# “Green banking disclosure from the perspective of corporate governance, financial slack and human resource slack in Indonesia”



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# GREEN BANKING DISCLOSURE FROM THE PERSPECTIVE OF CORPORATE GOVERNANCE, FINANCIAL SLACK AND HUMAN RESOURCE SLACK IN INDONESIA

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## Abstract

Green banking is a long-term business strategy with the main target of achieving sustainable benefits and preserving the environment. Determining the ability of corporate governance to influence green banking disclosure in banking companies in Indonesia was the aim of the study. Annual reports and sustainability reports of banking companies listed on the Indonesia Stock Exchange are used as secondary data. 84 data were used after selection using the purposive sampling method. The technique used to analyze the research data is SmartPLS. The findings show that good corporate governance can improve green banking disclosure. Financial slack and human resource slack, as moderating variables, can moderate the influence of corporate governance on green banking disclosure. The results also indicate that green banking disclosure has the potential to encourage positive changes in sustainable banking practices and information transparency. In the end, good corporate governance can stimulate bank management to care more about environmental issues. Financial and human resource slack in banking strengthens the relationship between the two and increases a company's role in maintaining environmental and social sustainability.

**Keywords** banking, environment, financial, governance, reporting, slack, sustainability

**JEL Classification** F65, G21, M14

## INTRODUCTION

It is believed that the banking industry has a low impact on the environment. This is in contrast to the chemical, manufacturing, and mining industries, which have a large impact on the environment (Aboramadan et al., 2022; Akomea-Frimpong et al., 2021; Hossain et al., 2016). In reality, however, the banking industry has indirectly contributed to environmental damage. Through the funding it provides, a bank is considered to have facilitated activities in other industrial sectors that have an impact on environmental damage. The results of research conducted by Bose et al. (2018) and Masud et al. (2017) on banks in Bangladesh show that central bank regulatory guidelines and corporate governance mechanisms are able to improve green banking disclosure practices. Disclosure related to green banking is predicted to help banks gain greater legitimacy from regulators and the public. Moreover, Handajani (2019), Handajani et al. (2019), and Amidjaya and Widagdo (2019) find that corporate governance influences green banking practices. However, Rahmiati and Agustin (2022) indicate that corporate governance has no effect on the disclosure of green banking practices.



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Financial slack and human resource slack are used as moderating variables because they are thought to be able to weaken or strengthen the influence of corporate governance on green banking disclosure (Zhang et al., 2018). Financial and human resource slack owned by a bank can show internal and external stakeholders that the bank has adequate financial and human resources to be able to implement environmental and social sustainability. (Ahmad, 2015; Amjad et al., 2021; Anggraeni & Djakman, 2017; Camilleri, 2020; Kim et al., 2019).

## 1. LITERATURE REVIEW AND HYPOTHESIS

Green banking is a response to pressure from stakeholders so that banking companies can practice more ethically (Bukhari et al., 2020; Hoque et al., 2022; Hoque et al., 2019; Okyere-Kwakye & Md Nor, 2021). However, because there are no technical guidelines or regulations regarding green banking reporting, green banking disclosure and reporting practices still vary widely (Ibe-enwo et al., 2019; Igbudu et al., 2018; Zahra et al., 2022). Green banking is implemented without consistent guidelines of reporting, but rather as a response to pressure from stakeholders for financial institutions to practice more ethically (Lugina Kurniawan, 2021; Veerasamy et al., 2023; Yong et al., 2022). Green banking practices are usually disclosed by banks in their annual reports (Embuningtiyas et al., 2020; Khairunnessa et al., 2021).

Corporate governance is a mechanism designed to meet the stakeholder's interests. In other words, the distribution of interests for all stakeholders must be balanced; this statement is supported by Handajani (2019) and Uddin et al. (2023). This also involves making choices, with the support of various information, so that companies can be more responsible. Furthermore, the Organisation for Economic Co-operation and Development states that corporate governance is a set of policies that contain ways to balance the distribution of interests of all stakeholders, such as company management, board of directors, shareholders, and other parties having an interest in the company (Lecuona & Reitzig, 2014; Song et al., 2020; Xu et al., 2015).

Financial slack is a condition where a company actually has more financial resources, which gives the company the potential to survive under various conditions, both internal and external pressures (George, 2005; Lecuona & Reitzig, 2014; Solikhin et al., 2022). Financial slack refers to the availability of finance that exceeds a company's needs and the excess can then be easily distributed by management for various uses or purposes. (Onuoha & Nkwor, 2021; Pawar & Munuswamy, 2022; Shah & Soomro, 2023). Financial slack can also be called unabsorbed slack. With financial slack, company managers can actively improve strategies for investment, experimentation, and innovation, which have implications for positive performance. In this way, capital restrictions can be reduced (Ahmed et al., 2022; Kraatz & Zajac, 2001; Rabie et al., 2022).

