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The Strategic Role of Environmental, Social, and Governance (ESG) Accounting in Achieving the SDGs: A Case Study of the Banking Industry in Indonesia

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Abstract

This study examines the critical role of Environmental, Social, and Governance (ESG) accounting in integrating sustainability principles within Indonesia's banking sector and its contribution to achieving the Sustainable Development Goals (SDGs). Focusing on five major banks—BTPN Syariah, Mandiri, BCA, BNI, and BRI—the research explores how ESG accounting supports responsible resource management, financial inclusion, transparent corporate governance, and strategic partnerships. Environmental accounting initiatives demonstrate significant progress in resource efficiency, waste management, renewable energy financing, and carbon emissions reduction, aligning with SDGs 7, 12, and 13. Social accounting efforts emphasize financial inclusion, poverty alleviation, quality education, and gender equality, contributing to SDGs 1, 4, 5, and 8. Governance accounting practices enhance transparency, risk management, anti-corruption measures, and collaborative partnerships, advancing SDGs 16 and 17. Despite these achievements, challenges such as limited ESG awareness, infrastructure constraints, and greenwashing risks persist. The study highlights the need for coordinated action among regulators, industry stakeholders, and academia to strengthen ESG implementation and reporting. By employing a qualitative approach and analyzing recent sustainability reports, this research provides a comprehensive understanding of ESG accounting's strategic role in fostering sustainable banking operations and accelerating Indonesia's progress toward the SDGs.Keywords: ESG Accounting, SDGs, Indonesian Banking.

1. Introduction

Climate change and environmental degradation have become urgent global challenges, prompting the banking sector to adopt Environmental, Social, and Governance (ESG) principles as part of their

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sustainability strategies. As key financial intermediaries, banks play a crucial role in funding sustainable projects. This study focuses on the Indonesian banking sector's contribution to achieving the Sustainable Development Goals (SDGs) through ESG implementation (Feng et al., 2023). The urgency is heightened by the global target of reaching net zero emissions by 2050, yet only four of Indonesia's eleven major banks currently have concrete plans to meet this goal (SUSBA, 2023).

To promote sustainable finance, Indonesia's Financial Services Authority (OJK) issued Regulation No. 51 of 2017. However, challenges remain, including limited ESG awareness, resource constraints, and risks of greenwashing (Rahmawati & Nugroho, 2022). This highlights the need to critically assess the regulation's effectiveness in accelerating the banking sector's green transformation. Without thorough evaluation, the gap between policy and practice may hinder SDG progress.

From an investment standpoint, Broadstock (2021) found that banks consistently integrating ESG principles show greater resilience during crises, such as the COVID-19 pandemic. Reflecting the growing global interest in sustainable finance, this study also examines Indonesian banks' competitiveness in international capital markets (Wibowo & Pratama, 2023). Enhancing transparency and accountability in ESG practices according to global standards is essential to maintain this competitiveness (Hakim & Fauzi, 2024).

In the social dimension, financial inclusion is vital for achieving SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities). However, equitable access to financing for micro, small, and medium enterprises (MSMEs) and vulnerable groups remains a significant challenge (Kurniawan & Susanto, 2023). Evaluating banks' efforts to expand financial inclusion in Indonesia is therefore highly relevant, as effective inclusion strategies are key to equitable development.

Regarding governance, strengthening Good Corporate Governance (GCG) is fundamental to building an integrity-based, corruption-free financial system aligned with SDG 16 (Peace, Justice, and Strong Institutions). This study assesses how well Indonesian banks' GCG practices meet these standards (Prasetyo & Wijaya, 2023). Weak governance can lead to financial instability and impede sustainable economic growth.

A major challenge in ESG development within banking is the lack of transparency in reporting. This study uses NVivo software to analyze sustainability reports, distinguishing between banks' ESG claims and actual implementation (Dewi & Handayani, 2024). This method helps identify potential greenwashing and promotes accountability in sustainability disclosures.

From an environmental perspective, banks have significant opportunities to support clean energy transitions by financing green projects, contributing to SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action). Unfortunately, funding for green projects, especially among MSMEs, remains limited (Yulianto & Siregar, 2023), posing a serious challenge to Indonesia's carbon reduction commitments.

A gap in Indonesian ESG research is the limited in-depth analysis of ESG practices at the institutional banking level. Most prior studies, such as Garg & Singh (2023), focus on public perception, while reports like Mandiri Institute (2022) provide only general trends without detailed qualitative analysis. This study addresses this gap by conducting a qualitative examination of ESG practices in the banking sector.

