanding of how sustainability practices operate within the banking sector.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Corporate Social Responsibility Disclosure in Banking

Corporate social responsibility (CSR) disclosure refers to the extent to which firms communicate their social, environmental, and ethical activities to stakeholders through formal reporting channels. In the banking sector, CSR disclosure holds particular importance due to banks' role as financial intermediaries and their indirect impact on social and environmental outcomes through lending and investment decisions (Scholtens, 2009; Weber, 2017). From a legitimacy theory perspective, CSR disclosure is a strategic response aimed at aligning organisational activities with societal norms and expectations to maintain social acceptance (Suchman, 1995; Deegan, 2002; Maysari and Endri, 2025). Banks operate in highly regulated environments and rely heavily on depositor trust; consequently, transparent CSR disclosure becomes a critical tool for sustaining legitimacy and reputation (Islam et al., 2016). Stakeholder theory further explains CSR disclosure as a mechanism to address the expectations of diverse stakeholder groups, including regulators, investors, customers, and the broader community (Freeman et al., 2010). In emerging markets, where institutional frameworks are still developing, CSR disclosure often reflects both regulatory compliance and the strategic interests of dominant stakeholders rather than purely voluntary ethical commitment (Khan et al., 2021).

2.2. Capital Adequacy and CSR Disclosure

Capital adequacy ratio (CAR) reflects a bank's financial strength and its ability to absorb potential losses. Well-capitalised banks possess greater financial flexibility, enabling them to allocate resources to non-core activities such as CSR initiatives and sustainability reporting (Beltratti and Stulz, 2012). Prior studies suggest that financially strong firms are more likely to engage in extensive CSR disclosure, as they face fewer resource constraints and greater public scrutiny (Giannarakis, 2014; Buallay, 2019). In the banking context, higher CAR may signal stability and long-term orientation, encouraging banks to adopt CSR disclosure as part of reputational and legitimacy-building strategies. However, agency theory highlights the possibility that CSR disclosure by well-capitalised banks may be symbolic rather than substantive, serving as a signalling device rather than reflecting genuine commitment (Jensen and Meckling, 1976; Cho et al., 2015). This ambiguity makes the relationship between capital strength and CSR disclosure an empirical question.

- H_1 : Capital adequacy ratio positively affects CSR disclosure.

2.3. Credit Risk, Liquidity, and CSR Disclosure

Non-performing loans (NPL) represent credit risk and reflect the quality of a bank's loan portfolio. High levels of NPL may constrain managerial discretion and limit resources available for

CSR activities (Louzis et al., 2012). Banks experiencing financial distress may prioritise risk management and capital preservation over sustainability initiatives. Conversely, legitimacy theory suggests that banks facing higher risk exposure may increase CSR disclosure to mitigate reputational damage and reassure stakeholders (Cho and Patten, 2007). Empirical evidence on the relationship between NPL and CSR disclosure remains mixed, particularly in emerging markets. Liquidity conditions, commonly measured by the loan-to-deposit ratio (LDR), also influence CSR engagement. Adequate liquidity provides operational flexibility, while excessive lending or idle funds may limit discretionary spending on CSR initiatives (Athanasoglou et al., 2008). Prior research shows inconsistent findings regarding the impact of liquidity on CSR disclosure, indicating the need for further investigation (Buallay et al., 2020).

- H_2 : Non-performing loans affect CSR disclosure.
- H_3 : Loan-to-deposit ratio affects CSR disclosure.

2.4. Firm Size and CSR Disclosure

Firm size is among the most robust predictors of CSR disclosure across industries. Larger firms tend to face higher public visibility, greater political costs, and stronger stakeholder pressure, motivating them to disclose more comprehensive CSR information (Watts and Zimmerman, 1986; Hackston and Milne, 1996). In the banking sector, large banks possess superior resources, advanced reporting systems, and greater exposure to regulatory and public scrutiny, all of which encourage extensive CSR disclosure (Branco and Rodrigues, 2008; Buallay, 2019). Empirical studies consistently find a positive relationship between bank size and CSR disclosure, particularly in emerging economies.

- H_4 : Firm size positively affects CSR disclosure.