Competitive advantages are generated by companies for sustainability in order to increase capabilities and superior characteristics, which are reflected in human resources (Abdelhamied et al., 2023; Gral, 2014). Human resource slack (HRS), as part of absorbed slack, provides information about the advantages of company human resources that are difficult to obtain in an effort to achieve the goal of increasing maximum productivity in the company (Ali et al., 2022; Meng et al., 2023). This is reflected in human resource competency, which is a potential factor for a company to achieve sustainability excellence. Human resource slack has the characteristics of expertise in potential knowledge areas that are really needed when companies experience pressure due to intense competition (Kim et al., 2019; Yusoff et al., 2020; Zhang et al., 2018).

Various pressures on entities to behave more ethically in running a business cannot be separated from pressure from regulations and stakeholder expectations. Ethical banking management practices that apply the green banking concept require the role of corporate governance because corporate governance mechanisms will be able to encourage banking practices that are friendly to customers, society, environment, and


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social so that they are in line with the demands of environmental and social responsibility (Ajili & Bouri, 2018; Branco & Lima Rodrigues, 2006; Burke et al., 2017; Martini, 2021).

Bank operations have begun to reduce the use of paper for filing documents, and have implemented smart lamps in workrooms. The basic principle of green banking is an effort to strengthen bank risk management capabilities, especially those related to the environment. Bose et al. (2018) and Lymperopoulos et al. (2012) state that due to their involvement in environmentally friendly banking activities for the sake of a long-term sustainable value creation process, bank managers will be challenged in obtaining returns for shareholders. When dealing with diverse stakeholder interests, banking companies need corporate governance to ensure equality of interests among stakeholders so that business and managerial decisions taken do not harm the interests of one of the stakeholders, including demands for financial institutions to carry out ethical business practices such as disclosing green banking to external parties (Amidjaya & Widagdo, 2019; Martini, 2021; Sehen Issa et al., 2022).

Bank directors and management care about green banking direct corporate governance to encourage the environmental issue in practice. Handajani (2019) conducted research on banks listed on the Indonesia Stock Exchange (IDX) and the results showed that the size of the board of commissioners, which is a proxy for corporate governance, was proven to influence the disclosure of green banking practices. Furthermore, Bose et al. (2018) and Cakti and Aryani (2023) prove that the large size of the board of commissioners and institutional ownership can increase green banking disclosure. This is different from Rahmiati and Agustin (2022) that independent commissioners and foreign ownership, which are proxies for corporate governance, are proven to have no influence on the disclosure of green banking practices.

Banking companies have begun to take initiatives to direct their investment in recent years, resources and financing activities towards sustainable banking practices. Financial slack is a condition where a company actually has more financial resources which gives the company the potential to survive in various conditions, both under internal and external pressures (Bose et al., 2018; Solikhin et al., 2022) The existence of financial slack in a company can be a means for the company to increase its responsibility in accordance with the expectations of company stakeholders (Ghassim & Bogers, 2019; Xu et al., 2015). The results were in line with Kim et al. (2019), who stated that financial slack in a company has a positive effect on the company's disclosure of non-financial information and is not in line with Khamilia and Nor (2022).

The existence of human resource slack, or human resources who have expertise and in-depth knowledge of the company, is very useful, especially when the company is dealing with intense competitive pressures (Boros et al., 2023; Lecuona & Reitzig, 2014; Masri & Jaaron, 2017). Human resource slack has an effect on the disclosure of CSR Non-Financial, Sustainability, and Integrated Reports (Khan et al., 2022; Kim et al., 2019; Lin & Yu-Shan, 2017). According to Kim et al. (2019) and Xu et al. (2015), one of the factors that can influence companies to implement and disclose their social responsibilities voluntarily is human resource slack. Zhang et al. (2018) indicate that human resource slack cannot help improve a company's corporate social responsibility performance. Furthernore, Khamilia and Nor (2022) added that disclosure of green banking practices could not be influenced by human resource slack. This study aims to analyze the effect of corporate governance on green banking disclosure with financial slack and human resource slack as moderating variables. The research model is shown in Figure 1 and the proposed hypotheses are as follows:

$H_1$: *Corporate governance can influence green banking disclosure.*

$H_2$: *Financial slack moderates the influence of corporate governance on green banking disclosure.*

$H_3$: *Human resource slack moderates the influence of corporate governance on green banking disclosure.*

