

DETERMINANT STATE-OWNED BANKS' PROFITABILITY: THE ROLE OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) COMMITMENTS AND BANK HEALTH ASPECTS

ABSTRACT

This study aims to analyze the influence of Environmental, Social, and Governance (ESG) sustainability aspects and bank health levels proxied by the Capital Adequacy Ratio (CAR), Non-Performing Loans (NPL), Operating Costs to Operating Income (BOPO), Loan to Deposit Ratio (LDR), and Net Interest Margin (NIM) on the profitability of state-owned banks for the 2020–2024 period. This study uses quantitative descriptive methods and panel data regression analysis covering 5 state-owned banks consisting of BRI, BNI, BTN, Bank Mandiri, and BSI. The results show that ESG has a positive but inconsistent effect on profitability. CAR has a positive but insignificant effect, NPL has a negative but insignificant effect, while BOPO has a negative and significant effect on profitability. In addition, LDR and NIM have a positive and significant effect on profitability. Simultaneously, ESG, CAR, NPL, BOPO, LDR, and NIM have a significant effect on the profitability of state-owned banks. This study is expected to be a consideration for banks in increasing profitability through strengthening ESG implementation and more optimal bank health management.

Keywords: ESG, CAR, NPL, BOPO, ROA