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Does the Board of Commissioners' Characteristics Relevant to the Sustainable Finance Disclosure in Indonesian Banks?

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Abstract:
Research aims: This study aims to investigate empirical evidence of the board of commissioners' characteristics (independent commissioners, educational level of the president commissioner, and board of commissioner meetings) on sustainable finance disclosure.
Design/Methodology/Approach: This study used panel data regression with 205 observations distributed in balanced panel data. The main data analysis was 164 data in 2015-2018, as the voluntary disclosure period. In addition, additional analysis was carried out for 41 data in 2019 as a mandatory disclosure period to achieve robust results.
Research findings: The regression results revealed that the independent commissioners and board of commissioner meetings had a significant positive effect on sustainable finance disclosure. Meanwhile, the educational level of the president commissioner did not show a significant effect on sustainable finance disclosure. In additional tests, the educational level of the president commissioner and board of commissioner meetings did not affect the sustainable finance disclosure after being mandatory.
Theoretical contribution/Originality: The results of this study can be used as additional support for agency theory and stakeholder theory. Moreover, to the best of the authors' knowledge, this research is the first to use The Financial Services Authority (OJK) regulation 51/POJK.03/2017 as a guideline to measure sustainable finance disclosure.
Practitioner/Policy implication: The research result can be used by OJK to evaluate regarding banking commitments in disclosing sustainable finance in Indonesia.
Research limitation/Implication: The weakness in this study is the measurement of sustainable finance disclosure using content analysis techniques so that there is an element of author subjectivity in it. For further research, it is hoped that several readers will be able to provide measurements related to the disclosure.
Keywords: Board of Commissioners' Characteristics; Sustainable Finance Disclosure; Banks; Indonesia

Introduction

The World Commission on Environment and Development defines sustainable development as a development that carrying out in the present without having a detrimental impact on future generations (Keeble, 1988). Sustainable development has three main focus dimensions: environmental, social, and economic aspects (United Nations, 2021). The concept of sustainability has an important role for companies in carrying out their operating activities. Companies that prioritize the concept of sustainability can avoid the costs that can harm the environment, society, and economy in the future (Rodriguez et al., 2002). Therefore, companies need to pay attention to the activity that can negatively impact their business and reputation.

Company activities that ignore the concept of sustainable development can incur costs relating to the impact of carbon emissions. Deforestation in Indonesia is the largest contributor to carbon emissions (Barri et al., 2018). Indonesia had to pay the cost of 100 million dollars annually due to emissions from these activities (Bappenas, 2015). The study from Forest Watch Indonesia (2014) stated that Sumatera, Kalimantan, and Papua have the highest deforestation rates in Indonesia. The rate of deforestation in Indonesia reaches 1.13 hectares annually (FWI, 2014). Based on these problems, banks are considered institutions that provide funds in illegal deforestation areas (KPMG Siddharta Advisory, 2020).

Financial Services Authority (OJK) as the authority in Indonesia, responds to these problems through collaboration with various parties to support the sustainable finance region (OJK, 2014). This collaboration manifests in the Roadmap for Sustainable Finance in Indonesia, published in December 2014. Financial services companies and other stakeholders use the roadmap to harmonize their business activities' environmental, social, and economic aspects. The roadmap is divided into two stages to achieve sustainable finance in Indonesia. The first is the Medium-Term Development Plan (RPJM) for 2015-2019, and the second stage is the Long-Term Development Plan (RPJP) for 2005-2025. The focus of activities in the RPJM is conducting socialization, training in environmental analysis, developing green products, and coordinating sustainable finance policies OJK, 2014).

In addition, sustainable finance is a commitment from financial services companies to achieve sustainable growth through harmonizing environmental, social, and economic aspects (FiBraS, 2020). Sustainable finance disclosure is also known as sustainability reporting; corporate social responsibility (CSR) reporting; environmental, sustainable, and governance reporting; triple bottom line reporting; environmental reporting; and the other that about non-financial information (Shauki, 2021). The implementation of sustainable finance by financial services companies can be disclosed in each financial services company's sustainability reports or annual reports. In the early stages of launching the roadmap in Indonesia, disclosure of sustainable finance is still voluntary for financial services companies. However, following the issuance of OJK Regulation (POJK) Number 51/POJK.03/2017, disclosure of sustainable finance for financial service companies, including Commercial Bank Business Category (BUKU) 3, BUKU 4, and Foreign Banks, was mandatory on January 1, 2019. The number of financial service institutions that issued sustainability reporting before mandatory regulations were still low, only 9% (Bappenas, 2019).