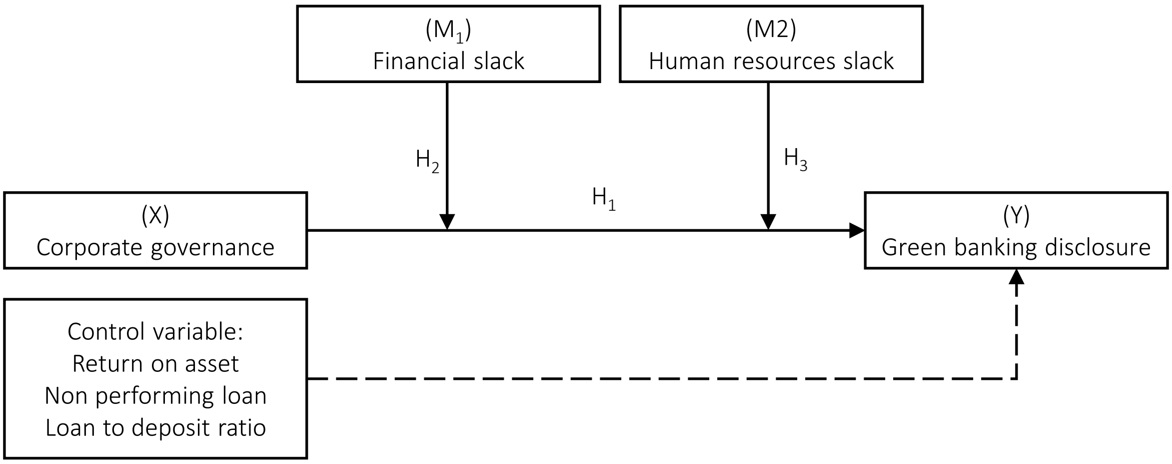


**Figure 1.** Research model

## 2. RESEARCH METHODOLOGY

Purposive sampling is the most appropriate technique for selecting the samples used in this study because not all samples have the criteria specified by the authors (Ghozali & Latan, 2017). The criteria for banks used as samples in this study are banks registered on the IDX for the 2020–2022 period, as many as 46 banks; banks that publish sustainability reports and annual reports during the 2020–2022 period; banks that disclose at least one policy related to green banking indicators in their sustainability report; and banks that disclose at least one policy related to corporate governance indicators in their annual report. The total sample used during the research period was 84 data.

There are three types of variables used in this study. The dependent variable used in this study is green banking disclosure, which is measured using the Guttman scale, where a value of 1 indicates the presence of green banking disclosure and a value of 0 indicates the absence of green banking disclosure. The following are 21 disclosure items formulated by Bose et al. (2018)

The independent variable used in this study is good corporate governance. The implementation

**Table 1.** Green banking disclosure index

Source: Bose et al. (2018).

| Code | Disclosure Items |
|---|---|
| Gbdi 1 | Bank policies towards preserving the natural environment and policies that address climate change |
| Gbdi 2 | Financing green projects and monitoring clients' environmental initiatives |
| Gbdi 3 | Paper waste reduction information |
| Gbdi 4 | Policy and technology information to reduce water and gas use in bank internal operations |
| Gbdi 5 | The use of environmentally friendly materials |
| Gbdi 6 | Energy conservation in operational activities |
| Gbdi 7 | Efforts to reduce emissions |
| Gbdi 8 | Information related to the introduction of environmentally friendly products |
| Gbdi 9 | The bank's initiatives and involvement in social networks to inform environmental issues |
| Gbdi 10 | Information evaluating the impact on the client's business before sanctioning financing facilities |
| Gbdi 11 | Information related to plans for organizing activities to increase green environment public awareness |
| Gbdi 12 | There are awards for excellent implementation of environmentally friendly activities |
| Gbdi 13 | Client appreciation for initiatives in environmental conservation |
| Gbdi 14 | Bank involvement in supporting projects that are in line with environmentally friendly program activities |
| Gbdi 15 | Establishing a climate change fund |
| Gbdi 16 | Green branches activities |
| Gbdi 17 | The internalization of green marketing in internal communication media |
| Gbdi 18 | Bank initiatives in encouraging employee training regarding green banking |
| Gbdi 19 | The budget amount allocated each year for green banking practices |
| Gbdi 20 | Information about the actual amount spent on various green banking activities |
| Gbdi 21 | Using separate pages in the annual report |


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of good corporate governance is measured using good corporate governance indicators, which are determined using a score, where a score of 1 indicates that the company meets the requirements for good corporate governance and a score of 0 indicates that the company does not meet the requirements for good corporate governance.

**Table 2.** Good corporate governance indicators

Source: Markonah et al. (2016).

| No. | Good Corporate Governance Indicators | Criteria |
|---|---|---|
| 1 | Transparency | a. Time of publication of financial reports<br>b. Company vision<br>c. Company mission<br>d. Company goals<br>e. Corporate strategy<br>f. Company condition<br>g. Board of Management<br>h. Management compensation<br>i. Controlling shareholders<br>j. Risk management<br>k. Supervisory and internal control systems<br>l. Good Corporate Governance implementation system<br>m. Important event<br>n. Share ownership of the board of commissioners |
| 2 | Accountability | a. The number of audit committee members is at least three<br>b. Reward and punishment system |
| 3 | Responsibility | a. Consider social responsibility<br>b. Pay attention to precautionary principles |
| 4 | Fairness | Fairness and professionalism of independent commissioners |
| 5 | Independence | Minimum GMS one time in the period |

