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Analysis of the Impact of Green Banking, Inflation Rates, and Bad Loans on the Profit Growth of Banking Companies Listed on the IDX

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Abstract:

The purpose of this study was to determine the effect of the implementation of green banking, inflation, and non-performing loans on profit growth. This study uses secondary data and time series on banking sector companies listed on the Indonesia Stock Exchange from 2019 to 2021. This research uses a quantitative. The population in this study are banking companies listed on the Indonesia Stock Exchange, totalling 12 companies. The data analysis technique in this study was descriptive statistical analysis, classical assumption test, multiple linear regression analysis, and hypothesis testing using the SPSS program for Windows version 25.0. Based on the testing and results of data analysis and discussion of data results (prove the hypothesis), it is concluded that green banking does not affect profit growth. The inflation rate has a negative and significant effect on profit growth. And bad credit has a positive and significant effect on profit growth.

Keywords: *Bad Loans, Green Banking, Inflation Rate, Profit Growth*

1. Introduction

Financial institutions, including banks, play a significant role in Indonesia's financial system. Banking plays an essential role in the economy of a nation as both a source of capital and a financial intermediary between those with excess funds and those with insufficient funds. One indicator to assess a bank's financial performance is to look at its level of profitability. Profitability is the degree to which a bank can generate profits. The greater the bank's ability to pay dividends, based on its ability to generate profits, the more investors it will entice to invest their capital (Akbar et al., 2018). With the increasing number of investors, banking companies will have additional capital that can be allocated to expand their business to increase profit growth. The following is profit development data for commercial banks for the period 2018 – 2022 in billions

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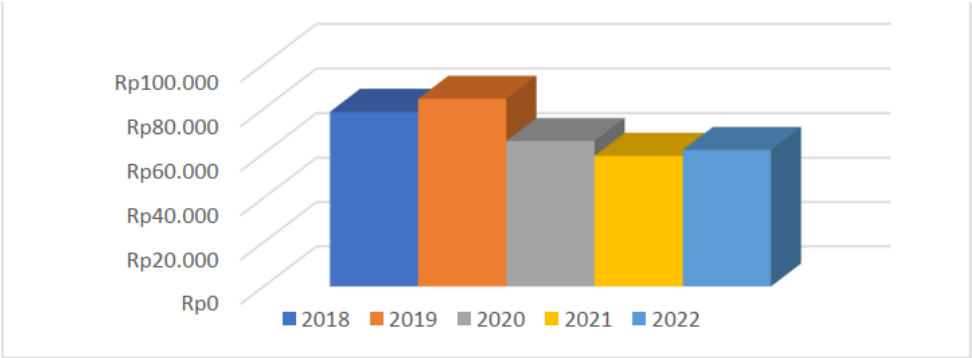
Figure 1. Profit Development Data at Commercial Banks



Data source: www.ojk.go.id (data processed)

The Covid-19 pandemic, which struck Indonesia towards the end of 2019, has profoundly impacted various facets of life, encompassing economic, political, social, and cultural dimensions. From an economic standpoint, the banking sector emerges as a focal point of concern. This pivotal component of the national economy has been diligently navigating the challenges posed by the pandemic emergency (Eliza et al., 2022). The visual representation in Figure 1 illustrates the decline in profits during 2020 when the Covid-19 outbreak unfolded in Indonesia. The pandemic's repercussions extend to diminishing socioeconomic conditions, evidenced by reduced daily income opportunities and the mass dismissal of 1,943,916 employees, affecting 114,340 businesses. Prolonged pandemic duration could exacerbate these circumstances. Government directives urging people to "stay at home" have significantly curtailed daily income and severely restricted economic activities (Barret et al., 2021). The pervasive uncertainty induced by the pandemic has dissuaded many from initiating investments or depositing funds in banks, echoing the hesitancy of entrepreneurs and contributing to a surge in bad loans as customer incomes dwindled. In 2021, despite achieving an average profit of Rp. 58,867 billion, there was still a decline compared to the preceding year.