On the other hand, the board of commissioners' characteristics is the factors that influence dealing with environmental and social problems (Minciullo, 2019). Based on the board's view, environmental and social are crucial issues; therefore, the board of commissioners has special attention to these issues. The board of commissioners' attention to environmental and social issues will encourage them to increase the company's environmental and social disclosures. The research of Khaireddine et al. (2020) supports those statements, stating that board independence and board meetings positively influenced the disclosure of governance, environment, and ethics.

However, research in several countries shows different results regarding the effect of board characteristics on social and environmental disclosure. It is due to differences in the model of the board structure related to the management and supervision processes in various companies and countries (Kirana & Prasetyo, 2021; Lukviarman, 2016). Board independence did not affect environmental disclosure in Turkish companies (Akbas, 2016). In India, board independence also did not affect CSR disclosure (Joshi & Hyderabad, 2019). Meanwhile, the independent board positively influenced environmental disclosure in the United States (Giannarakis et al., 2019). Sankara et al. (2017) also asserted that independent boards influenced CSR disclosure in the United States.

In Indonesia, Taufik's (2021) research found that board of director meetings did not affect CSR in financial and non-financial companies, while independent directors had a positive effect on CSR. In contrast, Sektiyani and Ghozali (2019) revealed that the number of commissioner meetings showed a significant positive effect on CSR disclosure in all companies listed on Indonesia Stock Exchange (IDX), but independent commissioners did not affect CSR disclosure. Kirana and Prasetyo (2021) researched non-financial listed on IDX showing similar results, stating that independent commissioners did not affect CSR disclosure. Moreover, research by Effendi (2019) on manufacturing companies listed in IDX uncovered that the educational level of the president commissioner did not affect environmental disclosure. Meanwhile, Juhairiyah et al. (2018) stated that the educational level of the president commissioner had a significant negative effect on environmental disclosure.

Based on the problems, inconsistent results in previous studies, and the rare research on sustainable finance disclosure in banking, this research is crucial. Thus, this study aims to determine whether the board of commissioners' characteristics (independent commissioners, educational level of the president commissioner, and board of commissioner meetings) influence sustainable finance disclosure in Indonesian banks for 2015-2019. However, banking operations do not have a direct impact on the environment. Hence, the support of banking for sustainability can be proven by supporting global warming mitigation, achieving low-carbon economic conditions, supporting environmentally-friendly investments, and supporting the RPJM program (OJK, 2014).

This research has several contributions to readers. First, the results of this study contribute to an extended body of knowledge and practices related the sustainable finance disclosure, the board of commissioners' characteristics, and as an additional supporting reference for agency theory and stakeholder theory. Second, concerning practicality, this research can be used by OJK to evaluate regarding banking commitments in disclosing sustainable finance in Indonesia. Moreover, this research provides novelty by using the POJK Number 51/POJK.03/2017 as a guideline to measure sustainable finance disclosure in Indonesian banks. The remainder of this study is structured as follows: literature review and hypotheses development, research method, results and discussion, and the conclusion.

Literature Review and Hypotheses Development

Theoretical Framework

Corporate governance and sustainability are two interrelating issues for the sustainability of a company's operations (Aras & Crowther, 2008). To describe the relationship between corporate governance and sustainability, this study used agency theory and stakeholder theory. Minciullo (2019) stated that the two theories are complementary and then the relationship between corporate governance and sustainability cannot be explained only using one of the two theories. Agency theory discusses conflicts between shareholders and managers because of differences in interests (Jensen & Meckling, 1976). Stakeholder power is an important attribute of organizing the relationship between shareholders and managers, which will impact the company's sustainability (Ullmann, 1985; Van der Laan Smith et al., 2005). It is why agency theory and stakeholder theory are two complementary perspectives in explaining the concepts of corporate governance and sustainability.

According to Jensen and Meckling (1976), the board of commissioners is a stakeholder who plays an important role in aligning goals between shareholders and managers. The board of commissioners is also the governing body in the company with a role in ensuring the achievement of good corporate governance (Lukviarman, 2016). Based on agency theory, providing transparency to shareholders can achieve the practice of good corporate governance. It is because transparency is one of the principles of good corporate governance (Khaireddine et al., 2020; KNKG, 2006). Besides, companies carry out transparency to reduce the asymmetry of information between shareholders and managers (Rathnayaka Mudiyanselage, 2018). Asymmetry information is an agency problem because managers feel superior in obtaining company information from shareholders (Fuhrmann et al., 2016). In this case, stakeholder theory supports companies' transparency in social and environmental disclosures to shareholders (Orazalin, 2019).

Independent Commissioners and Sustainable Finance Disclosure

According to agency theory, an independent commissioner is considered more effective than the executive board in evaluating manager performance (Adel et al., 2019). An independent commissioner does effective performance to reduce agency problems between managers and shareholders. Based on the stakeholder theory perspective, the independent commissioner pays more attention to all stakeholder's interests to impact the effectiveness of its performance (Kathy Rao et al., 2012). Based on those statements, the role of an independent commissioner not only reduces agency problems but also as a representative of all stakeholders (Ntim & Soobaroyen, 2013). As a stakeholder representative, an independent commissioner will support the company in disclosing sustainable finance.