The moderating variables used in this study are financial and human resource slack. According to Onuoha and Nkwor (2021) and Gral (2014), financial slack is a condition where a company actually has more financial resources, which gives the company the potential to survive in various conditions, both under internal and external pressures. The most liquid assets as financial slack are cash and cash equivalents. In this study, financial slack is measured using the following formula (Khamilia & Nor, 2022):

$$Financial\ Slack = LN\ Cash\ and\ Cash\ Equivalents. \quad (1)$$

Human resource slack (HRS), as part of absorbed slack, provides information about the advantages of a company's human resources, which are difficult to obtain in order to achieve the goal of increasing maximum productivity in the company (Uddin et al., 2023). In this study, human resource slack can be measured using the following formula (Khamilia & Nor, 2022):

$$HRS = LN\left(Number\ of\ Employees\right) - LN\left(Average\ Industrial\ Employees\right). \quad (2)$$

The control variables used in this study refer to previous research as follows:

Return on assets (ROA) is obtained by comparing net income with total assets. This ratio can be calculated as follows (Khamilia & Nor, 2022):

$$ROA = \frac{Corporate\ Profits}{Total\ Assets}. \quad (3)$$

Non-performing loan (NPL) is part of credit risk. It is a financial ratio used to measure a commercial bank's ability to handle credit repayment risks (Sochib et al., 2023). The higher the NPL level, the greater the credit risk borne by the bank.

$$Non\ Performing\ Loan = \frac{Total\ Non\ Performing\ Loans}{Total\ Credit}. \quad (4)$$

The loan-to-deposit ratio (LDR) measures the composition of total loans distributed compared to total third-party funds (Indrayani, 2021).

$$LDR = \frac{Total\ Loans}{Total\ Third\ Party\ Funds}. \quad (5)$$

SmartPLS is a data analysis technique used in this study to determine the effect of good corporate governance on green banking disclosure, with financial slack and human resource slack as moderating variables. Meanwhile, hypothesis testing is carried out using a PLS-SEM approach.

# 3. RESULTS

R-squared ($R^2$) can be used to evaluate structural models on dependent constructs (Ghozali & Latan, 2017). $R^2$ value of 0.67 indicates that the model is 'good', a value of 0.33 indicates 'medium', and a value of 0.19 indicates 'weak' (Ghozali & Latan, 2017).

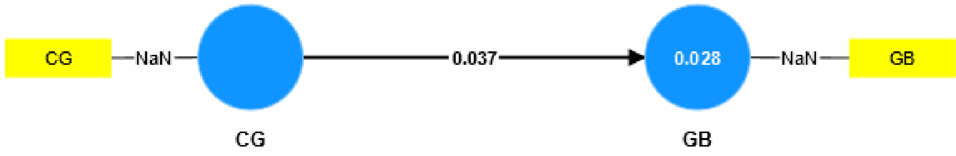


**Figure 2.** SmartPLS bootstrapping structural model output, equation 1

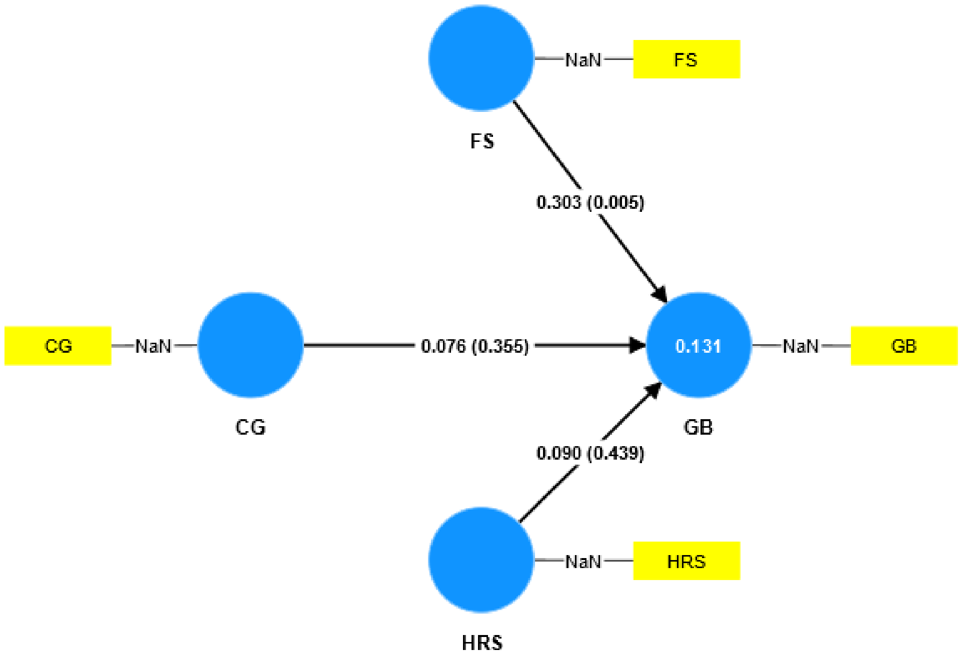


**Figure 3.** SmartPLS bootstrapping structural model output, equation 2

The output of the structural model of equation (1) in Figure 2 shows that the R-squared value of the endogenous green banking disclosure construct in this research model is 0.028. In this case, the corporate governance (CG) construct can only explain the green banking disclosure (Gbd) construct by 2.8%.

