The Influence Of Green Finance And Financial Performance On The Profitability Of PT Bank BTPN Syariah in The Period 2018-2022

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Abstarct

This study aims to analyze the effect of green finance and financial performance on the profitability of PT Bank BTPN Syariah during the period 2018-2022. Green finance is measured through financial indicators that reflect sustainable financial practices, while financial performance is evaluated using financial ratios such as ROA, BOPO, and NPM. The data used came from the annual and quarterly financial statements of Bank BTPN Syariah as well as data related to green investment. Statistical analysis, including regression and correlation analysis, was used to assess the relationship between the variables. The results showed a positive influence of green finance and financial performance on the profitability of BTPN Syariah Bank. Sustainable finance practices can improve financial performance and, consequently, contribute to bank profitability. The implications of these findings provide valuable insights for Bank BTPN Syariah and other financial institutions interested in strengthening the sustainability dimension in their operations and investment policies. This study contributes to the sustainable finance literature and provides practical insights for stakeholders in the Islamic banking sector. Recommendations focus on strengthening sustainable finance practices and optimizing financial performance to improve profitability, in line with the commitment to green economy principles.

Keywords: Green Finance, Financial Performance, Profitability, Islamic Banks

Introduction

In the era of globalization and climate change, attention to sustainable financial practices is increasing. Islamic banking as one of the fastest growing financial sectors is no exception to the demand to adapt to sustainability principles. PT Bank BTPN Syariah, as a major player in this sector, must face the challenges and opportunities presented by sustainability principles, particularly in the aspect of Green Finance.

Green Finance, which refers to financial practices that support sustainable development and are environmentally friendly, has taken center stage in global business transformation. The active involvement of financial institutions in green initiatives can have a positive impact on corporate image, while fulfilling social and environmental responsibilities. In the context of Islamic banking, where ethical values and sustainability are integrated in the business model, it is important to evaluate the extent to which Green Finance practices affect financial performance and, in turn, profitability.

In the period 2018-2022, PT Bank BTPN Syariah faces complex market dynamics, including regulatory changes, economic challenges, and increasing awareness of environmental issues. Therefore, this study aims to investigate the influence of Green Finance and financial performance on the profitability of PT Bank BTPN Syariah during the period.

By detailing the role of Green Finance and financial performance in the context of Islamic banking, this study is expected to provide valuable insights for stakeholders, including bank management, regulators,

investors, and the general public. The results of this study are also expected to contribute to the sustainable finance literature, especially in the context of Islamic banking, which is still relatively new.

In elaborating on these issues, the next steps will include a literature search, establishment of a conceptual framework, and hypothesis generation to guide this research in more detail.

Methods

This research method is quantitative research. Quantitative methods focus on studying variables and the relationship between these variables and other variables. Qualitative research methods amount to methods that emphasize aspects of measuring social phenomena objectively. To be able to make measurements, each social phenomenon is described by several problem constructs, variables, and indicators. Each specified variable is measured by providing different numerical symbols according to the category of information related to that variable (Hardani, 2015) The type of data used is secondary data obtained from third parties in the form of OJK financial reports, IDX, and bank websites.

Green finance is an independent variable in this study. Green finance is the allocation of financial resources or financial investments by considering the environment, climate change, energy, and responsible management in all sectors. This variable can be analyzed using a dichotomous scale, which gives a value of 1 for indicators that have been met by the company and a value of 0 for indicators that have not been met by the company.

Findings dan Discussion

Findings

The data that has been obtained is processed again through SPPS, and produces the desired results. As for some of the results :