The research of Kiliç et al. (2015) supports this statement, showing that an independent board had a significant positive effect on CSR reporting in Turkish banking. Sharif and Rashid (2014) researched banking in Pakistan and showed significant positive results between independent boards and CSR reporting. The study result is in line with the results of research by Arayssi et al. (2020) and Javaid Lone et al. (2016) that found that the independent board had a positive effect on the disclosure of environmental, social, and governance. Based on the theory and previous research, the authors developed the hypothesis as follows:

***H*$_1$*:* *Independent commissioner has a positive influence on sustainable finance disclosure.*

Educational Level of the President Commissioner and Sustainable Finance Disclosure

In line with agency theory, companies must control using resources to make strategic decisions regarding agency problems (Bendickson et al., 2016). A commissioner's level of education is a factor that can influence the taking of strategic decisions (Fernandes et al., 2018). Compared to other commissioner members, the president commissioner is the party with greater influence in making decisions (Haniffa & Cooke, 2005). President commissioners with economic and business education backgrounds tend to be more strategic in making decisions related to environmental and social disclosure (Lewis et al., 2013). It aligns with the General Guidelines for Good Corporate Governance in Indonesia, which requires that one of the commissioner members have an economic or financial education background (KNKG, 2006).

The research of Rahindayati et al. (2015) on financial companies in Indonesia supports those statements, stating that the board with economic and business education background had a positive effect on CSR disclosure. Moreover, Katmon et al. (2017) reported significant positive results between board level of education and CSR disclosure. Based on the theory and the results of previous research, the hypothesis in this study is:

***H*$_2$*:* *The educational level of the president commissioner has a positive influence on sustainable finance disclosure.*

Board of Commissioner Meeting and Sustainable Finance Disclosure

The board of commissioner meeting is an activity that must be carried out and aims to evaluate the company's risks, including environmental and social issues. Based on the stakeholder theory view, one of the purposes of the board of commissioner meeting is to reduce stakeholder worries about risks and problems that may occur in the uncertainty of the business environment (Nguyen et al., 2021). The agency theory perspective also supports this statement, suggesting that an increase in the number of board of commissioner meetings indicates that the need for supervising and coordinating board of commissioner members increases (Vafeas, 1999). The research of Jizi et al. (2013) on banking in the United States also supports the statement of the theories, finding that the frequency of board meetings positively affected CSR disclosure. Shrivastava and Addas (2014) also reported consistent results, showing that board meetings positively affected environmental, social, and governance disclosures. Based on the theory and the results of previous research, the authors formulated the following hypothesis:

H_3*: *The board of commissioner meeting has a positive influence on sustainable finance disclosure.

Figure 1 describes the conceptual framework of this research based on the hypotheses made.

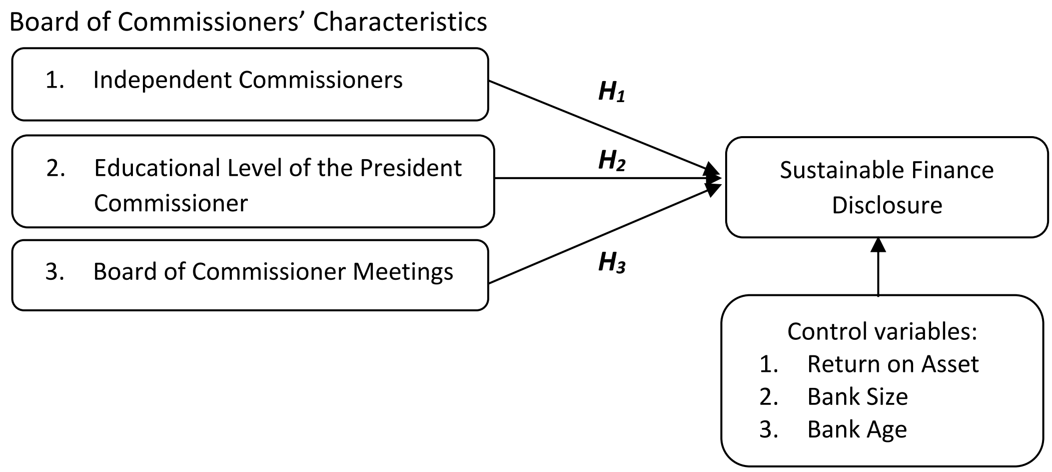

Figure 1 Conceptual Framework

Research Method

Population, Samples, and Data

The population in this study was all banks registered at IDX during the 2015-2019 period. Sampling in this study used the purposive sampling technique. The sampling criteria included: first, banks registered at IDX during 2015-2019 (never delisted); second, each bank had an annual report for 2015-2019; third, having complete data related to the variables used in this study. Based on the criteria above, the samples obtained were 41 banks. The total observations in this study amounted to 205 observations, distributed as balanced panel data.