Muhyiddin & Nugroho's (2021) research revealed a pre-pandemic projection of continuous profit growth for both public and private banks in Indonesia. However, the emergence and spread of Covid-19 issues triggered a substantial decline in company profits. Investor sentiment, rooted in skepticism about the government's sincerity in addressing Covid-19, led to fund withdrawals from the capital market (Muhyiddin & Nugroho, 2021). This prompted banks to enhance services, with the adoption of green banking emerging as a strategic approach. Anticipated positive profit growth is aligned with the implementation of the green banking concept, a global trend promoting sustainable finance—a paradigm embracing profit, people (social relationships), and planet (environmental protection) in alignment with the triple bottom line concept (Putri et al., 2021). Implementing green banking practices, such as online transactions and reduced paper usage, not only fosters environmental consciousness but also attracts customers and investors, thereby influencing overall profit growth, as affirmed by Rachman & Saudi (2021), Jatana & Jain (2020), Putri et al. (2021), and Anggraini et al. (2019).

Economic conditions exert a substantial impact on banking activities, with the inflation rate serving as a key economic indicator. Inflation, reflecting price surges across various goods, can elevate operating costs for companies, potentially hindering dividend payouts to investors (Budianto & Dewi, 2023). The banking sector's dynamics are intertwined with interest rate fluctuations and inflation, influencing public investment decisions. Elevated inflation tends to reduce customer interest in saving, as income remains stagnant and interest rates decline (Jayawarsa et al., 2021). Addressing the impact of inflation on the Indonesian economy, banks, typically, respond by increasing deposit interest rates. This strategic move aims to encourage saving over purchasing goods, thereby mitigating the profound impact of inflation on bank profits.

Table 1. Data on the Development of Third-Party Funds and Inflation Rates

Year	Third-Party Funds (in billions)	YoY	Inflation
2018	Rp 5.404.163	0%	3,20
2019	Rp 5.778.620	7%	3,03
2020	Rp 6.343.560	10%	2,04

Source: www.ojk.go.id & www.bi.go..id (2023)

Table 1 illustrates that in 2019, the inflation rate experienced a decline, while third-party funds witnessed a 7% growth compared to the previous year, amounting to 5,778,620 billion rupiahs. Subsequently, from 2020 to 2021, inflation exhibited a decreasing trend, paralleled by an upswing in third-party funds acquired by commercial institutions. The accumulation of third-party funds is pivotal for financing distribution, serving as the primary revenue source for banks and ensuring business continuity.

Adaramola and Dadatriawan (2020) found a positive yet negligible impact of inflation on profits, attributed to the sustained rise in prices fostering increased demand for public funds (reduced saving) and extended credit amounts by banks. In contrast, Batayne et al. (2021) assert that inflation significantly influences profit growth.

Within the financial industry, the peril of bad lending looms large, as addressed by Bank Indonesia regulation number 13/3/PBI/2011, stipulating a maximum net NPL limit of 5% of total credit. Banks exceeding this limit are placed under "Intensive Supervision." The Non-Performing Loans (NPL) ratio at a bank typically mirrors the level of non-performing loans, reflecting the quality of banking performance in lending and efforts to garner profit from interest income. From 2019 to 2021, NPL levels at commercial banks showed a continual increase due to pandemic-induced conditions impacting the income of the community at large. The debtor's repayment capacity diminished, leading to an increase in non-performing loans. Naufaldo and Ely's research on Indonesian state-owned banks listed on the Indonesia Stock Exchange revealed NPL results influencing the profits of state-owned banks. By strategically increasing the demand for public credit while managing it prudently, the

occurrence of problematic loans diminishes, resulting in lower non-performing loans and smoother cash inflow, thereby enhancing profits (Atthariq & Suhayati, 2022). In line with Thornton & Di Tommaso's (2021) research, partially non-performing loans were found to have a significantly positive impact on profit growth. However, studies by Rokhmat et al. (2023) and Martiningtiyas & Nitinegeri (2020) indicate that the non-performing loans variable exerts a substantial negative impact on bank profitability.

This study builds upon Asfahaliza and Anggraeni's (2022) research, exploring the influence of green accounting on banking profitability. To introduce novelty, the researchers incorporated additional independent variables, namely the inflation rate and the number of bad loans.