Additionally, a theoretical gap exists: previous research has not fully integrated Stakeholder Theory and Legitimacy Theory to analyze ESG accounting in Indonesian banking. Stakeholder Theory emphasizes meeting diverse stakeholder expectations, while Legitimacy Theory focuses on companies' efforts to gain social acceptance through sustainability practices. No studies have yet explored how these theories interact in ESG accounting and their role in supporting SDGs in banking. This multidimensional approach is essential for a comprehensive understanding of ESG motivations and impacts.

This study contributes novelty by combining Stakeholder Theory and Legitimacy Theory as the analytical framework to evaluate ESG accounting in Indonesian banks. This approach reveals not only ESG's contribution to SDGs but also the underlying motivations, such as stakeholder pressure or the

pursuit of social legitimacy. Furthermore, it updates the literature using the latest 2024 sustainability reports from five leading Indonesian banks, offering a current overview of ESG accounting practices.

The study's contribution lies in providing a comprehensive theoretical framework for academics and practitioners to better understand ESG dynamics, alongside targeted policy recommendations for regulators and industry players. This is particularly relevant given rising investor demand for ESG transparency and Indonesia's net zero emissions commitment by 2050. The study also addresses the growing issue of greenwashing by analyzing discrepancies between ESG claims and actual practices through qualitative methods.

In practice, while many Indonesian banks have begun implementing ESG principles, reporting quality and consistency vary. Banks like BNI and BTPN Syariah have made notable progress in reducing carbon emissions and promoting women's empowerment (Sari & Pratama, 2023; Wibowo, 2022). However, other banks lag in transparent and measurable ESG reporting (Halim & Putri, 2023). This underscores the need for critical evaluation and tailored recommendations to ensure consistent, impactful sustainability standards. Thus, this study fills both theoretical and empirical gaps while addressing real challenges faced by the banking industry in advancing sustainable development.

In summary, this study aims to explore and understand ESG implementation in Indonesia's banking sector and its contribution to the SDGs. Theoretically, it enriches the literature on ESG and sustainable finance in Indonesia. Practically, it offers recommendations for banks to integrate ESG effectively and for regulators to design supportive policies.

Legitimacy Theory, first proposed by Pfeffer (1975), posits that a company's survival depends on aligning its values with those of the society in which it operates. Environmental disclosures and risk management stem from companies' desire to legitimize their activities and enhance their social image and reputation among stakeholders. This motivates companies to operate responsibly, efficiently using resources and distributing benefits to society (ElSayed, Hassan, & Nur, 2023). The theory explains that companies seek legitimacy by meeting social and environmental expectations (Cahyonowati, 2024). ESG accounting helps banks improve their public image and reduce reputational risks through transparent sustainability reporting.

Legitimacy Theory emphasizes the environmental aspect within ESG, explaining companies' drive to gain social acceptance by disclosing environmental performance. In practice, this means banks strive to show that their operations align with societal expectations on environmental sustainability. This supports commitments to SDG 13 (Climate Action) and SDG 12 (Responsible Consumption and Production), which require tangible contributions to environmental protection and sustainable resource use.

In banking, legitimacy theory is reflected in disclosing green financing policies and environmental risk management. ESG disclosures help banks gain public trust and avoid criticism from the public and regulators. Reporting on environmental impacts, such as carbon emissions from financed projects, is crucial for maintaining social legitimacy and institutional reputation. Therefore, ESG accounting not only promotes transparency but also strengthens banks' positions as socially and environmentally responsible institutions amid sustainable development demands.

2. Material & Methods

The Concept of Environmental, Social, and Governance (ESG) Accounting

Environmental, Social, and Governance (ESG) is an evaluative framework used to assess and guide companies in conducting their operations sustainably and responsibly (Serafeim & Yoon, 2022). ESG accounting refers to an accounting approach that focuses on measuring and disclosing a company's environmental, social, and governance performance. This concept has evolved in response to increasing demands from investors and regulators for transparency regarding the sustainability impacts of business activities (Pratiwi, 2024). Within the banking sector, ESG accounting plays a vital role in assessing sustainability risks and promoting responsible investment decisions (Pratiwi, 2024).