The authors used 2015-2019 as the research period, dividing it into two. First, the year 2015-2018 was the voluntary disclosure period. The authors used this year because 2015 is the initial period for implementing the sustainable finance roadmap in Indonesia. Then, this research was only limited to 2018 because that year was the last period of sustainable finance conducting voluntary. The authors wanted to know how banks' enthusiasm in Indonesia responded to sustainable finance disclosure before finally being mandatory in 2019.

The authors also did additional tests to achieve robustness for this research. Additional tests were conducted by testing samples in 2019, which 2019 is the year after POJK Number 51/POJK.03/2017 was set as mandatory. Years after 2019 were not used in this study sample due to COVID-19. To the best of the authors' knowledge, data after 2019 could not be compared with data before COVID-19 occurred.

The authors' reason for using banking as a sample is that banking is a financial service company with an important role in sustainable finance. In this case, one of the roles of banks is to monitor every company that will get funding from the bank. The company that submits the loan to banks must meet requirements relating to environmental management, such as business permits and environmental impact analysis (AMDAL). In carrying out these activities, banks can disclose them in a sustainability report or annual report. Based on this statement, this study used the data from each bank's annual reports and sustainability reports in Indonesia for 2015-2019.

Research Model and Variables

This research used a quantitative approach. The dependent variable in this study was sustainable financial disclosure. Sustainable finance disclosure is defined as the number of disclosure items in the sustainability report or annual report. The measurement of sustainable finance disclosure utilized a scoring technique based on POJK guidelines Number 51/POJK.03/2017. Based on these guidelines, sustainable finance disclosure consists of seven main indicators with 67 items required to disclose. Banks that disclose are given a value of 1 per item, and those who do not disclose are given a value of 0.

The independent variables in this study were the board of commissioners' characteristics, proxied to be independent commissioners, the educational level of the president commissioner, and board of commissioner meetings. In this study, independent commissioners show the percentage of independent commissioners divided by the total board of commissioners in a bank. The educational level of the president commissioner is the last education level of the president commissioner, and the measurement of the educational level of the president commissioner is described in Table 1. Meanwhile, the board of commissioner meetings is defined as the frequency of meetings held by the board of commissioners for one year. This study also used control variables: return on asset, banking size, and banking age. The summary of variables' operational definitions is presented in Table 1.

Table 1 The Operationalization of Variables

<table>
<tr><th>Variables</th><th>Operationalization</th><th>References</th></tr>
<tr><td colspan="3">Dependent variable</td></tr>
<tr><td>Sustainable Finance Disclosure (SFD)</td><td>Based on the guideline of POJK Number 51/POJK.03/2017
$SFD = \frac{\sum Items\ that\ disclosed}{Total\ items\ required}$</td><td>The Financial Services Authority (2017)</td></tr>
<tr><td colspan="3">Independent variables</td></tr>
<tr><td>Independent Commissioners (INB)</td><td>$INB = \frac{\sum Independent\ \ commissioners}{Total\ board\ of\ commissioner}$</td><td>Arayssi et al. (2020)</td></tr>
<tr><td>Educational Level of the President Commissioner (BLE)</td><td>The last education of the president commissioner:
<table>
<tr><th rowspan="2">Level</th><th colspan="2">Education</th></tr>
<tr><th>Economic and Business</th><th>Non-Economic and Business</th></tr>
<tr><td>S1</td><td>2</td><td>1</td></tr>
<tr><td>S2</td><td>4</td><td>3</td></tr>
<tr><td>S3</td><td>6</td><td>5</td></tr>
</table></td><td>Own authorship</td></tr>
<tr><td>Board of Commissioner Meetings (BOM)</td><td>Frequency of commissioner meetings held in one year</td><td>Khaireddine et al. (2020)</td></tr>
<tr><td colspan="3">Control variables</td></tr>
<tr><td>Return on Asset (ROA)</td><td>$Return\ on\ Asset = \frac{Net\ profit}{Total\ asset}$</td><td>Hermawan and Mulyawan (2014)</td></tr>
<tr><td>Bank Size (BSI)</td><td>Log(total assets)</td><td>Nguyen et al. (2021)</td></tr>
<tr><td>Bank Age (BAG)</td><td>Calculation from the year the bank was founded to the sample year.</td><td>Orazalin (2019)</td></tr>
</table>