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,960[a]	,921	,683	,02288

a. Predictors: (Constant), NPM, BOPO, CAR

As seen in the model summary table, the R column value of 0.960 means that the effect of GF, NPM, BOPO and CAR on audit quality is 96% (0.960 x 100%), but this value can be considered "contaminated". Since many different noise values can cause measurement error, SPSS provides an alternative R Square value to compare the accuracy of the impact. It can be seen that the R Square value is 0.921, which is 92.1%. This value is lower than the R value due to adjustments. However, it should be noted that this value is not necessarily smaller than R but sometimes larger. To estimate a more accurate impact, we can also rely on the Adjusted R Square value, specifically the most adjusted and generally most accurate Adjusted R Square value. It can be seen that the Adjusted R Square value is 0.683 or 68.3% of the influence of the independent variable on the dependent variable. The next column in the Model Summary table shows the accuracy of the regression model which can be seen in the Standard Error of Estimate column, whose figure is 0.02288. The closer to the value of 0 (zero) the more accurate it is, with such a large number it can be said that the model trained has an accuracy of 2.288% (0.02288 x 100%). Then we turn to the Anova table as follows:

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,006	3	,002	3,870	,354[a]
	Residual	,001	1	,001		
	Total	,007	4			

a. Predictors: (Constant), NPM, BOPO, CAR

b. Dependent Variable: ROA

The Anova table shows whether the independent variables affect the dependent variable simultaneously (together). In this table there are several things that do not need to be discussed, first the sum of squares and second the mean square because we do not need them to draw conclusions whether the independent variable

simultaneously affects the dependent variable or not. There are two ways that can be used to make this determination: first look at the Sig value. (Importance). In the anova table, the sig. value is stated as 0.354 so it can be easily concluded that the variables GF, NPM, BOPO and CAR have an overall influence on profit. The trick is to follow the signature level of 0.05 is the threshold value of significant value. This means that if the probability value (significant) is smaller than 0.05 then all independent variables affect the dependent variable and vice versa. The second way is to compare the F-Count and F-Table, this method is a bit complicated because you must first know which F-count and which F-Table. The calculation of F is the value of F produced in the Anova table, which is 3.870. After reading the Anova table, we continue to read the Coefficient table. This table is useful for seeing the effect of partial (individual) variables. The results can be seen below:

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,709	1,241		2,988	,206
	BOPO	,064	,192	,096	,336	,794
	CAR	1,094	,538	1,847	2,033	,291
	NPM	5,412	1,979	2,489	2,735	,223

a. Dependent Variable: ROA

In the coefficient table, we present a lot of important and unimportant information. Important information includes variable names, constant values, t values, and key values. The unimportant information is the standard error and beta value in the standard coefficient column. This is not important because the standard error here is the standard error of each variable, we don't need it because we are only interested in estimating the standard error. Meanwhile, the beta value of the standardized coefficient does not need to be discussed here because this value will be useful during path analysis. As mentioned earlier, this table can be used to see the effect of each variable. There are two ways, first by looking at the sig. value per variable, if the value is sig. If the value is less than 0.05, the conclusion is that the sig effect is lower. the more influential he becomes. The second way is to compare the value of the t number with the t table. The t number is the value in the t column made by SPSS in the coefficient table, while the value still needs to be sought from the t table. The way to find the value in the t table is to first calculate the df value, the formula used is different from the anova table, namely df = n-k-1, so calculate df = 4-2-1 = 1. After getting the df value, open the latest statistics book and look for the t distribution table display.

From the table with df of 1 at sig. 0.05 we can get a t-table value of 6.31375 or 6.314. This value is compared with the calculated t value of each variable with the criteria, if the t table value is greater than the calculated t value, the conclusion is that the variable has an effect on the dependent variable. From the Coefficient table we can also compile a Regression Model Equation by looking at the values in the Coeficien B column, which in this case the model is formed: Y; 3.709 + 0.064 (X1) + 1.094 (X2) + 5.412 (X3).

Green Finance

Green finance refers to a type of investment and finance that supports projects and businesses that have a positive impact on the environment and sustainability. The practice of green finance aims to allocate capital to economic sectors that focus on environmental protection, reduction of greenhouse gas emissions, energy efficiency, and sustainable development.

Green finance is an international program that prioritizes environmental sustainability. This environmental protection plan was implemented because the overall destruction of nature has reached its peak, and climate change is causing serious damage to natural resources in the air, land, and sea, and the resulting impacts are causing severe damage. The scarcity of various natural resources causes changes in the economic value and price of these scarce natural resources (Basmar, 2021). According to (N. Höhne et al., 2012) "Green financing is a broad term that can refer to financial investments that flow into sustainable

development projects and initiatives, environmental products, and policies that promote sustainable economic development".