ESG Indicators in Banking

a. Environmental

The environmental dimension of ESG reflects how business activities impact ecosystems and natural resources, including management of environmental effects, energy consumption, emissions, waste, and biodiversity conservation. ESG accounting is essential for banks to evaluate the ecological footprint of their financing portfolios. Banks are expected not only to avoid funding projects with harmful environmental impacts but also to disclose carbon emissions from financed projects, in compliance with the Financial Services Authority (OJK)'s sustainable finance regulations. Integrating ESG accounting with sustainability principles is a strategic step toward comprehensive environmental protection.

b. Social

The social dimension concerns how companies engage with employees, communities, and society at large. It includes issues such as human rights, workforce welfare, community involvement, and the social consequences of business operations. ESG accounting helps banks assess their contributions to financial inclusion, community empowerment, and workplace diversity. These efforts are often reflected in disclosures of financing proportions allocated to productive sectors and micro, small, and medium enterprises (MSMEs) in sustainability reports, demonstrating banks' commitment to positive social impact and stakeholder relations.

c. Governance

Governance relates to how a company is managed, regulated, and supervised, encompassing ethical, transparent, and accountable decision-making and operations. Strong governance is fundamental to long-term corporate success, ensuring efficiency, regulatory compliance, and value creation for all stakeholders. ESG accounting supports transparency and accountability, particularly in strategic decisions. This is evident in disclosures on anti-corruption policies, board diversity, and risk management systems. Compliance with Good Corporate Governance (GCG) principles is a key indicator, serving as a benchmark for integrity and governance effectiveness.

Stakeholder Theory

Stakeholder Theory highlights the importance of considering the needs of various stakeholders in business decisions, including environmental reporting (Putri & Lestari, 2022). It posits that companies have a responsibility to provide relevant and accurate information about the environmental impact of their activities. This forms the foundation for integrating environmental accounting into sustainable business strategies (Rahmadani, Sari, & Kusuma, 2020).

Originally introduced by Freeman in 1984, Stakeholder Theory argues that organizational success depends not only on shareholder interests but also on meeting the expectations of other stakeholders such as employees, society, government, and the environment (Putri & Lestari, 2022). In environmental accounting, this theory underscores corporate responsibility for transparency regarding operational impacts, especially environmental issues (Rahmadani et al., 2021).

This theory is highly relevant to this study as it stresses the need to consider diverse actors—employees, communities, governments, and investors—in corporate decision-making, including in banking. Within ESG, it supports the social and governance dimensions, aligning with SDG 16 and SDG 17, which emphasize inclusive institutions and partnerships for sustainable development. Its application is reflected in banks' obligations to disclose social and environmental impacts through CSR

initiatives and sustainable financing policies, where ESG transparency meets stakeholder expectations and reinforces sustainability commitments.

Previous research shows that companies adopting a stakeholder-based approach tend to create long-term value by addressing the needs of multiple parties critical to business continuity (Putri & Lestari, 2022). In environmental accounting, this is evident in transparent reporting of environmental impacts such as carbon emissions, resource use, and waste management (Pratama & Suryani, 2020).

Moreover, Stakeholder Theory encourages companies to engage actively with communities through environmentally focused Corporate Social Responsibility (CSR) programs. This not only enhances corporate reputation but also supports the achievement of the Sustainable Development Goals (SDGs), particularly in environmental sustainability (Rahmadani et al., 2021). Thus, Stakeholder Theory offers a comprehensive framework for understanding the relationship between companies, stakeholders, and environmental sustainability (Nugroho & Susanti, 2021).

Legitimacy Theory

Legitimacy Theory, first proposed by Pfeffer (1975), states that a company's existence depends on aligning its values with those of the social environment in which it operates. Disclosure of environmental issues and related risk management arises from companies' motivation to legitimize their activities and enhance their social image and reputation among stakeholders. This drives companies to operate responsibly, efficiently using resources and distributing benefits to society (ElSayed, Hassan, & Nur, 2023). The theory explains that companies seek legitimacy by meeting social and environmental expectations (Cahyonowati, 2024). ESG accounting helps banks improve their public image and reduce reputational risk through transparent sustainability reporting.

Legitimacy Theory places particular emphasis on the environmental aspect within ESG, explaining companies' efforts to gain social acceptance by disclosing environmental performance. In practice, this means companies, including banks, strive to demonstrate that their operations align with societal expectations on environmental sustainability. This aligns with commitments to SDG 13 (Climate Action) and SDG 12 (Responsible Consumption and Production), which require tangible contributions to environmental conservation and sustainable resource management.

In banking, legitimacy theory is reflected in disclosing green financing policies and environmental risk management. ESG disclosures serve as tools to gain public trust and avoid criticism from the public and regulators. Reporting on environmental impacts, such as carbon emissions from financed projects, is crucial for maintaining social legitimacy and institutional reputation. Therefore, ESG accounting not only promotes transparency but also strengthens banks' positions as socially and environmentally responsible institutions amid sustainable development demands.