To test the hypotheses in this study, the authors used panel data regression analysis. The statistical tool utilized to process the data was the STATA 14.0 application. The authors selected the best model using the Chow and Hausman tests to choose the best model between the common, fixed-effect, and random-effect models. The regression model to show the relationship between the board of commissioner' characteristics and sustainable finance disclosures with the control variable are presented as follows:

$$SFD = \alpha + \beta 1INB + \beta 2BLE + \beta 3BOM + \beta 4ROA + \beta 5BSI + \beta 6BAG + \varepsilon \quad (1)$$

Description:
SFD = Sustainable finance disclosure; INB = Independent board; BLE = Educational level of president commissioner; BOM = Board of commissioner meeting; ROA = Return on asset; BSI = Bank size; BAG = Bank age; α = Constant; β1-β6 = Regression coefficient; ε = Residual (error).

Result and Discussion

Descriptive Statistics

Table 2 reports the descriptive statistics results to see the distribution of research data in the 2015-2018 period. The mean sustainable finance disclosure showed a yield of 40.3% in the period of disclosure, which was still voluntary (2015-2018). These results indicate that the mean banking sector in Indonesia was not too enthusiastic about disclosing sustainable finance. The descriptive statistics results also revealed that banks still had not made sustainable finance disclosures. It was reflected in the minimum value of sustainable finance disclosure, showing a value of 0. However, some banks have made almost perfect sustainable finance disclosures, evidenced by the maximum value of the sustainable finance disclosure being 95.5% of the required items.

Table 2 Descriptive Statistics

Variable	Observation	Mean	Minimum	Maximum	SD
SFD	164	0.403	0.000	0.955	0.283
INB	164	0.581	0.333	1.000	0.108
BLE	164	3.487	1.000	6.000	1.674
BOM	164	12.439	2.000	57.000	11.455
ROA	164	0.008	-0.111	0.107	0.024
BSI	164	13.479	11.822	15.112	0.800
AGE	164	46.207	0.000	123.000	25.284

Notes: SFD = Sustainable Finance Disclosure; INB = Independent Commissioners; BLE = Educational Level of President Commissioner; BOM = Board of Commissioner Meeting; ROA = Return on Asset; BSI = Bank Size; BAG = Bank Age; SD = Standard Deviation.

The independent commissioners' mean showed 58.1%, with a minimum score of 33.3% and a maximum score of 100%. These results are in line with POJK No. 33/POJK.04/2014 requirement of a minimum number of independent commissioners to be 30% of the total board of commissioner members (OJK, 2014a). The president commissioner's mean level of education was 3, meaning that the mean of commissioner president's last education was a Master's in non-economics and business. Then, the mean of the board of commissioner meetings held by banks in Indonesia was 12 times a year. This result aligns with the minimum requirements of POJK No. 33/POJK.04/2014, which is 6 times a year (OJK, 2014).

The mean return on assets in Indonesian banking for 2015-2018 was 0.8%, indicating that the average bank obtaining net profit from asset management was 0.8%. The mean banking size was 13.47, with a nature value of IDR 131,310,284,757,831. The smallest banking size was 11.82 with a nature value of IDR 664,673,471,410, namely PT Bank Artos Indonesia Tbk. Meanwhile, the largest bank size was 15.11 with a nature value of IDR 1,296,898,292,000,000, namely PT Bank Rakyat Indonesia (Persero) Tbk. In addition, the mean age for banking in Indonesia from the sample data in this study was 46 years. The youngest banking age in Indonesia was PT Bank JTrust Indonesia Tbk, which only started operating in 2015. Meanwhile, this study's oldest banking age sample was PT Bank Rakyat Indonesia (Persero) Tbk, with 123 years in 2018.

Pearson Correlation

Table 3 reports the correlation results between the variables and VIF analysis. Based on Table 3, the educational level of the president commissioner and board of commissioner meetings showed a positive correlation, and this result supports the initial hypotheses made. In addition, multicollinearity occurs when the coefficient value between variables exceeds 0.8 (Gujarati & Porter, 2009). The results from Table 3 show that there was no multicollinearity. It was also supported by the results of the VIF value, which did not exceed a value of 10. The highest correlation occurred between the variable sustainable finance disclosure and bank size, 0.780, with a p-value of 0.000.

Table 3 Pearson Correlation, VIF

n=164	SFD	INB	BLE	BOM	ROA	BSI	AGE	VIF
SFD	1.000							
INB	-0.129*	1.000						1.21
BLE	0.053	0.142*	1.000					1.06
BOM	0.582***	-0.010	0.064	1.000				1.56
ROA	0.314***	0.006	0.144*	0.230***	1.000			1.26
BSI	0.780***	-0.296***	0.097	0.565***	0.419***	1.000		2.28
AGE	0.540***	-0.217***	-0.003	0.383***	0.263***	0.554***	1.000	1.48

Notes: **p < 0.10, **p < 0.05, ***p < 0.01*
SFD = Sustainable Finance Disclosure; INB = Independent Commissioners; BLE = Educational Level of President Commissioner; BOM = Board of Commissioner Meetings; ROA = Return on Asset; BSI = Bank Size; BAG = Bank Age.