2.5. Macroeconomic Conditions and CSR Disclosure

Macroeconomic conditions, such as economic growth, influence corporate behaviour and strategic priorities. During periods of economic expansion, firms may have greater capacity to invest in CSR activities, while economic downturns may shift focus toward financial survival (Ullmann, 1985). However, empirical evidence regarding the impact of economic growth on CSR disclosure is inconclusive. Some studies find that favourable macroeconomic conditions encourage CSR engagement, while others report insignificant effects, especially in regulated industries such as banking (Wang et al., 2016; Buallay et al., 2020). In emerging markets, CSR disclosure may be driven more by internal capacity and regulatory compliance than by macroeconomic cycles.

- H_5 : Economic growth positively affects CSR disclosure.

2.6. CSR Disclosure and Bank Financial Performance

The relationship between CSR disclosure and financial performance has been extensively debated. Stakeholder and signalling theories suggest that CSR disclosure enhances reputation, reduces information asymmetry, and strengthens stakeholder trust, potentially improving profitability (Dhaliwal et al., 2011; El Ghoul et al., 2017; Fiana and Endri, 2025). In contrast, neoclassical and agency perspectives argue that CSR

activities impose additional costs that may reduce short-term financial performance (Friedman, 1970; Nelling and Webb, 2009). Empirical findings in the banking sector remain mixed, with studies reporting positive, negative, or insignificant effects depending on context and measurement (Simpson and Kohers, 2002; Buallay et al., 2020). Given the regulatory-driven nature of CSR disclosure in emerging market banks, its financial benefits may not materialise immediately, suggesting a potentially weak or insignificant relationship with profitability.

- H_6 : CSR disclosure positively affects bank financial performance.

2.7. The Mediating Role of CSR Disclosure

CSR disclosure may function as an intermediate mechanism through which bank-specific characteristics influence financial performance. Well-capitalised and large banks may leverage CSR disclosure to enhance reputation and stakeholder confidence, thereby improving financial outcomes (Orlitzky et al., 2003). However, if CSR disclosure is primarily compliance-oriented or symbolic, its mediating effect on performance may be limited (Cho et al., 2015). In emerging market banking, where sustainability reporting is often mandatory, CSR disclosure may not effectively transmit the impact of internal characteristics to financial performance.

- H_7 : CSR disclosure mediates the relationship between bank-specific factors, economic growth, and financial performance.

3. METHOD

This study employs a quantitative research design using panel data analysis to examine the determinants of corporate social responsibility disclosure (CSR/D) and its implications for bank financial performance. Panel data are particularly suitable for this study as they allow the analysis to control for unobserved heterogeneity across banks and capture both cross-sectional and time-series variations (Baltagi, 2021). The empirical framework is designed to test two main relationships. First, it examines the effects of bank-specific characteristics and macroeconomic conditions on CSR disclosure. Second, it investigates the impact of CSR disclosure on bank performance and its mediating role in the relationship between explanatory variables and profitability.

The sample consists of Indonesian conventional commercial banks classified as KBMI III and KBMI IV by the Financial Services Authority (Otoritas Jasa Keuangan, 2021). These banks represent institutions with large core capital and significant market influence, making them particularly relevant for examining CSR disclosure practices in the banking sector. The observation period spans 2019–2023, capturing both pre- and post-pandemic conditions. Banks with incomplete annual or sustainability reports during the study period were excluded to ensure data consistency. The final sample comprises 13 banks, resulting in an unbalanced panel dataset.

Secondary data were obtained from audited annual reports, sustainability reports, official publications of the Financial Services

Authority, and macroeconomic data from national statistical agencies. The use of publicly available and audited data enhances the reliability and replicability of the study (Hair et al., 2019). Panel data estimation was conducted using fixed effects (FE) and random effects (RE) models. Model selection was determined through the Chow test, Hausman test, and Lagrange Multiplier test, following standard econometric procedures (Gujarati and Porter, 2010; Wooldridge, 2016).

The fixed-effects model was selected as the most appropriate estimator, indicating the presence of unobserved bank-specific characteristics correlated with the explanatory variables. This approach controls for time-invariant heterogeneity across banks and improves estimation consistency. Prior to hypothesis testing, several diagnostic tests were conducted to ensure the validity of the regression results. Normality, multicollinearity, heteroscedasticity, and autocorrelation tests were performed following standard econometric practices (Gujarati and Porter, 2010). Variance Inflation Factor (VIF) values were examined to detect multicollinearity, while heteroscedasticity and autocorrelation were addressed using robust standard errors where necessary. To examine the mediating role of CSR disclosure, this study applies the Sobel test, which assesses whether the indirect effect of the independent variables on financial performance through CSR disclosure is statistically significant (Sobel, 1982; Baron and Kenny, 1986). Although mediation analysis in panel data has limitations, the Sobel test remains widely used in CSR and accounting research to provide preliminary evidence of mediation effects (Preacher and Hayes, 2008).