Research Method

The current study employs a qualitative approach. According to Creswell and Poth (2023), qualitative research seeks an in-depth understanding of social phenomena by exploring participants' meanings, experiences, and perspectives. It uses non-numerical data such as texts, interviews, and documents, allowing flexibility to capture complex contexts. This approach was chosen to deeply explore the strategic role of ESG accounting in advancing the SDGs within Indonesia's banking industry.

The study population consists of 19 banking companies listed on the Indonesia Stock Exchange (IDX), including Mandiri, BRI, BNI, BTN, BCA, BSI, Permata, CIMB Niaga, OCBC NISP, Panin, Maybank Indonesia, Mega, Bukopin, Aladin Syariah, BCA Syariah, and BTPN Syariah. Purposive sampling was used, selecting participants based on criteria relevant to the research objectives (Palinkas, 2020). The criteria were: (1) banks listed on IDX and registered with OJK in 2024, and (2) banks publishing sustainability reports in 2024. Based on these, five banks were selected: Mandiri, BRI, BNI, BCA, and BTPN Syariah.

Next, data were analyzed thematically using NVivo software to identify patterns and insights regarding ESG's strategic role in realizing the SDGs in Indonesian banking. This method provides a comprehensive understanding of ESG's impact in the sector.

3. Results and Discussions

Analysis of the Strategic Role of Environmental, Social, and Governance (ESG) Accounting in Achieving the SDGs: A Case Study of the Indonesian Banking Industry

Based on the sustainability reports of five leading banks in Indonesia (BNI, Mandiri, BTPN, BCA, and BRI), ESG accounting serves as a measurement, reporting, and accountability framework that drives the achievement of the SDGs, as depicted in a mind map that the researcher visualized with the help of Nvivo.