Trend Analysis of Sustainable Finance Disclosure

Before knowing the regression test results between the board of commissioners' characteristics and sustainable finance disclosure, the authors reported an additional description of sustainable finance disclosures. Table 4 describes the trend of sustainable finance disclosure in Indonesian banking from 2015 to 2018.

Table 4 The Trend of Sustainable Finance Disclosure Based on Main Indicator

	Main Indicator based on POJK Number 51/POJK.03/2017	2015	2016	2017	2018
1.	Sustainability strategy	19.5%	19.5%	14.6%	34.1%
2.	Performance overview of sustainability aspects	46.8%	49.0%	54.1%	52.7%
3.	Company profile	28.7%	28.7%	71.3%	81.3%
4.	Description of the Board of Directors	22.7%	22.0%	17.8%	28.0%
5.	Sustainability governance	22.8%	20.3%	19.9%	24.0%
6.	Sustainability performance	38.1%	41.5%	47.0%	51.3%
7.	Independent party verification	2.4%	7.3%	4.9%	19.5%
Average		25.9%	26.9%	32.8%	41.6%

Total observation: 164

Banks' mean disclosure of sustainable finance in Indonesia in the voluntary period increased every year, namely 25.9% in 2015, 26.9% in 2016, 32.8% in 2017, and 41.6% in 2018. However, only the sustainability performance indicator increased disclosure from 2015 to 2018. Meanwhile, five of the seven main indicators of POJK Number 51/POJK.03/2017 showed fluctuating results in 2015-2018. It indicates that banks in Indonesia had not been consistent in disclosing sustainable finance during voluntary periods.

Regression Results and Discussion

Table 5 reports the panel regression test results, which aimed to test the hypotheses proposed. The authors conducted the Chow and Hausman tests to determine the best model for this research. The results obtained that the best model selected from the test was the random effect model. Moreover, the regression test results on models 1 to 4 showed similar results between the board of commissioners' characteristics and sustainable finance disclosure with the control variables.

The regression results reported a significant positive effect between the independent commissioners and sustainable finance disclosure. Meanwhile, the educational level of the president commissioner did not show any effect on sustainable finance disclosure. Moreover, the board of commissioner meeting revealed a significant positive effect on sustainable finance disclosure. In contrast, return on assets as a control variable did not affect sustainable finance disclosure. Meanwhile, bank size and age showed a significant positive effect on sustainable finance disclosure.

The first regression results reported that the independent commissioners had a significant positive effect on sustainable finance disclosure ($\beta = 0.264$; $p = 0.048$). These results indicate that H_1 was accepted, meaning that a higher percentage of independent commissioners in the banks would increase the sustainable finance disclosure. In this case, an independent commissioner is a board from outside the company and has no relationship with the company. It makes the independent commissioners always act independently and are committed to complying with every existing regulation. The independent commissioners are more concerned with sustainable finance disclosure, which is a form of compliance with existing regulations. In line with stakeholder theory, the independent commissioners act as stakeholder representatives. Therefore, the independent commissioners have high accountability for sustainable finance disclosures.

This result is also consistent with agency theory, proposing that the more independent commissioners there will be, the more effective in evaluating managers' performance, especially those related to the performance of dealing with environmental and social problems. It is why the higher percentage of independent commissioners in the banks will increase voluntary disclosure, namely sustainable finance disclosure. The result of this study is in line with previous studies, including Arayssi et al. (2020); Giannarakis et al. (2019); Ofoegbu et al. (2018); Kiliç et al. (2015); Sharif and Rashid (2014), which stated that the independent commissioners had a significant positive effect on the disclosure of environmental, social, and governance.

Table 5 Regression Results

Models	Random Effect Model			
	1	2	3	4
Variables	***SFD***	***SFD***	***SFD***	***SFD***
Independent variables				
INB	0.006*** (0.333)			0.048** (0.264)
BLE		0.404 (-0.002)		0.525 (-0.005)
BOM			0.000*** (0.004)	0.004*** (0.004)
Control variables				
ROA	0.210 (-0.500)	0.351 (-0.240)	0.351 (-0.231)	0.533 (-0.381)
BSI	0.000*** (0.263)	0.000*** (0.249)	0.000*** (0.214)	0.000*** (0.231)
AGE	0.002*** (0.001)	0.004*** (0.001)	0.008*** (0.001)	0.000*** (0.001)
Observation	164	164	164	164
R^2	0.6412	0.6269	0.6519	0.6606
F-statistic	284.14	267.20	297.78	305.55
Prob. (F-stat)	0.0000	0.0000	0.0000	0.0000
Hausman's test	0.8267	0.8198	0.7453	0.9013

Notes: *$^*p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$*
SFD = Sustainable Finance Disclosure; INB = Independent Commissioners; BLE = Educational Level of President Commissioner; BOM = Board of Commissioner Meetings; ROA = Return on Asset; BSI = Bank Size; BAG = Bank Age.