The output of the structural model of equation (2) in Figure 3 shows that the R-squared value of the endogenous green banking disclosure (Gbd) construct in this research model is 0.131. In this case, the constructs of corporate governance (CG), financial slack (FS), and human resource slack (HRS) can only explain the green banking disclosure construct by 13.1%.

The output of the structural model of equation (3) (Figure 4) shows that the R-squared value of the endogenous green banking disclosure construct in this research model is 0.190. In this case, the constructs of corporate governance, financial slack, and human resource slack can only explain the green banking disclosure construct by 19%, while the remaining 81% is explained by other variables outside the model.

The output of the structural model of equation (4) (see Figure 5) shows that the R-squared value of the endogenous green banking disclosure construct in this research model is 0.347. In this case, the constructs of corporate governance, financial slack, human resource slack, ROA, NPL, and LDR can only explain the green banking disclosure construct by 34.7%, while the remaining 65.3% is explained by other variables outside the model. The results of path coefficients and significance tests are as follows:

Testing equation (1), Table 3 aims to test the effect of corporate governance on green banking disclosure. The test results show that the beta coefficient value of corporate governance on green banking



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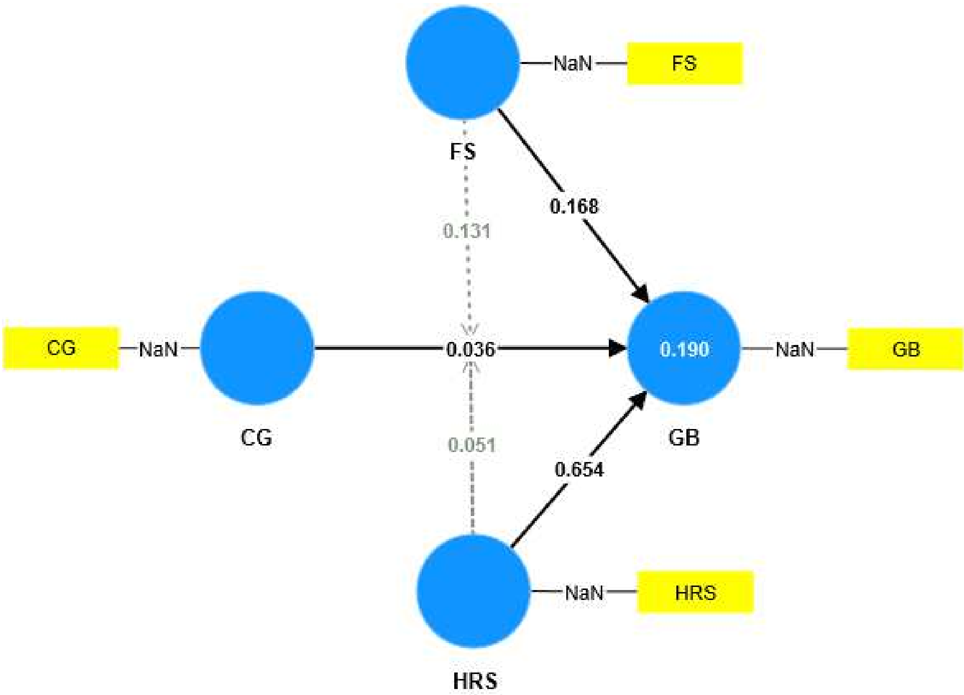