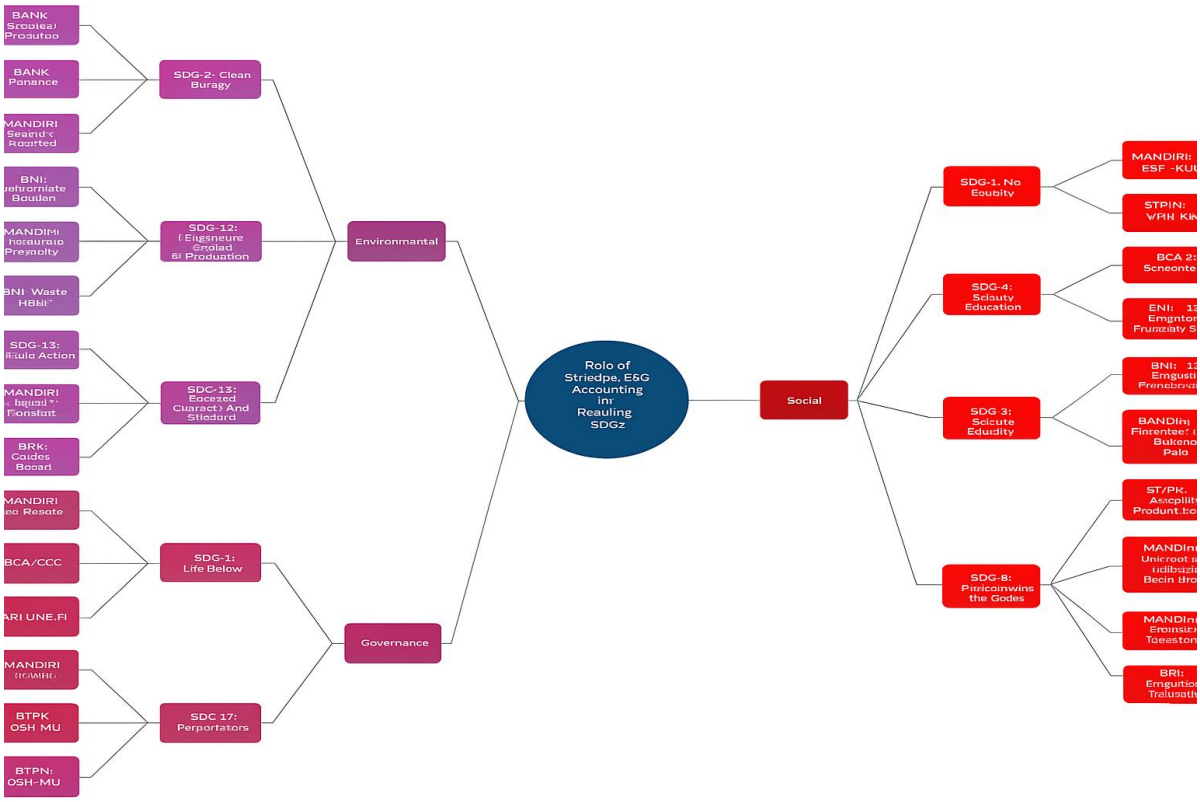


Figure 1 Mind Map of Research Results

The Mind Map created by the researcher above shows that the overall picture of the research results includes three main elements: the role of the environment in realizing the SDGs, as outlined in SDG principles 7, 12, and 13; the role of social responsibility in realizing the SDGs, as outlined in SDG principles 1, 4, 5, and 8; and the role of governance in realizing the SDGs, as outlined in SDG principles 16 and 17. The researcher will then elaborate in more detail on the role of ESG accounting in realizing the SDGs.

Environmental Accounting

Environmental accounting is a system for recording, measuring, and reporting the environmental impacts of business activities. According to Alibitar et al. (2023), implementing environmental

accounting plays a vital role in enhancing corporate accountability for managing environmental impacts, thereby supporting more effective decision-making within a sustainable development framework. This aligns with Garcia (2023), who asserts that disclosing environmental information through sustainability reports can increase company value, especially by attracting investors focused on environmental issues and long-term sustainability.

In the context of five major Indonesian banks—BTPN Syariah, Mandiri, BCA, BNI, and BRI—environmental accounting plays a strategic role in advancing the Sustainable Development Goals (SDGs). Current research shows that the Indonesian banking sector prioritizes responsible consumption and production, contributing most significantly to SDG 12. The second-largest contribution is to SDG 7, accounting for 40.7%, reflecting the sector's focus on renewable energy development to support national energy security and reduce carbon emissions. The smallest contribution is to SDG 13, at 16%, which, while lower, remains important for climate change adaptation and mitigation. The following sections detail these contributions

Environmental Accounting's Contribution to SDG 12: Responsible Consumption and Production

To support SDG 12, Indonesian banks have implemented initiatives focused on resource efficiency and waste management, aiming to minimize environmental impacts while promoting sustainable business practices. For example, BTPN Syariah reduced paper consumption by 235,977 kg through digitizing banking services, including electronic report delivery and digital archiving. This initiative lowered the bank's carbon footprint, improved operational efficiency, and reduced paper procurement costs.

Bank Central Asia (BCA) managed 593 tons of waste through a 3R (reduce, reuse, recycle) program, reducing waste disposal and conserving natural resources and energy. Bank Negara Indonesia (BNI) cut paper consumption by 344,300 kg and recycled 39.7 tons of paper waste, supporting greenhouse gas emission reductions and circular economy principles. Environmental accounting supports these efforts by the following three points.

1. Measuring Resource Efficiency: It enables banks to systematically quantify resource savings, such as reductions in energy, water, and paper use, allowing assessment of sustainability initiatives' impacts and cost savings.
2. Monitoring Recycling Programs: It tracks costs and benefits of recycling efforts, facilitating periodic evaluation and improvement of waste management strategies.
3. Providing Data for GRI Reporting: It supplies structured, accurate data for sustainability reports aligned with Global Reporting Initiative (GRI) standards, enhancing transparency and accountability to stakeholders.

These findings align with Fauzi, Rahman, and Darmawan (2021), who found that environmental accounting improves sustainability reporting quality and transparency in the banking sector. Similarly, Islam and Deegan (2022) demonstrated that environmental accounting helps financial institutions manage environmental impacts, comply with regulations, and enhance corporate image.

Overall, environmental accounting is a key strategy for sustainable banking operations in Indonesia, strengthening commitments to SDG 12 by measuring resource savings, monitoring recycling, and supporting transparent reporting.

Environmental Accounting's Contribution to SDG 7: Affordable and Clean Energy

Indonesian banks actively support SDG 7 by financing green projects that promote environmentally friendly economic growth. Bank Mandiri allocated IDR 149 trillion to renewable energy, green infrastructure, and carbon reduction projects. BCA increased green financing by 13.5% annually, focusing on New and Renewable Energy (NRE) projects worth IDR 2,993 billion. BNI manages a green portfolio of IDR 73.4 trillion (9.6% of total loans), and BRI allocated 64.3% of its loan portfolio to environmentally friendly MSMEs and green economy initiatives.