The second regression results showed that the educational level of the president commissioner did not affect sustainable finance disclosure (β = -0.005; p = 0.525). This result does not support agency theory and the hypothesis made, so H_2 was declined. Based on the research sample data distribution, most of the last commissioner president's education came from economics and business. Based on this data, it can be concluded that the background of the commissioner president that came from economics and business did not guarantee that the company complied with OJK regulations to disclose sustainable finance. Research from Harvard University in the United States also stated that soft skills are considered more important in running a business than educational background. The result of this study agrees with the research of Khan et al. (2019), Fernandes et al. (2018), and Fitri (2016), who found insignificant results between the educational level of the president commissioner and corporate social and environmental disclosure.

The third regression results supported the hypothesis, meaning that H_3 was accepted. This study indicates that the board of commissioner meetings had a significant positive effect on sustainable finance disclosure (β = 0.004; p = 0.004). Uncertainty in today's business environment makes stakeholders worry about a company's sustainability. The board of commissioner meetings is one of the activities that can reduce stakeholder worrying, in line with the stakeholder theory statement. In conducting a board of commissioner meetings, the board of commissioners will discuss the risks and threats that can disrupt the company's sustainability. The board of commissioners will also make strategic plans to reduce these risks and threats by making social and environmental disclosures.

The results of this study also reinforce the agency theory, stating that meetings held regularly and with high quality would improve the coordination and supervision of the board of commissioners for the company. The number of commissioner meetings indicates the discipline of the board of commissioners, so it creates effectiveness in carrying out their duties. The board of commissioners will be increasingly motivated to comply with all existing regulations, including OJK regulations, to disclose sustainable finance. The result of this study is in line with the results of Nguyen et al. (2021); Khaireddine et al. (2020); Naseem et al. (2017); Shrivastava and Addas (2014); Jizi et al. (2013), revealing that the board of commissioner meetings had a significant positive effect on the disclosure of environmental, ethical, and governance.

In addition, return on assets showed results that had no effect on sustainable finance disclosure ($\beta = -0.381$; $p = 0.533$). Meanwhile, bank size revealed a significant positive effect on sustainable finance disclosure ($\beta = 0.231$; $p = 0.000$). Large companies tended to have greater responsibilities to stakeholders because they were in the spotlight. The result of this study is in accordance with research by Adel et al. (2019), Ofoegbu et al. (2018), and Muttakin et al. (2015). Moreover, bank age showed a significantly positive effect on sustainable finance disclosure ($\beta = 0.001$; $p = 0.000$). The older bank age improved banking system quality by complying with existing government regulations. Arayssi et al. (2020) and Shamil et al. (2014) reported the same result that bank age had a significant positive effect on sustainability reporting.

Additional Analysis

The authors carried out the additional analysis to achieve robust results. Additional analysis was conducted by examining banking data for the year 2019. This additional test used 41 banking samples. The authors wanted to know whether the board of commissioners' characteristics also affected sustainable finance disclosure after the POJK Number 51/POJK.03/2017 is mandatory. Table 6 and Table 7 present the additional test results. Table 6 displays the results of the descriptive statistics, while Table 7 reports the regression results after sustainable finance disclosure becomes mandatory.

Table 6 shows that the average sustainable finance disclosure reached 57.9% of the 100% required. These results indicate a good start from Indonesian banks in responding to sustainable finance disclosure after being mandatory. The minimum value for banks that disclosed sustainable finance was already at the level of 23.8%. It shows better results than the results in the voluntary period that there were still banks that had not made any disclosures at all. The maximum value for sustainable finance disclosure was at the level of 95.5%, showing that some banks had almost perfect results in the disclosure of sustainable finance.

Table 6 Descriptive Statistics - After Mandatory

Variable	Observation	Mean	Minimum	Maximum	SD
SFD	41	0.579	0.238	0.955	0.217
INB	41	0.580	0.500	1.000	0.102
BLE	41	3.536	1.000	6.000	1.674
BOM	41	13.048	4.000	60.00	13.302
ROA	41	0.113	-0.158	3.000	0.497
BSI	41	13.518	11.758	15.151	0.824
AGE	41	48.707	4.000	124.00	25.504

Notes: SFD = Sustainable Finance Disclosure; INB = Independent Commissioners; BLE = Educational Level of President Commissioner; BOM = Board of Commissioner Meeting; ROA = Return on Asset; BSI = Bank Size; BAG = Bank Age; SD = Standard Deviation.