4. RESULT

This study employs fixed-effects panel regression to examine the determinants of CSR disclosure and its impact on bank financial performance in an emerging market context.

Table 1 reports the descriptive statistics for all variables included in the analysis. The average capital adequacy ratio (CAR) of 24.57% indicates that large Indonesian banks maintain capital buffers well above regulatory minimum requirements. Non-performing loans (NPL) remain relatively low, reflecting generally sound asset quality, although the dispersion suggests heterogeneous credit risk profiles across banks. The mean CSR disclosure score (CSR D) of 0.645 indicates a moderate to high level of sustainability reporting, consistent with increased regulatory pressure on large banks. However, the observed variation implies that CSR disclosure practices are not yet fully standardised. Firm size exhibits limited dispersion, reflecting the relatively homogeneous scale of KBMI

III and IV banks. Economic growth displays both positive and negative values during the observation period, capturing macroeconomic volatility in the post-pandemic era.

Panel data estimation procedures were conducted to determine the appropriate econometric specification. Chow tests strongly reject the common effects model in favor of the fixed effects (FE) model for both CSR disclosure and bank performance equations ($P < 0.01$). Hausman test results further confirm the superiority of the fixed effects model over the random effects specification, indicating correlation between unobserved bank-specific effects and explanatory variables. Classical assumption tests confirm that residuals are normally distributed, multicollinearity is not present, and heteroskedasticity is not detected. Consequently, the fixed effects estimator is deemed consistent and appropriate for hypothesis testing.

$$CSR D = 1.487245 + 0.090277 * CAR - 0.341696 * NPL - 0.004497 * LDR - 2.559849 * FS + 0.054942 * GDP + [CX=F] \quad (1)$$

Table 2 presents is capital adequacy ratio (CAR) has a positive and statistically significant effect on CSR disclosure ($P = 0.0176$), supporting H_1 . This indicates that better-capitalized banks disclose more CSR information. Non-performing loans (NPL) exhibit a negative but statistically insignificant coefficient ($P = 0.1873$), providing no support for H_2 . Similarly, liquidity (LDR) does not significantly influence CSR disclosure ($P = 0.7312$), leading to the rejection of H_3 . Firm size (FS) shows a statistically significant effect on CSR disclosure ($P = 0.0137$). Given that firm size is measured in logarithmic terms, this result indicates that larger banks systematically disclose CSR information more extensively, supporting H_4 . Economic growth (GDP) has a positive but weakly significant effect ($P = 0.0932$), failing to provide strong support for H_5 . The model demonstrates exceptionally high explanatory power ($R^2 = 0.9953$; adjusted $R^2 = 0.9936$), indicating that bank-specific characteristics dominate CSR disclosure decisions among large Indonesian banks.

$$ROA = -0.705361 - 0.017957 * CAR - 0.034443 * NPL + 0.009269 * LDR + 1.842725 * FS + 0.078673 * GDP + 0.157265 * CSR D + [CX=F] \quad (2)$$

Table 3 presents the fixed effects regression results examining the impact of CSR disclosure on bank profitability (ROA), controlling for bank-specific and macroeconomic variables. Firm size (FS) has a positive and statistically significant effect on return on assets ($P = 0.0145$). Economic growth (GDP) also exerts a strong positive influence on ROA ($P = 0.0010$). In contrast, CSR disclosure

Table 1: Descriptive statistics

Variable	Mean	Median	Max	Min	Standard deviation
CAR	0.2457	0.2402	0.3870	0.1678	0.0457
NPL	0.0098	0.0080	0.0300	0.0020	0.0062
LDR	0.8733	0.8430	1.6300	0.6000	0.1864
Firm size (FS)	33.561	33.152	35.315	32.244	912.63
GDP growth	0.0344	0.0510	0.0530	-0.0210	0.0285
CSR disclosure (CSR D)	0.6449	0.6300	0.7800	0.4800	0.0774
ROA	0.0206	0.0190	0.0420	0.0010	0.0100