Environmental accounting ensures the effectiveness, transparency, and accountability of green financing by classifying funds according to international standards like the Green Bond Principles. Standardized recording enables accurate reporting on fund usage, carbon emission reductions, and environmental goal achievement. It also measures the environmental impact of sustainable projects and ensures alignment of fund allocation with objectives, preventing irregularities.

These results support Busco, Granà, and Izzo (2023), who emphasize environmental accounting's role in transparency, decision-making, and sustainable financial management. Schaltegger, Burritt, and Petersen (2022) further highlight that integrated reporting and cross-sector collaboration optimize SDG achievement and enhance social and environmental impact.

Environmental Accounting's Contribution to SDG 13: Addressing Climate Change

Major Indonesian banks actively support SDG 13 by managing carbon emissions through measurement, reduction, and reporting of greenhouse gas (GHG) emissions to ensure environmental and business sustainability. For instance, BTPN Syariah measured 3,422.38 tons CO_2eq of GHG emissions, covering Scope 1 (direct emissions) and Scope 2 (indirect emissions from electricity). Bank Mandiri reduced Scope 1 and 2 emissions by 33% from the 2019 baseline through efficient operations and green technologies. BCA cut 4,216 tons CO_2eq via service digitization and energy-efficient buildings. BNI measured operational GHG intensity at 0.00000051813 tons CO_2eq per Rupiah to identify efficiencies. BRI commits to Net Zero Emissions by 2050, validated by the Science-Based Targets initiative (SBTi), aligning with the Paris Agreement.

Environmental accounting provides standardized methods to record and measure emissions, facilitating identification, quantification, and management of environmental impacts. It supports regular monitoring of carbon reduction targets and strategy adjustments, while helping banks comply with international standards such as the Task Force on Climate-related Financial Disclosures (TCFD), which requires transparent climate risk reporting.

Cohen and Simnett (2020) found that environmental accounting enhances decision-making and creates long-term stakeholder value. Thus, environmental accounting is strategic for managing carbon emissions and supporting SDG 13 in Indonesian banking.

The Role of Social Accounting in Realizing the SDGs

Social accounting is a strategic approach to support SDGs. Among five Indonesian banks studied, BNI leads with a 21% contribution to SDGs through social accounting, while Mandiri scores lowest at 10%. These contributions align with SDG principles. Contribution to SDG 1: No Poverty and SDG 8: Decent Work and Economic Growth.

To achieve SDG 1 and SDG 8, Indonesian banks have implemented financing programs targeting low-income communities and MSMEs, promoting financial inclusion, poverty reduction, and sustainable employment. Bank Rakyat Indonesia (BRI) supports MSMEs through the Ultra Micro Holding (UMi) program, providing financing access to underserved low-income groups. This program strengthens community economic resilience and alleviates poverty. BTPN supports sustainable economic development with IDR 9.6 trillion in productive financing for over 3.8 million inclusive customers, focusing on digital technology-based financing to facilitate MSME growth. Bank Mandiri disbursed IDR 135 trillion in loans to empower MSMEs, strengthening Indonesia's economic backbone across sectors like agribusiness, trade, and services.

Moreover, social accounting enables banks to measure and report tangible contributions to vulnerable groups' empowerment and job creation, ensuring social accountability and stakeholder understanding of positive impacts. Research conducted by Sari and Pratomo (2021) highlights social accounting's role in improving transparency and accountability in managing social and environmental impacts. Wijaya and Hartono (2022) emphasize its support for strategic decision-making and risk mitigation. Dewi and Setiawan (2023) found that social accounting enhances stakeholder engagement

and sustainability performance, aligning with the Triple Bottom Line principle (Saputra & Nugroho, 2021).

Inclusive financing is critical for SDG achievement. Bank Indonesia (2023) stresses expanding financial access to reduce poverty and improve welfare. Kurniawan (2021) and Hidayat and Susanto (2022) confirm MSME development's role in poverty reduction and income growth. Prasetyo and Wibowo (2023) further affirm MSME credit's impact on economic growth and poverty alleviation.

Thus, BRI, BTPN, and Mandiri's MSME financing significantly advance SDGs 1 and 8 in Indonesia. Social accounting supports social accountability and sustainable development, creating long-term social value and building trust.

Contribution to SDG 4: Quality Education

Quality education (SDG 4) is foundational for sustainable development. Indonesian banks contribute through CSR initiatives improving education access and financial literacy. BNI offers scholarships to 794 high-achieving students from underprivileged families, enhancing human capital for future development. BRI conducts 2,037 financial literacy training sessions targeting MSMEs, rural communities, and vulnerable groups, promoting financial inclusion and empowerment.