**Figure 4.** SmartPLS bootstrapping structural model output, equation 3

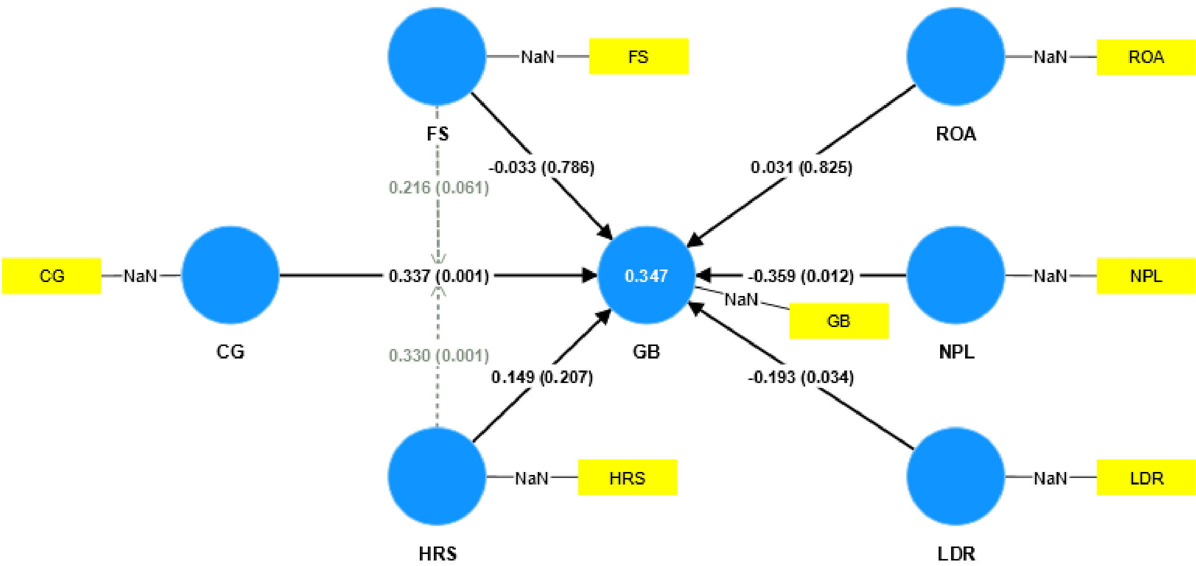


**Figure 5.** SmartPLS bootstrapping structural model output, equation 4

**Table 3.** Output path coefficients, equation 1

| Hypotheses | Original sample | Sample mean | Standard deviation | t statistics | P values |
|---|---|---|---|---|---|
| CG → Gbd | 0.169 | 0.170 | 0.081 | 2.086 | 0.037 |

disclosure is 0.169. So it can be stated that the t-statistic value is significant because 2.086 > 1.96, with a p-value of 0.037 < 0.05. This proves that corporate governance has a positive effect on green banking disclosure.

Testing equation (2), Table 4 informs that the beta coefficient value of corporate governance on green banking disclosure is 0.076, which is in contrast to the results of testing equation (1). The t-statistic value is 0.925 < 1.96, with a p-value of 0.355 > 0.05.

**Table 4.** Output path coefficients, equation 2

| Hypotheses | Original sample | Sample mean | Standard deviation | T statistics | P values |
|---|---|---|---|---|---|
| CG → Gbd | 0.076 | 0.078 | 0.082 | 0.925 | 0.355 |
| FS → Gbd | 0.303 | 0.302 | 0.107 | 2.840 | 0.005 |
| HRS → Gbd | 0.090 | 0.089 | 0.116 | 0.773 | 0.439 |

This proves that corporate governance has no positive effect on green banking disclosure. Meanwhile, the financial slack variable in Table 4 shows that the p-value is 0.005 < 0.05 and the t-statistic value is 2.840 > 1.96. This informs that the financial slack variable has a positive effect on green banking disclosure with a beta coefficient value of 0.303. Meanwhile, the human resource slack variable has no effect because it has a p-value of 0.439 > 0.05, with a t-statistic value of 0.773 < 1.96.

Testing equation (3) aims to test the effect of corporate governance, financial slack, and human resource slack on green banking disclosure. In addition, it also tests financial slack and human resource slack variables as moderating variables. The results of testing equation (3) show that the beta coefficient value of corporate governance on green banking disclosure is 0.206. It can be stated that the t-statistic value is significant because 2.100 > 1.96, and the p-value is 0.036 < 0.05. This informs that corporate governance has a positive effect. Meanwhile, the results of testing the financial slack variable in Table 5 show that the p-value is 0.168 > 0.05, and the t-statistic value is 1.380 < 1.96. This informs that the financial slack variable has no effect. The same as the financial slack variable, the human resource slack variable also has no effect on green banking disclosure because it has a p-value of 0.645 > 0.05, and the t-statistic value is 0.448 < 1.96. The test results also prove that the financial slack variable does not moderate the relationship between corporate governance and green banking disclosure because the p-value is 0.131 > 0.05, and the t-statistic value is 1.512 < 1.96, the human resource slack variable does not moderate variable because it has a p-value of 0.051 > 0.05, with a t-statistic value of 1.948 < 1.96. However, at an alpha value of 10%, the human resource slack variable can moderate the influence of corporate governance on green banking disclosure because it has a p-value of 0.051 < 0.1.