Green Financing is one of the products of green banking that requires banks to conduct their business in accordance with environmental regulations and support nature protection programs. Then Green Financing in Indonesia is defined as a financing scheme or lending to environmentally friendly businesses. In realizing a sustainable development program, a green financing policy is implemented for alternative financing or business lending in Indonesia (Yuliawati, 2017). The presence of green finance is expected to harmonize environmental and economic sustainability, because by implementing green finance, companies will comply with government policies in their business, so that it will increase the positive assessment of investors which will ultimately be followed by an increase in Company assets (Shab & Bhatt, 2022).

Some forms of green finance involve: Bonds issued to fund projects that have a positive impact on the environment. Funds raised from green bonds are used for projects such as renewable power plants, sustainable transportation projects, or other environmentally friendly projects. Loans provided to companies or projects that focus on sustainability and resource efficiency. Green credit can be provided to support investments in clean technology, energy efficiency, or other environmentally friendly projects. An investment strategy that considers environmental, social, and corporate governance (ESG) factors in making investment decisions. Investors are responsible for seeking out projects that follow sustainable practices. Asset managers and investment funds that focus on investing in companies that have a positive impact on the environment or that adhere to ESG principles. Investment funds curated to invest in companies with high environmental and social performance. These funds can include stocks, bonds and other financial instruments.

Green finance plays an important role in driving the shift to a more sustainable and environmentally friendly economy. This not only includes the renewable energy sector, but also includes other sectors that play a role in environmental protection and carbon footprint reduction. Banks, financial institutions and investors are increasingly recognizing the importance of investing sustainably to support environmental and social sustainability.

Financial Performance

(Jumingan, 2014) states that financial performance is a description of the bank's achievements in carrying out its operational activities, both in terms of finance, marketing, funding and distribution, technology, and human resources. Financial performance is the result of the company's operating activities and is expressed in the form of financial figures.

Financial performance is a measure of the success and stability of a financial entity, be it a company, financial institution, or individual. As a field that includes a number of metrics and ratios, financial performance is a mirror that reflects an entity's ability to manage its financial resources.

Financial performance is a reflection of an entity's ability to manage its financial resources efficiently and effectively. Through ratio analysis, financial statements, understanding external factors, innovation and business ethics considerations, we can understand and evaluate financial performance more holistically. Integrating these approaches provides a more holistic view of an entity's financial health and enables better decision-making to achieve long-term financial goals.

One of the main ways to evaluate financial performance is through financial ratio analysis. Liquidity, solvency, profitability and activity ratios provide an in-depth picture of the extent to which an entity can meet its obligations, generate profits and manage its assets efficiently. A ratio can be understood as the result obtained between one amount and another (Rosanti, 2019).

For example, debt-to-equity ratios can provide insight into the level of financial risk of a company, while profitability ratios such as Return on Investment (ROI) provide an indication of the extent to which a company can generate profits from its investments. Financial performance is not only influenced by internal factors, but also by external factors.

Changes in global economic conditions, government policies and industry trends can have a significant impact on the financial health of an entity. In measuring financial performance, it is important to consider these external factors and develop adaptive strategies to address changes in the business environment.

Profitability

Profitability refers to the ability of a company to generate profits from its operations. It is a key indicator of financial health and business sustainability. Profitability is the end result of a number of policies and decisions made by the company. profitability is the company's ability to generate profits with all the capital that works in it (Sutrisno, 2009). Meanwhile, according to (Sujarweni & Wiratna, 2017) Profitability ratio is the proportion used to measure the company's ability to earn profits, in relation to sales, assets and income and own capital.

Profitability ratio is a ratio to assess the company's ability to seek profit or profit in a certain period (Kasmir 2019: 114). This index is also a measure of the effectiveness of the management of a company, as measured by the profits generated from sales and capital gains. profitability is the company's ability to generate profits (Prihadi, 2020).