2. Theoretical Background

Signalling Theory
According to the Signaling Theory, businesses are incentivised to disclose financial information to external parties. Because internal and external parties can access dissimilar information, companies must provide information. Afterwards, external parties identify the organization based on a variety of signaling mechanisms. If external parties lack information about the company, they will offer low prices to protect themselves, and if external parties lack information about the company, they will have the same opinion about the company's value. Situations like this will make it difficult for companies that have good conditions because external parties will tend to undervalue the company more than they should and vice versa (Jun et al., 2022). Announcement of earnings is one example of conveying information through signaling. Profit announcements include information used by external parties to make investment decisions and to project or analyze the company's future prospects. If the company's management provides information by announcing an increase in company profits, investors assume the company's future condition will be relatively good, and if the management announces a decrease in company profits, investors assume the company's future condition will not be good. Therefore, with this theory, it is assumed that providing information to external parties of the company, one of which is investors, will be used as material for consideration in investing in the company (Hasanah et al., 2022).

Legitimacy Theory
Legitimacy theory stresses that a company must endeavor to ensure that its operational activities remain within the scope and norms of the community or environment in which it was founded, so that its activities can be approved by external parties and have legal standing. Legitimacy is characterized as a social contract between the organization and the community (Pramesti & Idayati, 2019). This legitimacy theory is essential for businesses because one factor determines the company's future strategy. The public's perception of the organizational strategy, which provides the company with social norms, will lead to the company's implementation of effective

management supervision and disclosure of company information in order to maintain public confidence.

Profit Growth

Profitability is the capacity of a business to generate profits during a specified time frame (Trisnadewi et al., 2023). According to Maryati & Siswanti (2022), profit growth is the increase in a company's net profit expressed as a percentage over the course of one year, which reflects the company's financial performance in managing its assets. Good profit growth indicates that the company manages its finances well, which increases the company's value because the dividends paid to investors in the future are sometimes contingent on the company's current condition. Users of financial statements must therefore be aware of the company's profit development in order to determine whether a company's financial performance has increased or decreased. According to (Salam, 2022), profit growth is the company's capacity to maximize the profit generated at this time relative to the profit generated in the previous year. The company's profit growth will demonstrate how well it is performing, which will entice investors to invest capital or shares in the company. For investors, an increase in profit growth in a company affects their investment decisions, because investors expect banking profits in the next period to be better than the previous one. With the increasing number of investors, banks will allocate these funds for business expansion to increase profit growth. The formula used to predict profit growth according to Muhyiddin & Nugroho (2021) is:

$$Y = \frac{Yt - Yt{-}1}{Yt{-}1} \; X \; 100\%$$

Information:

Y = Profit growth
Yt = net-profit-for-the-year
Yt-1 = net-profit-previous-year

Green Banking

Green banking or environmentally friendly banking is the concept of financing in the form of credit and offering products in the form of banking services while simultaneously taking into consideration economic, environmental, sociocultural, and technological aspects of sustainability. Specifically, green banking refers to banking that focuses not only on financial responsibility, i.e. maximizing profit for shareholders, but also on responsibility for efforts to preserve the environment and universe (planet) and improve social welfare for the community (people). This integration is known as the tripartite bottom line of banking accountability. The fundamental principles of green banking consist of efforts to increase bank risk management capabilities, particularly in the environmental field, and to encourage banks to implement environmentally friendly financing, such as renewable energy, energy efficiency, organic farming, eco-tourism, environmentally friendly transportation, and the sharing of eco-label products.