The regression results after mandatory are shown in Table 7. This additional test only used one-year observation, so the model chosen was the simplest, namely the common effect model. The regression results showed that the independent commissioner significantly and negatively affected sustainable finance disclosure (β = -0.656; p = 0.025). This result is not in line with agency theory and stakeholder theory that an independent commissioner has an important role concerning sustainable finance disclosure.

After mandatory sustainable finance disclosure, the regression results stated that the higher the independent commissioner, the lower the sustainable finance disclosure. The minimum percentage of independent commissioners was 50% in 2019 (Table 6). This result showed a higher percentage than the minimum number of independent commissioners in 2015-2018 (Table 2). Based on this result, it can be concluded that too many percentages of independent commissioners in a bank were ineffective and had a negative effect on sustainable finance disclosure.

In this regard, Adel et al. (2019) stated that a higher percentage of independent boards would decrease the company's need to ensure stakeholders through disclosure. Ghabayen et al. (2016) conducted research in Jordanian banking and reported the same results. The study results revealed that a higher percentage of independent boards could decrease CSR disclosure. Baalouch et al. (2019) and Sankara et al. (2017) also found that independent boards significantly and negatively affected corporate ethics and environmental disclosure.

Meanwhile, the regression results in Table 7 state that the educational level of the president commissioner and board of commissioner meetings did not affect sustainable finance disclosure. After the disclosure of sustainable finance is mandatory, the influence of the educational level of the president commissioner and commissioner meetings is reduced. It is because all banks must comply with OJK regulations to disclose sustainable finance. Thus, the educational level of the president commissioner and the number of commissioner meetings will make banks continue to disclose sustainable finance. The research of Ofoegbu et al. (2018) and Giannarakis (2014) supports the results of this study, stating that the board meeting had no significant effect on corporate social and environmental disclosure. Meanwhile, the educational level of the president commissioner showed consistent results, and it did not affect sustainable finance disclosure both in the voluntary and mandatory periods.

Table 7 Regression Result - After Mandatory

Models	Common Effect Model			
	1	2	3	4
Variables	***SFD***	***SFD***	***SFD***	***SFD***
Independent variables				
INB	0.006*** (-0.704)			0.025** (-0.656)
BLE		0.357 (-0.006)		0.807 (-0.003)
BOM			0.115 (0.002)	0.493 (0.001)
Control variables				
ROA	0.010** (-0.129)	0.034** (-0.107)	0.049** (-0.096)	0.037** (-0.120)
BSI	0.001*** (0.114)	0.003*** (0.115)	0.016** (0.093)	0.015** (0.103)
AGE	0.138 (0.001)	0.050* (0.002)	0.051* (0.002)	0.277 (0.001)
Observation	41	41	41	41
R^2	0.4275	0.3199	0.3445	0.4036
F-statistic	8.47	5.70	6.26	5.51
Prob. (F-stat)	0.0000	0.0000	0.0000	0.0000

Notes: **p < 0.10, **p < 0.05, ***p < 0.01*
SFD = Sustainable Finance Disclosure; INB = Independent Commissioners; BLE = Educational Level of President Commissioner; BOM = Board of Commissioner Meeting; ROA = Return on Asset; BSI = Bank Size; BAG = Bank Age.

Conclusion

The regression results uncovered that the independent commissioners and board of commissioner meetings had a significant positive effect on sustainable finance disclosure. Meanwhile, the educational level of the president commissioner did not show a significant effect on sustainable finance disclosure. However, regression results in the mandatory period showed different results. The independent commissioners significantly and negatively affected sustainable finance disclosure. Still, the educational level of the president commissioner showed consistent results with the voluntary period, which did not affect sustainable finance disclosure. In contrast, the board of commissioner meetings did not affect sustainable finance disclosure during the mandatory period.

The results of this study have contributed as an additional reference for agency theory and stakeholder theory, relating the effect of the board of commissioners' characteristics on sustainable finance disclosure. In addition, practitioners can use the results of this research as an evaluation regarding banking commitments in disclosing sustainable finance. To the best of the authors' knowledge, this research is the first study that uses the POJK 51/POJK.03/2017 guidelines to measure sustainable finance disclosure. Hence, the authors can only compare the study results with previous studies that used other guidelines. This study also has weaknesses relating to the content analysis techniques, and there is an author subjectivity in it. For further research, the authors hope that several readers will be able to provide measurements relating to sustainable finance disclosure.

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