Profitability analysis helps stakeholders, such as investors and management, understand how efficient a company is at generating profits from its operations. Companies that have a good level of profitability are often perceived to be stronger and potentially provide better returns on investment. However, it is important to consider industry context and economic factors when assessing the profitability of a company. Therefore, we can conclude that the profitability ratio is a ratio that measures the ability of a company to generate maximum profit.

Islamic Bank

Islamic banks are financial institutions that operate based on Islamic economic principles. These principles follow Islamic law or sharia, which includes ethical and moral aspects in financial transactions. Islamic banks aim to provide financial services in accordance with Islamic teachings, and their operations are based on the principles. Islamic banks are banks that carry out their business activities based on sharia principles, which include branches of foreign banks and Islamic business units that carry out their activities based on sharia principles and provide payment services in their activities (Law RINo. 10 of 1998). Islamic banks are banks whose management does not present usury activities. One of the challenges that can be found in the Islamic world today is the avoidance of interest which is considered to cause usury (Arifin, 2002).

Islamic banks provide a range of financial products and services, such as housing finance, business finance, savings, and investments, but with principles that are in accordance with Islamic teachings. In many countries, there are specific regulations that oversee and govern the operations of Islamic Banks to ensure compliance with Shariah principles and consumer protection. It is perhaps encouraging that Islamic economists have recently paid considerable attention to finding ways to replace the existing interest rate system in banking transactions, by creating a free and untested theoretical model of economic activity. On the contribution and distribution of economic activity to the growth, investment and acquisition sectors. This allows for an interest-free banking mechanism and can be called Islamic banking.

An Islamic bank aims to provide financial services in accordance with the teachings of Islam, and its operations are based on the principles. All operations and transactions of the bank must comply with sharia law. This includes prohibitions against interest (riba), elements of gambling, and investments in businesses that are considered unethical or contrary to Islamic principles. Islamic banks use the profit-sharing principle in their business transactions. This means that profits and losses are shared between the bank and the parties involved in the transaction. Islamic banks can provide insurance products that comply with sharia principles. Takaful involves risk sharing between insurance participants. Islamic banks emphasize transparency in their operations. Sustainability and business ethics are given great attention, and decision-making is based on Islamic moral and ethical values. One of the main principles is the prohibition against usury or interest. Therefore, Islamic Banks do not impose fixed interest rates as conventional banks do. Instead, they use financial mechanisms such as mudharabah (profit sharing) or murabahah (sale and purchase with profit) to generate income. In financing, Islamic Banks tend to use an asset-based approach. This means that financing is provided based on real assets or specific business projects, and not based on interest-bearing loans. Islamic Banks usually undergo regular sharia audits by the sharia supervisory board to ensure compliance with sharia principles.

Partial Effect of green finance on Profitability (ROA)

The first alternative hypothesis in this study as mentioned in chapter three, namely Green finance has a positive and significant effect on ROA profitability of PT BTPN. The hypothesis was tested quantitatively in which the data processing was carried out with the help of the SPSS program. To test the hypothesis of the influence of the independent variable on the dependent variable partially, it is carried out using the t test and significance test on the probability value. From the coefficient of the green finance variable (X1). This coefficient is positive, meaning that the relationship between the Green finance variable (X1) and the ROA variable is unidirectional. When promotional costs (X1) increase by one point, ROA will also increase. This means that PT BTPN can reduce or use Green finance effectively and efficiently. If this activity continues to be carried out, the company, in this case PT. BTPN, will continue to experience an increase in sales, the continuous increase in sales will increase PT. BTPN's profit (ROA).

The results of this study do not support the theories and concepts put forward by (Nurul Hasanah, Slamet Hariyono, 2022), that the implementation of green financing has not had a positive impact on company profits because the application of green financing reporting in Islamic banking has only started in 2018 in line with the rules issued by the government with the issuance of OJK Regulation No. 51 of 2017 concerning the Implementation of Sustainable finance for Financial Services Institutions, Issuers and Public Companies to clarify the application of sustainable finance in Indonesia. In this way, the company's goal of increasing sales is likely to be achieved thereby increasing profits.

