

CHAPTER 5

CLOSING

The last chapter of this study presents the conclusion of the findings, identifies the limitation of the study, and gives recommendations for further research. This particular study provides empirical evidence that the environmental disclosures disclosed on a sustainability report does positively influence banks' profitability, but not in a significant amount.

5.1 Conclusion

This study aims to examine the effect of Environmental Disclosure Index on Bank's profitability measured by Return on Assets, Return on Equity, and Operating Margin. The population of this study is all the banks that are listed in IDX for the year 2017-2019 in which a sample of 33 reports were taken using purposive sampling.

The hypothesis testing done on this study concludes that:

1. Environmental Disclosures have a positive, non-significant effect on banks' profitability measured by Return on Assets (ROA). Therefore, the first hypothesis (H1) is rejected.
2. Environmental Disclosures have a positive, non-significant effect on the profitability of banks measured using Return on Equity. Thus, the second hypothesis (H2) is rejected.

3. Environmental Disclosures have a positive, non-significant effect on the profitability of banks measured using operating margin. In this case, the third and last hypothesis (H3) is also rejected.

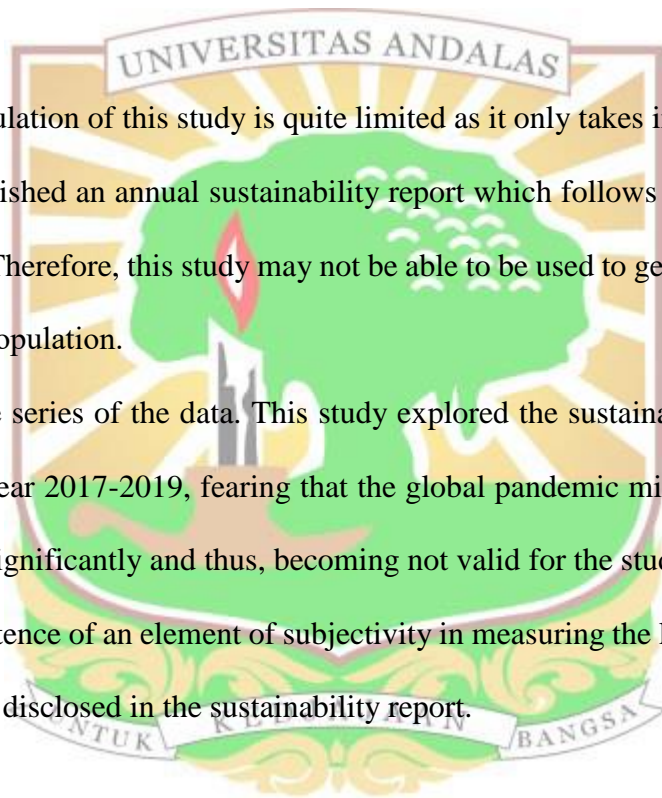
5.2 Limitation

There are various limitations that hinder the process of this study, which are as follows:

1. The population of this study is quite limited as it only takes into account banks that published an annual sustainability report which follows the GRI Standard (2016). Therefore, this study may not be able to be used to generalize the entire banks' population.
2. The time series of the data. This study explored the sustainability report only for the year 2017-2019, fearing that the global pandemic might influences the reports significantly and thus, becoming not valid for the study.
3. The existence of an element of subjectivity in measuring the level of disclosure on items disclosed in the sustainability report.

5.3 Suggestion

Based on the limitations above, there are several suggestions that future researchers may take when exploring this topic.



1. Future researchers may expand the population of the study to include a larger group of banks by including foreign banks headquartered in Indonesia to represent a bigger group of banks.
2. Future researchers may include other factors in the sustainability report that might influence banks' profitability, such as social disclosure and economic disclosure.
3. Future research could use longer research period. Analyzing at least 5 years of data might provide a better opportunity to examine the long-term effects of Environmental Disclosure Index on bank's profitability.
4. A standard that is more suitable to the condition of Indonesia's sustainability reporting might be used as the index measurement of the study, as GRI Standard 2016 only obligates companies to disclose the material topics. This is proven by the result of the Descriptive Statistical Analysis above which shows an average value of 19% for the environmental disclosure index that is disclosed by banks in Indonesia.
5. Future research may reduce the element of subjectivity in measuring the Environmental Disclosure Index by involving other researchers to carry out a reassessment to crosscheck the measurement.