This initiative demonstrates the bank's awareness of the potential risk of environmental issues in the projects it finances, which could have a detrimental impact in the form of a decline in credit quality and long-term bank reputation. Bank

Indonesia expects the implementation of green banking to have a positive effect on efforts to improve fiscal and monetary policies, as evidenced by a reduction in free imports of oil and agriculture due to an increase in the supply of renewable energy, an increase in energy efficiency by industry, and an increase in organic agricultural products supported by all Indonesian banks. Green banking, according to the World Bank, is a financial institution that prioritizes sustainability in its operations. Green banking is based on four elements of life, namely nature, well-being, economy, and society, which will be incorporated into the business principle of caring for ecosystems and human life quality (Putri et al., (2021). According to Putri et al. (2021), the calculation method for the green banking concept has a formula, namely:

$$\text{GB} = \frac{\text{Total Banks in the Application of GB}}{\text{Green Coin Ratings indicator}} \; X \; 100\%$$

Inflation Rate

According to Bank Indonesia, inflation is the general and persistent rise in prices over a given period. An increase in the price of just one or two goods cannot be said to be inflation unless the increase is widespread, affecting price increases for other goods. Inflation shows that in an economy there are price spikes for various types of goods, if price spikes are out of control it can affect a company to experience an increase in operating costs which will result in the company having difficulty paying dividends to investors (Budianto & Dewi 2023). Keynesian theory states that inflation and currency exchange rates that fluctuate uncontrollably have a close relationship between debtors and creditors, which can lead to decreased income. The rise and fall of the inflation rate is also influenced by the monetary policy carried out by the government in response to a slowdown in economic growth, inappropriate policies will increase the inflation rate. The high rate of inflation causes interest rates to also rise so that people think twice about borrowing funds from banks. In addition, in the economic sector, people are hesitant to increase capital to finance production in their activities. This incident will affect the decline in banking profits. High inflation can also cause macro instability which results in increased bank vigilance which affects banking profits (Adem 2023). The inflation rate can be approximated using the consumer price index, which can be obtained from the official website of the Central Statistics Agency (BPS) at www.bps.go.id and calculated using the formula: CPI = (Inflation Rate - Base Rate) 100:

$$\text{LI} = \frac{\text{IHK}_t - \text{IHK}_{t-1}}{\text{IHK}_{t-1}} \text{ X } 100\%$$

Information:
LI = Inflation Rate
IHK_t = Consumer Price Index of the Year
IHK_t^{-1} = Previous Year Consumer Price Index

Bad credit

Hohedu and Dewi (2019) define bad loans as those with repayment difficulties due to intentional or external factors beyond the debtor's control. Bad credit can also be interpreted as credit that cannot be repaid by the debtor as it should be by the agreement. According to (Putri et al., 2020) bad credit is credit that is classified as a non-current payment made by the debtor concerned. In addition to non-performing

loans, substandard loans represent a form of credit risk (Trisnawati, 2021). Therefore, it can be concluded that non-performing credit is a condition in which a customer is unable to pay a portion of his agreed-upon obligations to the bank and may result in losses for the bank. High credit risk will reduce financial performance, conversely the lower level of credit risk, the higher the financial performance (Trisnawati & Budiani, 2021). This suggests that when the danger of poor loans is high, bank profit growth will be low. The ratio of nonperforming loans (NPL) is set at 5% by the Bank Indonesia Regulation (PBI). According to the ratio (Sorong, 2020), the formula for this ratio is as follows:

$$\text{NPL} = \frac{\text{Problem Credit}}{\text{Total Credit}} \text{ X } 100\%$$

Research Hypothesis

The hypotheses proposed in this study are based on relevant theories and previous studies, namely as follows:

H1: Implementation of green banking has a positive effect on profit growth for banks listed on the IDX.

H2: The inflation rate has a negative effect on the profit growth of banks listed on the IDX.

H3: Bad credit has a negative effect on the profit growth of banks listed on the IDX

3. Methodology

This study is quantitative in nature. This study utilizes annual reports and sustainability reports of banking companies listed on the Indonesian Stock Exchange (IDX) for 2019-2021 as secondary data. In this survey, the population consists of all banks registered on the IDX for 2019-2021. This investigation employed purposeful sampling according to the following criteria.

Table 2. Sampling Criteria

NO	Sampling Criteria	Total
1	Banking listed on the IDX for the 2019-2021 period	57
2	Banks that do not publish financial reports for the 2019-2021 period	(30)
3	Banks that do not publish sustainability reports for the 2019-2021 period	(15)
4	Number of sample banks	12
5	Number of observations 3 years (3x12)	36

Multiple linear regression analysis aided by the IBM SPSS version 25 application was used to perform the data analysis in this study.