Testing equation (4), Table 6 aims to test the ability of corporate governance, financial slack, and human resource slack to influence green banking disclosure. It also tests the ability of moderating variables with ROA, NPL, and LDR as control variables. The results of testing equation (4) show that the beta coefficient value of corporate governance on green banking disclosure is 0.337. It can be stated that the t-statistic is sig-

**Table 5.** Output path coefficients, equation 3

| Hypotheses | Original sample | Sample mean | Standard deviation | T statistics | P values |
|---|---|---|---|---|---|
| CG → Gbd | 0.206 | 0.200 | 0.098 | 2.100 | 0.036 |
| FS → Gb | 0.174 | 0.175 | 0.126 | 1.380 | 0.168 |
| HRS → Gbd | 0.051 | 0.053 | 0.114 | 0.448 | 0.654 |
| CG x FS → Gbd | 0.207 | 0.210 | 0.137 | 1.512 | 0.131 |
| CG x HRS → Gbd | 0.253 | 0.233 | 0.130 | 1.948 | 0.051 |

**Table 6.** Output path coefficients, equation 4

| Hypotheses | Original sample | Sample mean | Standard deviation | T statistics | P values |
|---|---|---|---|---|---|
| CG → Gbd | 0.337 | 0.327 | 0.103 | 3.260 | 0.001 |
| CG x FS → Gbd | 0.330 | 0.317 | 0.101 | 3.261 | 0.061 |
| CG x HRS → Gbd | 0.216 | 0.220 | 0.115 | 1.877 | 0.001 |
| FS → Gbd | –0.033 | –0.025 | 0.121 | 0.272 | 0.786 |
| HRS → Gbd | 0.149 | 0.149 | 0.118 | 1.261 | 0.207 |
| LDR → Gbd | –0.193 | –0.188 | 0.091 | 2.117 | 0.034 |
| NPL → Gbd | –0.395 | –0.343 | 0.143 | 2.511 | 0.012 |
| ROA → Gbd | 0.031 | 0.040 | 0.141 | 0.221 | 0.825 |



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nificant because 3.260 > 1.96, and the p-value is 0.001 < 0.05. This proves that corporate governance has a positive effect on green banking disclosure. The results of testing the financial slack variable in Table 6 show that the p-value is 0.786 > 0.05, with a t-statistic value of 0.272 < 1.96. This proves that financial slack has no effect. The same as the financial slack variable, the human resource slack variable also has no effect because it has a p-value of 0.207 > 0.05, with a t-statistic value of 1.261 < 1.96.

In equation (4), there are three control variables: ROA, NPL, and LDR. The ROA variable has no effect on green banking disclosure because the p-value is 0.825 > 0.05, with a t-statistic value of 0.221. Meanwhile, the NPL and LDR variables have an effect on green banking disclosure because each respectively has a p-value of 0.012 < 0.05 and 0.034 < 0.05, with a t-statistic value of 2.511 < 1.96 and 2.117 < 1. 96.

The moderating variables in equation (4) are financial slack and human resource slack. The test results in Table 6 show that the financial slack variable has a p-value of 0.061 > 0.1, with a t-statistic value of 1.877 < 1.96, at an alpha of 10%, so this variable can influence the endogenous variable directly. The researcher states that this variable is a pure moderator. In contrast to the test results in equation (3), in equation (4), with the existence of the control variable, the human resource slack variable is proven to moderate the relationship between corporate governance and green banking disclosure as indicated by a p-value of 0.001 < 0.05, with a t-statistic value of 3.261 > 1.96.

Table 6 shows that the R-squared value in equations (1) to (3) is smaller than 0.19, which means that the model is in the weak category because, according to Ghozali and Latan (2017), the criteria for this R-squared value consist of in three classifications: 0.67 means substantial; 0.33 means moderate; and 0.19 means weak. Meanwhile, the R-squared value in equation 4 is 0.347, or is included in the moderate category. This means that of the four equations tested, the one with the best model is model equation (4). Therefore, the regression equation to answer the hypothesis in this study is based on equation (4).

# 4. DISCUSSION

The results show that corporate governance has an effect on green banking disclosure. This means that with good governance, banking companies will be able to increase the implementation of green banking disclosure practices. Strong corporate governance can encourage banks to adopt policies and initiatives that support sustainable and environmentally friendly banking practices. Through green banking disclosure, companies will be considered responsible towards society and stakeholders, thereby increasing public trust (Al-Badran, 2022; Jan et al., 2021). Corporate governance oriented to stakeholder theory will encourage banks to actively disclose information transparently so that the information is useful for stakeholders. Therefore, green banking disclosure is an important tool in meeting stakeholder expectations and needs regarding environmental issues.

Handajani (2019) and Uddin et al. (2023) inform that strong corporate governance with a focus on environmental issues can encourage banks to be more proactive in disclosing information about their green banking practices. This will increase transparency and accountability regarding environmental issues faced by banks and can help encourage further improvements in increasing green banking disclosure, thereby encouraging banks to be more transparent and responsible in facing environmental challenges (Amidjaya & Widagdo, 2019; Martini, 2021; Sehen Issa et al., 2022).

The test results show that financial slack can moderate the effect of corporate governance on green banking disclosure. This means that financial slack strengthens the relationship between corporate governance and green banking disclosure. The existence of financial slack in a bank can show internal and external stakeholders that the bank has sufficient financial resources to be able to carry out its obligations in relation to environmental and social sustainability.