Table 2: Fixed effects determinants of CSR disclosure

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.487245	0.337170	4.410964	0.0001
CAR	0.090277	0.036680	2.461220	0.0176
NPL	-0.341696	0.255370	-1.338046	0.1873
LDR	-0.004497	0.013009	-0.345637	0.7312
FS	-2.559849	1.00E-05	-2.560429	0.0137
GDP	0.054942	0.032060	1.713700	0.0932
R-squared	0.995328			
Adjusted R-squared	0.993638			
F-statistic	588.9829			
Prob (F-statistic)	0.000000			

Table 3: Fixed effects CSR disclosure on bank profitability (ROA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.705361	0.272428	-2.589169	0.0128
CAR	-0.017957	0.026481	-0.678126	0.5011
NPL	-0.034443	0.176795	-0.194821	0.8464
LDR	0.009269	0.008851	1.047281	0.3004
FS	1.842725	7.25E-06	2.541104	0.0145
GDP	0.078673	0.022455	3.503610	0.0010
CSRSD	0.157265	0.099114	1.586711	0.1194
R-squared	0.872679			
Adjusted R-squared	0.822858			
F-statistic	17.51617			
Prob (F-statistic)	0.000000			

Table 4: Mediation effect

Mediation	P-values
CAR → CSRSD → ROA	0.1823
NPL → CSRSD → ROA	0.3064
LDR → CSRSD → ROA	0.7355
FS → CSRSD → ROA	0.1126
GDP → CSRSD → ROA	0.2443

(CSRSD) shows a positive but statistically insignificant coefficient ($P = 0.1194$). Capital adequacy (CAR), credit risk (NPL), and liquidity (LDR) are likewise insignificant. The model demonstrates substantial explanatory power ($R^2 = 0.8727$; adjusted $R^2 = 0.8229$). Accordingly, H_6 is not supported.

To examine whether CSR disclosure mediates the relationship between bank-specific factors and financial performance, Sobel tests were conducted for all independent variables. The Sobel test results consistently indicate no significant indirect effects through CSR disclosure.

Table 4 presents all p-values exceed the 5% significance level, leading to the rejection of H_7 . These findings confirm that CSR disclosure does not function as a transmission mechanism linking financial capacity, risk, or macroeconomic conditions to bank profitability in the Indonesian context.

5. DISCUSSION

The empirical results demonstrate that capital adequacy ratio (CAR) has a positive and statistically significant effect on CSR disclosure. This finding supports Hypothesis 1 and aligns with

prior research documenting that financially strong firms are more capable of engaging in CSR activities and producing more extensive sustainability disclosures (Giannarakis, 2014; Buallay, 2019; Khan et al., 2021). From a resource-based perspective, capital strength provides banks with discretionary resources that can be allocated to non-core activities such as CSR reporting and sustainability initiatives. Well-capitalised banks also tend to adopt longer-term strategic orientations, which may encourage greater alignment with global sustainability norms (Beltratti and Stulz, 2012; El Ghoul et al., 2017). However, this result also resonates with agency theory arguments suggesting that CSR disclosure by financially strong institutions may be symbolic rather than substantive. Managers of well-capitalised banks may use CSR disclosure strategically to enhance organisational legitimacy and reputation without necessarily embedding sustainability into core banking operations (Jensen and Meckling, 1976; Cho et al., 2015). In this sense, capital adequacy enables disclosure, but not necessarily genuine sustainability commitment.

Contrary to Hypotheses 2 and 3, credit risk (NPL) and liquidity (LDR) do not significantly influence CSR disclosure. This finding contrasts with studies suggesting that firms facing higher risk may increase CSR disclosure to mitigate reputational damage (Cho and Patten, 2007) or reduce information asymmetry (Dhaliwal et al., 2011). One plausible explanation lies in the institutional characteristics of the sample. KBMI III and IV banks operate under strict prudential regulation and maintain substantial capital buffers, which may insulate CSR disclosure decisions from short-term fluctuations in credit risk or liquidity conditions. Similar findings are reported in studies focusing on large or systemically important banks, where CSR disclosure remains relatively stable despite changes in financial risk profiles (Branco and Rodrigues, 2008; Buallay et al., 2020). Furthermore, the growing institutionalisation of sustainability reporting in Indonesia likely reduces managerial discretion in CSR disclosure practices. As CSR disclosure becomes increasingly standardised and compliance-driven, its sensitivity to internal risk conditions diminishes, consistent with institutional theory predictions (DiMaggio and Powell, 1983).