4. Empirical Findings/Result

Descriptive statistical analysis

The descriptive statistical analysis results for this investigation are presented in Table 3.

Table 3. Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Green Banking	36	.16	1.28	.3422	.28335
Inflation Rate	36	3.67	111.66	37.9156	29.11063
Bad credit	36	.27	100.89	30.9406	30.41300
Profit Growth	36	-11.67	9.30	6.2261	5.31185
Valid N (listwise)	36				

Source: SPSS 25.0 output

The variable green banking has a minimum value of 0.16 and a maximum value of 1.28, with a mean of 0.3422 and a standard deviation of 0.28335, as shown in Table 3. The minimum value for the inflation rate variable is 3.67 and the maximum value is 111.66, with a mean of 37.9156 and a standard deviation of 29.11063. Bad credit variable ranges from 0.27 to 100.89, with a mean of 30.9406 and a standard deviation of 30.41300. The minimum value of the profit growth variable is -11.67 and the maximum value is 9.30, with a mean of 6.2261 and a standard deviation of 5.31185. Since the average value of each variable is greater than the standard deviation, the data distribution for each variable is deemed to be acceptable.

Classic assumption test

Normality test

Figure 2 below depicts the results of this study's normality test.

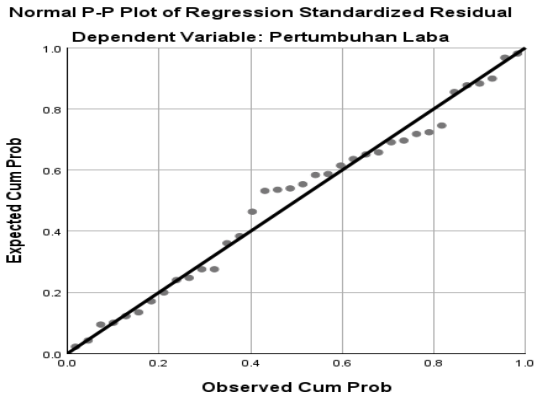


Figure 2. P-Plot Graph

Source: SPSS 25.0 output

Figure 2 depicts data (dots) plotted along a diagonal line, indicating that the data is normally distributed.

Multicollinearity Test

Table 4 displays the outcomes of the multicollinearity test for this study.

Table 4. Multicollinearity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
		B	Std. Error	Beta	Tolerance	VIF
1	(Constant)	-.540	1.515			
	Green Banking	2.444	2.484	.130	.944	1.060
	Inflation Rate	-.054	.024	-.295	.952	1.051
	Bad credit	.106	.023	.608	.980	1.021

a.Dependent Variable: Profit Growth

Source: SPSS 25.0 output

Table 4 shows that all independent variables have torelance values greater than 0.10 and VIF values less than 10, indicating that there are no indications of multicollinearity in the regression model for this study.

Heteroscedasticity Test

Figure 3 displays the results of the heteroscedasticity test conducted in this study.

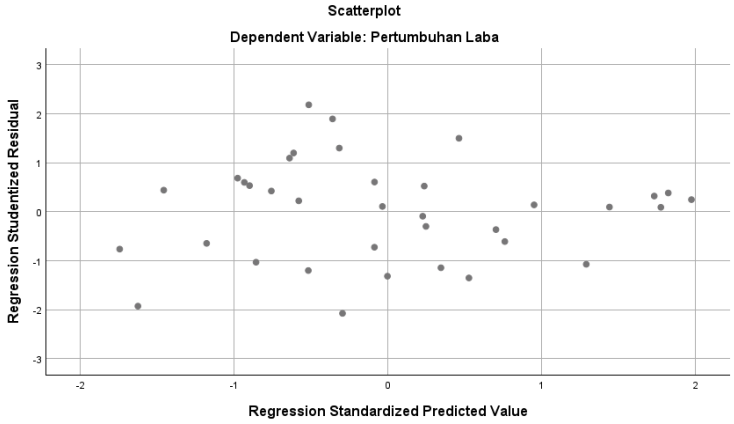


Figure 3. Heteroscedasticity Test Results

Source: SPSS 25.0 output

The random distribution of points above and below 0 on the Y axis is illustrated in Figure 3. This study's regression model makes no heteroscedasticity assumption, so it can be concluded that heteroscedasticity is not assumed.