OJK links financial literacy to improved quality of life and economic resilience. Bank Indonesia (2022) shows financial education's multiplier effects on productivity, inequality reduction, and inclusive growth. Rahayu and Haryanto (2021) find financial literacy correlates with better financial decisions and risk management.

Social accounting measures and reports the social impact of education and literacy programs, quantifying scholarship recipients, training scope, and improvements in financial understanding. Sustainability reports communicate these efforts to stakeholders, supporting accountability and strategic planning.

Contribution to SDG 5: Gender Equality

Gender equality (SDG 5) is vital for sustainable development. Indonesian banks demonstrate commitment through inclusive policies and empowering women in leadership. BTPN reports 82% female representation in managerial roles, reflecting strong support for women's career advancement. BCA has 61.4% female managers, showing growing recognition of gender equality's importance for a productive, competitive workforce.

Research by Indonesia's Ministry of Women's Empowerment and Child Protection (2021) shows companies with gender-balanced management outperform others financially by 16%. Catalyst (2020) notes that women leaders foster inclusive, innovative workplaces and better risk management. Sari and Pratama (2022) found gender-diverse boards correlate with higher company value through holistic decision-making and creativity. Wulandari and Hidayat (2021) report that female leadership enhances responsiveness and innovation.

Social accounting measures, reports, and evaluates gender equality initiatives, including women's leadership, empowerment programs, and inclusive policies. It tracks quantitative and qualitative indicators, enabling continuous progress monitoring and long-term effectiveness assessment.

This transparency supports SDG 5 and broader sustainable development by fostering inclusive, equitable workplaces. The banking sector's efforts, exemplified by BTPN and BCA, show that gender equality is both a social imperative and a sustainable business strategy. Social accounting ensures women's empowerment programs deliver positive impacts on companies and society.

The Role of Governance in Realizing the SDGs

Governance accounting focuses on transparency, accountability, and performance management aligned with ESG principles. It helps companies and financial institutions measure, report, and manage

their operations' impact on sustainable development and SDG achievement. According to Elsheikh (2024), modern governance accounting extends beyond traditional financial reporting to integrate sustainability into corporate decision-making. This includes transparent business policies, accountable management and boards, measurement of social and environmental impacts, and compliance with sustainability regulations.

In the context of the five major banks in Indonesia, namely BTPN Syariah, Mandiri, BCA, BNI, and BRI, Environmental Accounting plays a strategic role in supporting the achievement of the Sustainable Development Goals (SDGs). This can be seen in the following graphic:

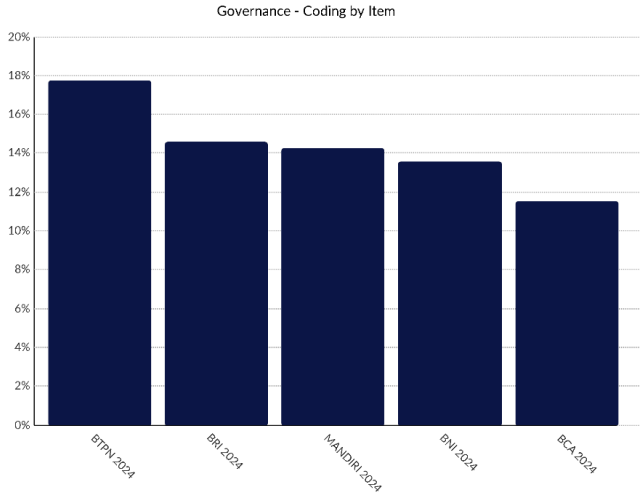


Figure 2. Graphic of the Role of Governance Accounting in Realizing the SDGs: A Case Study of the Banking Industry in Indonesia with the assistance of Nvivo

Based on Figure 2, it is seen that of the 5 banking industries in Indonesia, the role of Governance Accounting in realizing the SDGs is highest, namely BTPN Bank with a percentage of 17% and the lowest is BCA Bank with a percentage of 11%. The data in Figure 2 also contributes to the principles of SDGs.

Governance Accounting and Its Role in Achieving the Sustainable Development Goals

Governance accounting plays a vital role in advancing the Sustainable Development Goals (SDGs), particularly SDG 16, which focuses on peace, justice, and strong institutions. It encompasses the application of Good Corporate Governance (GCG) principles, transparency, accountability, and risk management within organizations. Several major Indonesian banks have adopted governance accounting practices to ensure business sustainability while contributing to SDG 16.