Firm size is found to have a statistically significant effect on CSR disclosure, providing strong support for Hypothesis 4. This result is among the most robust findings in the CSR literature and is consistent with political cost theory, which argues that larger firms face greater public scrutiny, regulatory pressure, and stakeholder expectations (Watts and Zimmerman, 1986; Hackston and Milne, 1996). In the banking sector, large institutions are systemically important and highly visible, making CSR disclosure an essential tool for managing legitimacy and stakeholder relations (Branco and Rodrigues, 2008; Islam et al., 2016). Larger banks also possess superior reporting infrastructure and human capital, facilitating more comprehensive CSR disclosure (Buallay, 2019). Importantly, this finding reinforces the interpretation of CSR disclosure as an organisational routine rather than a voluntary ethical initiative. For large banks, CSR disclosure is embedded within corporate governance and reporting systems, reflecting organisational scale and regulatory exposure rather than discretionary commitment.

The results show that economic growth does not exert a strong or statistically significant influence on CSR disclosure, leading to the rejection of Hypothesis 5. This finding is consistent with studies suggesting that CSR disclosure in regulated industries remains relatively stable across business cycles (Ullmann, 1985; Wang et al., 2016; Buallay et al., 2020 ; Abdelmoneim & Yasser, 2023). In emerging markets, macroeconomic volatility may affect financial performance more directly than disclosure practices. When sustainability reporting is mandated or strongly encouraged by regulators, firms are less likely to adjust disclosure intensity in response to macroeconomic conditions. This further supports the view that CSR disclosure in Indonesian banking is institutionalised and compliance-driven, rather than opportunistic or countercyclical.

The findings indicate that CSR disclosure does not have a statistically significant effect on bank profitability (ROA), leading to the rejection of Hypothesis 6. Although the coefficient is positive, CSR disclosure fails to translate into superior financial performance. This result aligns with a substantial body of literature reporting mixed or insignificant CSR performance relationships, particularly in the short term and within the banking sector (Nelling and Webb, 2009; Buallay et al., 2020; Bansal et al., 2021). Meta-analyses also highlight that the financial effects of CSR are highly context-dependent and sensitive to measurement choices and institutional settings (Orlitzky et al., 2003). In the Indonesian context, the absence of a significant performance effect may reflect the commoditisation of CSR disclosure. When most large banks disclose similar CSR information due to regulatory requirements, disclosure loses its differentiating and signalling power (Suchman, 1995; Cho et al., 2015; Fathony et al., 2020). Moreover, potential benefits of CSR disclosure such as enhanced trust, legitimacy, or risk mitigation may materialise over longer horizons and are not fully captured by accounting-based performance measures.

In contrast to CSR disclosure, firm size and economic growth significantly influence bank profitability. Larger banks benefit from economies of scale, diversified income streams, and stronger market power, while favourable macroeconomic conditions enhance credit demand and asset quality. These findings are consistent with banking literature emphasising the dominant role of structural and macroeconomic factors in shaping financial performance (Athanasoglou et al., 2008; Beltratti and Stulz, 2012). The mediation analysis reveals that CSR disclosure does not mediate the relationship between bank-specific characteristics, economic growth, and financial performance. All Sobel test results are statistically insignificant, leading to the rejection of Hypothesis 7. This finding reinforces the interpretation of CSR disclosure as a stand-alone reporting outcome, rather than a mechanism through which internal capacity or external conditions influence profitability (Albertazzi & Gambacorta, 2009). Similar conclusions are reported in studies arguing that CSR disclosure may be decoupled from core operational and financial outcomes, particularly in highly regulated sectors (Cho et al., 2015; Buallay et al., 2020).

Taken together, the findings demonstrate that CSR disclosure in large Indonesian banks is driven primarily by capital strength and

organisational scale, while its impact on financial performance remains limited. The absence of significant mediation effects further suggests that CSR disclosure serves legitimacy and compliance objectives rather than functioning as a value-creation channel.