Autocorrelation Test

The results of the autocorrelation test in this study are presented in table 5 below

Table 5. Durbin Watson Test Results

Durbin Watson	dL	Du	4-du	Information
1.719	1.2953	1.6539	2.3461	There is no autocorrelation

Source: SPSS 25.0 output

The number 1,719 is shown in Table 5.4 for Durbin Watson. Referring to the table of DW test results, for a significance level of 5%, n = 36, and k = 3, the values dL = 1.2953, du = 1.6539, and 4-du = 2.3461 are calculated. Based on the results of the autocorrelation test, which indicates that the DW value is greater than du and less than 4-du (du < < 4-du), there is no autocorrelation in this regression model.

Multiple Linear Regression Test and Hypothesis Test

The results of multiple linear regression tests can be seen in Table 6 as follows.

Table 6. Results of Multiple Linear Regression Analysis

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.540	1.515		-.356	.724
Green Banking	2.444	2.484	.130	.984	.333
Inflation Rate	-.054	.024	-.295	-2.234	.033
Bad Credit	.106	.023	.608	4.679	.000

a. Dependent Variable: Profit Growth

Source: SPSS 25.0 output

Based on the results of multiple linear regression analysis, the regression equation is obtained which can be formulated as follows.

$Y = a + \beta 1\ X_1 + \beta 2\ X_2 + \beta 3\ X_3 + \varepsilon$

Y = -0.540 + 2.444 X1 + -0.054 X2 + 0.106 X3 + 1.515

The results of the multiple linear regression analysis are interpreted as follows: Green banking (1), inflation rate (2), and non-performing loans (3) are all equal to zero, resulting in a profit growth (Y) value of -0.540. The positive coefficient value for green banking (1) is 2,444, indicating that for each unit increase in green banking, profit growth (Y) will increase by 2,444, assuming all other variables remain constant. Conversely, the negative coefficient value of -0.054 for the inflation rate (2) suggests that for each one-unit increase in the inflation rate, profit growth (Y) will decrease by -0.054 units, assuming other variables remain constant. The coefficient value of 0.106 for non-performing loans (3) has a positive impact on profit growth (Y), signifying that for each unit increase in problematic loans, profit growth (Y) will increase by 0.106, assuming all other variables remain constant. The error value () is 1,515, suggesting that variables other than green banking, inflation rates, and non-performing loans affect profit growth.

Table 6 also presents the results of validating the research hypothesis, summarized as follows. The coefficient value for the variable associated with green banking is 2,444, with a t statistic (t count) of 0.984 < t table (2,037). The significance of the green banking variable is 0.333 > 0.05, leading to the rejection of Ha1 and acceptance of H0. Therefore, it can be concluded that the green banking variable has no significant effect on profit growth. For the inflation rate variable, the coefficient value is -0.054, with a t statistic (t count) of -2.234 < t table (2.037). The significance of the inflation rate variable is 0.033 < 0.05, leading to the acceptance of Ha2 and rejection of H0. Consequently, it can be concluded that the inflation rate has a negative and significant effect on profit development. The coefficient value for the variable representing non-performing loans is 0.106, with a t statistic (t count) greater than the t table (2.037). The significance of the non-performing loans variable is 0.000 < 0.05, leading to the acceptance of Ha3 and rejection of H0. It can be concluded that non-performing loans have a positive and significant effect on the company's value.

Determination Coefficient Test (R2)

Table 7 presents the outcomes of the test for the coefficient of determination.

Table 7 Test Results for the Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.685[a]	.470	.420	4.04562

a. Predictors: (Constant), Bad Loans, Inflation Rate, Green Banking
b. Dependent Variable: Profit Growth

Source: SPSS 25.0 output

Table 7 displays the value of 0.470 for R square. The R square value indicates that there is a 47.0% relationship between the independent variables and the dependent variable, with the remaining 53.0% explained by factors outside the regression model under consideration.