PT Bank Negara Indonesia (BNI) implements Risk Acceptance Criteria (RAC) and an anti-corruption policy aligned with the international standard ISO 37001:2016—a globally recognized anti-bribery management system designed to prevent, detect, and mitigate bribery risks. This policy reflects BNI's commitment to clean and transparent governance. Research by Transparency International (2023) indicates that strict anti-corruption policies enhance investor confidence and strengthen financial institution stability.

PT Bank Mandiri received a BBB Environmental, Social, and Governance (ESG) rating from MSCI, reflecting its sustainable business practices. A key initiative is the implementation of Enterprise Risk Management (ERM), which enables effective risk identification, assessment, and management. Agustina and Sari (2021) found that ERM improves organizational performance by mitigating operational risks and strengthening corporate governance, especially in Indonesian banks.

PT Bank Central Asia (BCA) has developed a whistleblowing system (WBS) allowing employees and stakeholders to report unethical or illegal actions. With an 88.1% complaint resolution rate, this

system effectively promotes transparency and accountability. Wijaya and Hidayat (2022) highlight that WBS implementation in Indonesian financial institutions aligns with sustainable governance principles.

PT Bank Rakyat Indonesia (BRI) demonstrates its governance commitment by joining the United Nations Global Compact (UNGC) and implementing GCG principles. Participation in global initiatives like the UNGC signals active engagement with international standards on human rights, labor, environment, and anti-corruption. According to the UNGC report (2020), companies practicing good GCG enjoy stronger reputations and greater global competitiveness.

Governance accounting supports SDG 16 by enhancing risk management, accountability, and transparency within financial institutions. The four banks above exemplify how governance accounting can prevent corruption, improve risk management, and foster a stable, sustainable business environment. Prasetyo, Haryanto, and Wibowo (2020) found a positive correlation between strong governance systems and corporate resilience to external shocks.

Thus, governance accounting is more than a compliance tool; it is a cornerstone for building resilient institutions, promoting justice, and ensuring long-term economic and social stability. The Indonesian banking sector's adoption of good governance practices illustrates governance accounting's significant contribution to SDG 16.

Governance Accounting's Contribution to SDG 17: Partnerships

Governance accounting is also crucial for SDG 17, which emphasizes partnerships for sustainable development. It ensures transparency, accountability, and effective resource management in collaborations among private sector entities, governments, and civil society. A notable example is the partnership between National Pension Savings Bank (BTPN) and the National Sharia Council - Indonesian Ulema Council (DSN-MUI) on halal certification. This initiative supports MSMEs in obtaining halal certification, enhancing their competitiveness domestically and internationally. Governance accounting ensures this partnership operates transparently, efficiently, and in compliance with regulations.

Bank Mandiri collaborates with government and MSMEs to foster a sustainable business ecosystem through financial support, training, and mentoring. Governance accounting monitors and evaluates these programs' effectiveness, ensuring responsible fund use aligned with sustainable development goals.

Experts emphasize governance accounting's role in strengthening sustainable partnerships. Al-Hajri, Al-Mutairi, and Al-Fadhli (2020) found that good governance accounting enhances inter-institutional cooperation and optimizes resource use. Transparency in financial records and performance reporting builds trust among partners. Rahman and Aziz (2021) showed that companies rigorously applying governance accounting comply better with global sustainability standards, including the SDGs. In BTPN and Mandiri's cases, governance accounting ensured initiatives had lasting impacts and contributed to systemic change in financial and economic sectors.

In summary, governance accounting supports SDG 17 by ensuring transparent, standards-compliant collaboration between public and private sectors. Clear financial reporting enables evaluation and improvement of partnership programs, prevents fund misappropriation, and promotes sustainable operations beyond temporary funding.

4. Conclusion

This study concludes that ESG accounting is essential for integrating sustainability principles into Indonesian banking operations and advancing the SDGs. Through Environmental, Social, and Governance accounting, Indonesian banks contribute to responsible resource management, financial inclusion, and transparent corporate governance. However, challenges remain, including low ESG awareness, limited infrastructure, and risks of greenwashing.

Addressing these challenges requires collaboration among regulators, industry, and academia. Regulators should establish clearer, supportive policies; industry players must enhance human resource capacity and ensure ESG reporting transparency. Further research is needed to assess ESG accounting's long-term impact on financial performance and sustainability in Indonesian banking. With these efforts, the banking sector can strengthen its role in sustainable development and accelerate SDG achievement.

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