6. CONCLUSION

This study examines whether corporate social responsibility disclosure (CSR/D) in emerging market banking reflects strategic sustainability commitment or is primarily driven by financial capacity and institutional characteristics. Using panel data from large Indonesian conventional banks (KBMI III and KBMI IV) over the 2019–2023 period, the findings show that CSR disclosure is significantly associated with capital adequacy and bank size, while credit risk, liquidity, and macroeconomic conditions play a limited role. Moreover, CSR disclosure does not have a statistically significant effect on bank profitability and does not mediate the relationship between bank-specific characteristics and financial performance. These results indicate that, in a highly regulated emerging market banking system, CSR disclosure functions largely as an institutionalised reporting outcome rather than as a strategic mechanism for value creation. By demonstrating that financial capacity, rather than sustainability commitment, is the primary driver of CSR disclosure, this study contributes to the banking and finance literature by clarifying the contextual limits of the CSR performance relationship and highlighting the importance of regulation and organisational scale in shaping non-financial disclosure practices.

From a policy and managerial perspective, the findings suggest that mandatory CSR disclosure enhances transparency but is unlikely to improve bank profitability unless sustainability considerations are more deeply integrated into core banking activities. Future research could extend this analysis by examining disclosure quality, longer-term performance outcomes, and cross-country institutional differences in banking systems.

REFERENCES

- Abdelmoneim, Z., Yasser, M. (2023), The impact of bank performance and economic growth on bank profitability: CAMEL model application in middle-income countries. *Banks and Bank Systems*, 18(3), 205-217.
- Albertazzi, U., Gambacorta, L. (2009), Bank profitability and the business cycle. *Journal of Financial Stability*, 5(4), 393-409.
- Athanasoglou, P.P., Brissimis, S.N., Delis, M.D. (2008), Bank-specific, industry-specific and macroeconomic determinants of bank profitability. *Journal of International Financial Markets, Institutions and Money*, 18(2), 121-136.
- Baltagi, B.H. (2021), *Econometric Analysis of Panel Data*. 6th ed. Hoboken: Wiley.
- Bansal, P., Kistruck, G., Wood, S.L., Beamish, P.W. (2021), Doing good but not doing well: The effects of CSR on firms' financial performance. *Strategic Management Journal*, 42(6), 1177-1201.
- Baron, R.M., Kenny, D.A. (1986), The moderator-mediator variable distinction in social psychological research. *Journal of Personality and Social Psychology*, 51(6), 1173-1182.
- Beltratti, A., Stulz, R.M. (2012), The credit crisis around the globe: Why did some banks perform better? *Journal of Financial Economics*,