Effect of financial performance Partially on Profitability (ROA)

After partially discussing the Green finance variable (X1), we will discuss the effect of the second independent variable, namely Financial Performance (X2) on Profitability (ROA). This coefficient shows a negative value, meaning that the relationship between the financial performance variable (X2) and the ROA variable is inversely proportional. When financial performance (X2) increases by one point, ROA will decrease.

Then from the calculation using the t-test and the level of significance by paying attention to the probability value, both accept the alternative hypothesis. Based on hypothesis testing, it can be said that there is a problem. t is calculated from the independent variable Financial Performance (X2) which means that it has no significant effect on the dependent variable ROA. Financial performance (X2) has no significant and negative effect on ROA of PT BTPN, which means that any increase in financial performance will result in a decrease in profit margin (ROA) at PT BTPN.

The results of this study do not support the theories and concepts put forward by (Nurul Hasanah, Slamet Hariyono, 2022) that the CAR and NPL variables have no effect on ROA. While the NPF and BOPO variables affect Islamic banking, so the government needs to pay attention to the ratio of the two so that it is always within safe limits, so that there are not many bad loans and excessive or unbalanced operational expenses that are detrimental to banking.

Effect of green finance and financial performance Partially on Profitability (ROA)

After partially discussing the Green finance variable (X1), then we will discuss the effect of the second independent variable, namely Financial Performance (X2) on Profitability (ROA). This coefficient shows a positive value, meaning that the relationship between the financial performance variable (X2) and the ROA variable has a significant positive impact on its ability to generate profits, where PT Bank BTPN Syariah successfully manages factors such as liquidity level, asset quality, operational efficiency, and risk management so as to contribute positively to its profitability. When financial performance (X2) increases by one point, ROA will increase.

Then from the calculation using the t-test and the level of significance by paying attention to the probability value, both accept the alternative hypothesis. Based on hypothesis testing, it can be said that there is no problem. t is calculated from the independent variable Financial Performance (X2) which means it has a significant effect on the dependent variable ROA. Financial performance (X2) has a significant and positive effect on ROA of PT BTPN Syariah, which means that any increase in financial performance will result in an increase in profit margin (ROA) at PT BTPN Syariah.

Conclusion

In this research, there is a comprehensive analysis of the influence of independent variables on the dependent variable, which is profitability (ROA) at PT Bank BTPN Syariah. Within the regression model, several crucial values are considered in evaluating the partial and collective influence of independent variables on ROA.

Firstly, the results indicate that green finance (X1) has a significant positive impact on ROA. When promotional expenses increase, ROA also experiences an increase. This implies that the effective and efficient implementation of green finance can elevate a company's sales, consequently enhancing the profitability of PT BTPN Syariah.

Secondly, the financial performance variable (X2) exhibits an inverse relationship with ROA, meaning that when financial performance increases, ROA decreases. However, hypothesis testing results suggest that financial performance does not significantly influence ROA. Hence, an enhancement in financial performance does not affect the profit margin (ROA) of PT BTPN Syariah.

Furthermore, when both variables, green finance (X1) and financial performance (X2), are jointly analyzed concerning ROA, it is evident that financial performance has a significant positive impact on ROA improvement. Management of factors such as liquidity level, asset quality, operational efficiency, and risk management contributes positively to PT BTPN Syariah's profitability.

Overall, the research findings indicate that green finance has a positive impact on the profitability of PT BTPN Syariah, while financial performance significantly influences ROA when analyzed together. However, financial performance does not have a significant partial impact on ROA. This suggests that employing the right strategy in implementing green finance and enhancing financial performance can positively impact the company's profitability.

It is essential to note that these research findings do not fully support the previously proposed theories and concepts. In the context of Islamic banking, some variables like CAR and NPL do not significantly affect ROA. However, other variables such as NPF and BOPO influence Islamic banking, indicating the need for government attention to maintain these ratios within safe limits to avoid bad loan risks and imbalanced operational expenses that could harm the banking sector.

Therefore, to improve profitability, PT BTPN Syariah can focus on effectively implementing green finance and overall enhancement of financial performance to improve ROA and support sustainable company growth.

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