Financial slack also allows companies to invest in wider disclosure of information regarding sustainable or environmentally friendly banking practices such as green banking (Bose et al., 2018; Solikhin et al., 2022). Green banking disclosure involves disclosing information about a compa-

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ny's initiatives in reducing negative impacts on the environment and society, such as the use of renewable energy sources, financing sustainable projects, or reducing carbon emissions. Companies can use financial slack to develop more detailed and transparent reporting systems regarding their environmental performance and the resulting positive impacts. By investing in this way, companies can increase their credibility in the eyes of stakeholders such as investors, customers, and the public. High credibility in terms of governance and sustainable banking practices can attract investment and trust from stakeholders. The results are supported by Anggraeni and Djakman (2017), Kim et al. (2019), and Zhang et al. (2018) that the greater the value of a company's financial slack, the higher the quality of CSR disclosure but not supported by Ahlström et al. (2017) and Khamilia and Nor (2022).

The results also show that human resource slack moderates the effect of corporate governance on green banking disclosure. This means that human resource slack strengthens the relationship between corporate governance and green banking disclosure. Having high-quality human resource slack, in terms of knowledge about sustainable banking practices and the environment, can influence the way a company makes decisions and implements better environmental policies. Strong corporate governance is more likely to support sustainable initiatives if there is an adequate and competent workforce to implement them (Boros et al., 2023; Lecuona & Reitzig, 2014; Masri & Jaaron, 2017).

Connecting with stakeholder theory can encourage banks to consider the interests of various parties related to sustainable banking practices, including employees or internal human resources. Employees who are knowledgeable about environmental issues and sustainable practices can play an important role in identifying policies and programs that meet stakeholders' needs. High-quality human resource slack in terms of knowledge about sustainable banking practices can influence a bank's ability to adopt and implement sustainable policies and initiatives. Employees who have this knowledge can make a significant contribution to developing strategies and implementing green banking disclosure. The findings of this study are supported by the results of research conducted by Kim et al. (2019) and Xu et al. (2015) that the level of voluntary disclosure of social responsibility can be influenced by human resource slack. However, these findings contradict the results of research conducted by Zhang et al. (2018) that human resource slack cannot help improve a company's CSR performance.

The control variables included in this study are ROA, NPL, and LDR. ROA has no effect on green banking disclosure. ROA highlights the financial aspects of a company, especially its level of profitability based on the assets owned. ROA reflects how efficient a company is in generating profits from the assets it owns. On the other hand, green banking disclosure is related to corporate social and environmental responsibility and how the company contributes to sustainable goals beyond the financial aspect. In contrast to ROA, the NPL and LDR variables have a negative effect on green banking disclosure. This means that the higher the NPL, the lower the green banking disclosure will be. When a bank faces high NPLs, its main priority is to overcome the problem of non-performing loans and improve asset quality (Sochib et al., 2023). When facing such financial problems, banks may focus more on restoring their financial health than on allocating resources to green banking initiatives. Furthermore, banks with high LDRs may face liquidity constraints because they have provided more loans than the deposits they receive (Indrayani, 2021). In this situation, banks may focus more on seeking additional funding sources to meet their liquidity needs rather than allocating resources to green banking initiatives or disclosure of sustainable practices.

## CONCLUSION

This paper aims to analyze the impact of corporate governance on green banking disclosure and examine financial and human resource slack as moderators. Corporate governance increases the disclosure of green banking practices. This implies that the better the corporate governance, the higher the level of



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disclosure of green banking practices. Strong corporate governance can encourage banks to adopt policies and initiatives that support sustainable and environmentally friendly banking practices. Financial slack moderates the effect of corporate governance on green banking disclosure. This means that financial slack strengthens the relationship between corporate governance and green banking disclosure. The existence of financial slack in a banking company can show internal and external stakeholders that the banking company has sufficient financial resources to be able to exceed its obligations regarding environmental and social sustainability. Human resource slack moderates the effect of corporate governance on green banking disclosure. This means that human resource slack strengthens the relationship between corporate governance and green banking disclosure. Banking companies that have high-quality human resource slack, in terms of knowledge about sustainable banking practices and the environment, can influence the way they make decisions and implement better environmental policies.

The limitation of this study is that 28 banking companies listed on the Indonesia Stock Exchange disclosed their sustainability reports in 2022. This study has implications for banking company management regarding the importance of adopting sustainable and environmentally friendly practices. These implications can encourage banking companies to increase their commitment to sustainability and prioritize environmental issues in business decision-making. In addition, this study can also be a basis for regulators in developing policies and regulations related to corporate social responsibility and sustainable banking practices. These implications may influence the reporting and transparency standards set by regulators to ensure that banking companies report relevant information regarding environmental issues.

## AUTHOR CONTRIBUTIONS

Conceptualization: Nurmala Ahmar.
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Project administration: Nurmala Ahmar.
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Writing – reviewing & editing: Laila Al Rahmah, Dwi Prastowo Darminto.

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