- 105(1), 1-17.
- Branco, M.C., Rodrigues, L.L. (2008), Factors influencing social responsibility disclosure by Portuguese companies. *Journal of Business Ethics*, 83, 685-701.
- Buallay, A. (2019), Is sustainability reporting (ESG) associated with performance? Evidence from the European banking sector. *Management of Environmental Quality*, 30(1), 98-115.
- Buallay, A., Fadel, S.M., Alajmi, J., Saudagaran, S. (2020), Sustainability reporting and bank performance after the financial crisis. *Competitiveness Review*, 31(4), 747-770.
- Cho, C.H., Michelon, G., Patten, D.M. (2015), CSR disclosure: The more things change...? *Accounting, Auditing Accountability Journal*, 28(1), 14-35.
- Cho, C.H., Patten, D.M. (2007), The role of environmental disclosures as tools of legitimacy. *Accounting, Organizations and Society*, 32(7-8), 639-647.
- Deegan, C. (2002), The legitimising effect of social and environmental disclosures. *Accounting, Auditing Accountability Journal*, 15(3), 282-311.
- Dhaliwal, D.S., Li, O.Z., Tsang, A., Yang, Y.G. (2011), Voluntary nonfinancial disclosure and the cost of equity capital. *The Accounting Review*, 86(1), 59-100.
- DiMaggio, P.J., Powell, W.W. (1983), the iron cage revisited: institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2).
- Dorothy, P., Endri, E. (2024), Environmental, social and governance disclosure and firm value in the energy sector: The moderating role of profitability. *Problems and Perspectives in Management*, 22(4), 588-599.
- El Ghoul, S., Guedhami, O., Kwok, C.C.Y., Mishra, D.R. (2017), Corporate social responsibility and the cost of capital. *Journal of Banking Finance*, 35(9), 2388-2406.
- Fathony, M., Khaq, A., Endri, E. (2020), The effect of corporate social responsibility and financial performance on stock returns. *International Journal of Innovation, Creativity and Change*, 13(1), 240-252.
- Fiana, F., Endri, E. (2025), Corporate social responsibility and financial performance: The moderating role of firm size. *International Journal of Economics and Financial Issues*, 15(2), 244-251.
- Freeman, R.E. (1984), *Strategic Management: A Stakeholder Approach*. California: Pitman.
- Friedman, M. (1970), The Social Responsibility of Business is to Increase its Profits. *The New York Times Magazine*.
- Giannarakis, G. (2014), Corporate governance and financial characteristic effects on CSR disclosure. *Social Responsibility Journal*, 10(4), 569-590.
- Gujarati, D.N., Porter, D.C. (2010), *Basic Econometrics*. 5th ed. United States: McGraw-Hill.
- Hackston, D., Milne, M.J. (1996), Some determinants of social and environmental disclosures in New Zealand companies. *Accounting, auditing & accountability journal*, 9(1), 77-108.
- Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E. (2019), *Multivariate Data Analysis*. 8th ed. Boston: Cengage.
- Islam, M.A., Deegan, C., Gray, R. (2016), Social compliance disclosures in global supply chains. *Accounting, Auditing Accountability Journal*, 29(2), 208-241.
- Jensen, M.C., Meckling, W.H. (1976), Theory of the firm. *Journal of Financial Economics*, 3(4), 305-360.
- Khan, M., Serafeim, G., Yoon, A. (2021), Corporate sustainability: First evidence on materiality. *The Accounting Review*, 96(4), 1-29.
- Louzis, D.P., Vouldis, A.T., Metaxas, V.L. (2012), Macroeconomic and bank-specific determinants of non-performing loans. *Journal of Banking and Finance*, 36(4), 1012-1027.
- Mandagie, W., Susanto, K., Endri, E., Wiwaha, A. (2024), Corporate governance, financial performance and sustainability disclosure: Evidence from Indonesian energy companies. *Uncertain Supply Chain Management*, 12(3), 1791-1800.
- Maysari, M., Endri, E. (2025), ESG disclosure, intellectual capital, and firm value in the energy sector in Indonesia: The moderating role of firm size. *International Journal of Energy Economics and Policy*, 15(6), 512-522.
- Nelling, E., Webb, E. (2009), Corporate social responsibility and financial performance. *Review of Quantitative Finance and Accounting*, 33(2), 197-209.
- OJK. (2021), *Roadmap keuangan berkelanjutan tahap II (2021–2025)*. Indonesia.
- Orlitzky, M., Schmidt, F.L., Rynes, S.L. (2003), Corporate social and financial performance. *Organization Studies*, 24(3), 403-441.
- Otoritas Jasa Keuangan. (2021), *Roadmap Keuangan Berkelanjutan Tahap II (2021-2025)*. Zimbabwe: OJK.
- Preacher, K.J., Hayes, A.F. (2008), Asymptotic and resampling strategies for assessing mediation. *Behavior Research Methods*, 40(3), 879-891.
- Scholtens, B. (2009), Corporate social responsibility in the international banking industry. *Journal of Business Ethics*, 86, 159-175.
- Simpson, W.G., Kohers, T. (2002), The link between corporate social and financial performance: Evidence from the banking industry. *Journal of Business Ethics*, 35(2), 97-109.
- Sobel, M.E. (1982), Asymptotic confidence intervals for indirect effects. *Sociological Methodology*, 13, 290-312.
- Suchman, M.C. (1995), Managing legitimacy. *Academy of Management Review*, 20(3), 571-610.
- Ullmann, A.A. (1985), Data in search of a theory. *Academy of Management Review*, 10(3), 540-557.
- Wang, H., Tong, L., Takeuchi, R., George, G. (2016), Corporate social responsibility. *Academy of Management Journal*, 59(2), 534-544.
- Watts, R.L., Zimmerman, J.L. (1986), *Positive Accounting Theory*. Hoboken: Prentice Hall.
- Weber, O. (2017), Corporate sustainability and financial performance of banks. *Journal of Business Ethics*, 149, 1-18.
- Wijaya, A., Sari, M. (2022), Sustainability reporting in Indonesian banking. *Sustainability Accounting Review*, 14(2), 85-102.
- Wooldridge, J.M. (2016), *Introductory Econometrics: A Modern Approach*. 6th ed. Boston: Cengage.