5. Discussion

The Effect of Green Banking on Profit Growth

Green banking encompasses financing and credit services that prioritize economic, environmental, sociocultural, and technological sustainability. This research aligns with legitimacy theory, emphasizing the importance of organizations adhering to social norms and environmental values. Multiple linear regression analysis, conducted on the Indonesia Stock Exchange from 2019 to 2021, reveals that the green banking variable lacks a significant impact on banking sector profit growth. This suggests that green banking application alone does not influence profit dynamics; instead, various economic factors play a more substantial role. These findings are corroborated by Chen et al. (2022) and Roberto et al. (2019), indicating suboptimal implementation of green banking due to persistent connections to electricity and paper in operational activities. Despite paper reduction, daily banking operations still heavily rely on energy sources, requiring a gradual transition for effective green banking.

Similarly, publicly traded institutions in Indonesia, as observed in this study, have not fully embraced green banking practices. Some banks lack annual awards or certifications for green coin ratings, signifying suboptimal contributions to green banking. Initiatives like biofuel adoption and alternative energy utilization, essential for sustainability and pollution reduction, remain underutilized in operational activities (Rokhmat et al., 2023). The incorporation of green banking indicators into business operations is crucial for banks to become environmentally friendly.

The Effect of Inflation on Profit Growth

Inflation's potential to increase lending rates and stifle credit expansion impacts bank profits. High inflation drives increased interest in saving due to interest rate hikes by Bank Indonesia. The resulting boost in public deposits benefits banks through widened credit interest margins. Aligned with the quantity theory, this study, through multiple linear regression analysis, identifies a negative and statistically significant effect of inflation on banking sector profit growth from 2019 to 2021. Higher inflation

leads to reduced customer savings inclination, observed through fluctuations in the inflation rate (2.72% in 2019, 1.68% in 2020, and 1.87% in 2021). The consequent increase in third-party funds reflects the majority being channeled into credits, a vital source of operating income for banks. Diminished third-party funds impact financing capacity, thereby influencing profit generation. These findings resonate with Wang et al. (2021), Indarto & Ghozali (2016), and Ridwan et al. (2021).

The Effect of Bad Credit on Profit Growth

Multiple linear regression analysis indicates a substantial positive effect of problematic loans on profit growth, highlighting the impact of non-performing loans (NPLs). With the average NPL values for banks listed on the IDX from 2019 to 2021 remaining below 5%, the banking sector appears relatively healthy, sustaining effective operations. However, uncontrolled lending expansion without employing the precautionary principle poses increased risks associated with poor credit quality. The sustained risk lies in debtors' inability to repay, impacting the bank's performance. These findings support Adem (2023) and Martiningtiyas & Nitinegeri (2020), emphasizing the considerable positive influence of bad loans on profit growth.

The increase in NPLs does not necessarily hinder profit growth, as evidenced by banks experiencing simultaneous growth in NPLs and loan disbursement. In addition, growth in non-interest or fee-based income can compensate for reduced interest income due to NPLs. An illustrative example is Permata Bank, which observed an increase in NPLs from 2.77% in 2019 to 3.20% in 2021. However, concurrent increases in loan disbursement, from IDR 105,082,244 in 2019 to IDR 116,985,878 in 2021, demonstrate that profit growth can persist despite NPL challenges.

6. Conclusions

In summary, this study sheds light on the influence of green banking, inflation rates, and bad loans on the profit growth of banking sector corporations listed on the Indonesia Stock Exchange. The results indicate that green banking does not have a discernible effect on profit growth, while the inflation rate exerts a negative and statistically significant impact. Conversely, bad loans demonstrate a positive and statistically significant effect on profit growth.

For banking companies, it is recommended to pay attention to factors influencing profit growth, including the implementation of green banking practices, monitoring inflation rates, and managing bad loans effectively. These findings provide valuable insights for strategic decision-making to enhance financial performance.

Despite these contributions, the study has limitations. The absence of specific statistical values in this summary restricts the depth of insights. Future research endeavors should explore additional independent variables that may further influence profit growth, thereby providing a more comprehensive understanding of the dynamics involved. Moreover, expanding the sample size and extending the research duration could enhance the generalizability and robustness of the findings.

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