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A Qualitative Study of Implementation ESG as Strategy or Symbolic Compliance in Selected Indonesia's State-Owned Banking

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Abstract - *As ESG (Environmental, Social, and Governance) becomes increasingly integrated into global sustainability frameworks, questions remain about the depth of its implementation in emerging markets. This study explores whether ESG practices in Indonesia's state,owned banks, BRI, Bank Mandiri, and BSI, reflect substantive strategic transformation or are limited to symbolic compliance. Using qualitative content analysis of 2023 and 2024 sustainability and annual reports, complemented by media,based external validation, the study finds that all three banks are in a transitional phase. While each bank demonstrates formal ESG structures and alignment with regulatory standards (POJK 51/2017), operational inconsistencies, such as cybersecurity breaches, fraud cases, and controversial financing, highlight the gap between ESG strategy and execution. Rather than greenwashing, these findings suggest that ESG in Indonesian banking is evolving from a compliance obligation toward a strategic imperative, albeit with structural and institutional challenges.*

Keywords: *ESG, sustainability reporting, symbolic compliance, banking, Indonesia, POJK 51/2017*

I. INTRODUCTION

Banks are financial service institutions that serve as intermediaries to distribute money to the public and this is one sector that is able to develop rapidly and support the national economy [1] . Based on data from BPS, the total number of banks in Indonesia in 2023 is 105 for commercial banks and 1575 for credit banks [2]. SGDs are currently the world's agenda for achieving the 17 goals of the sustainability program. In a company, there is a framework similar to SGDs, namely ESG (Environmental, Social, and Governance), which is a measure of corporate sustainability from an operational and management perspective, among which is also the financial sector industry [3]. In Indonesia, especially the banking sector already has regulations related to ESG although it is not mentioned explicitly, early regulatory initiatives that reflect ESG principles, date back to 2009 when ESG officially became clearer with the launch of the SRI KEHATI index for the capital market and most recently the issuance of POJK 51/2017 on sustainable finance [4]. While ESG adoption is relatively advanced in developed markets, its implementation in emerging markets like Indonesia presents unique challenges. These include regulatory dependency, institutional voids, inconsistent enforcement, and varying levels of stakeholder pressure. As a result, ESG in emerging markets often reflects a hybrid model driven both by global legitimacy pressures and local regulatory mandates [5].

The media has several times revealed and outlined that ESG in emerging markets may lean towards symbolic compliance rather than strategic transformation. In Indonesia, although regulatory frameworks such as POJK 51/2017 mandate ESG reporting, questions remain as to whether these practices reflect true organizational commitment or are merely symbolic.

While Indonesian banks are increasingly disclosing ESG initiatives, there are concerns about the depth of these practices. Media reports and previous research suggest that ESG disclosures may be for symbolic purposes only, meeting regulatory expectations without driving strategic transformation, or so,called greenwashing. Based on secondary data from Hendratno et al. (2022), BRI and Mandiri have a different in Scoring of Comprehensive Sustainable Banking. BRI in level/category "Partially Applied" and Mandiri in "Limited Disclosure" [6].

But in this research, it is not Bank BSI, as a state, owned Islamic bank, therefore it is necessary to explore how Bank BSI implements ESG.

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Table I Bank BRI and Mandiri Sustainability Score (Hendratno et al., 2022)

Bank Name	Scoring Result for each Pillar								
	$\bar{x}$ Purpose	$\bar{x}$ Policies	$\bar{x}$ Process	$\bar{x}$ People	$\bar{x}$ Product	$\bar{x}$ Portfolio	$\bar{x}$ Stakeholder Engagement	$\bar{x}$ Digital Transformation	$\bar{x}$ All total Scoring
BRI	50.000 %	44.545 %	57.143 %	41.667 %	45.000 %	33.913 %	62.500%	19.091%	**41.613 %**
Mandiri	50.000 %	34.545 %	40.952 %	31.667 %	30.000 %	33.043 %	25.000%	9.091%	31.290 %

This research investigates whether ESG practices in Indonesia's major banks represent true strategic transformation or merely serve as a symbolic legitimization tool. By analyzing the 2023 and 2024 sustainability reports of Bank Mandiri, BRI, and BSI using a qualitative approach.

This study contributes to the existing literature by offering a theory driven, sector specific qualitative assessment of ESG implementation in Indonesia's state owned banks. This research aims to enrich the understanding of ESG adoption beyond compliance, also to know that to what extent does ESG implementation in Indonesia’s state owned banks reflect symbolic compliance or strategic integration.

A study involving content analysis and panel testing of 42 banks (2017–2019) found that adoption of GRI improved the quality of SR information, while stand-alone and assurance did not improve (and even reduced) quality; thus, many reporting practices were symbolic rather than substantive. [7] . Also Through content analysis of the 2023 SR of major banks, we found no clear correlation between the depth of reporting on employee engagement/green finance and ESG risk ratings; thus, there is a gap between narrative and outcome during the transition to compliance. [8] Another study using PRISMA & bibliometrics on 19 articles found that banks are often accused of “overemphasizing” sustainable policies/commitments without implementation; thus, the authors call for transparency & accountability to restore trust.[9] Another study using bibliometric analysis with topic cluster mapping and publication trends found a surge in research, but the relationship between FinTech and ESG remains fragmented and requires cross-sector/regional standard metrics. Reporting technology can drive a shift toward substance if data standardization is accelerated [10].

II. LITERATURE REVIEW

Literature search was made through Scopus database using a combination of keywords: “ESG” OR “Environmental Social Governance” OR “sustainability reporting” OR “sustainable banking” AND “symbolic compliance” OR “symbolic” OR “substantive” OR “strategic” OR ‘greenwashing’ OR “legitimacy theory” AND "bank" OR "banking" OR "financial institution" OR "commercial bank" OR "Islamic bank".

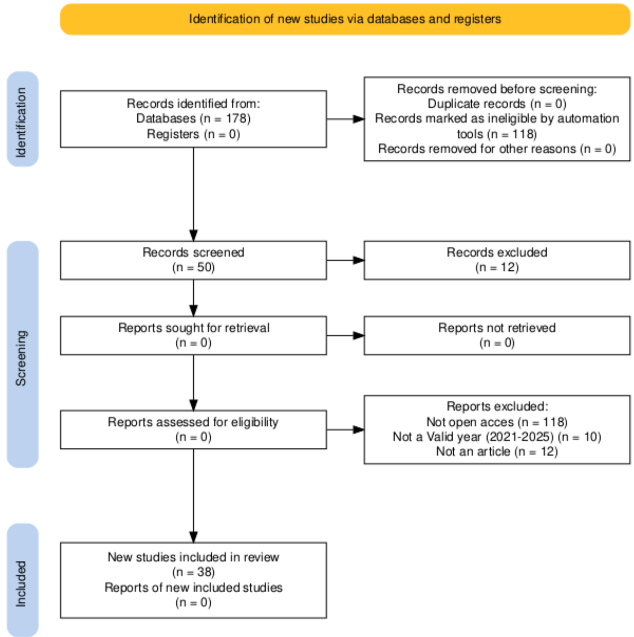

Figure 1 SLR PRISMA, 2025

From the preliminary search results, 178 were obtained. The ones that were immediately eliminated were those that were not opened acces, and there were 118 of them. so that there are 60 left. Next is elimination based on year, which eliminates 10 because the years used are 2021 - 2025. The last step is to exclude non-articles, leaving 38 articles remaining from the existing research.

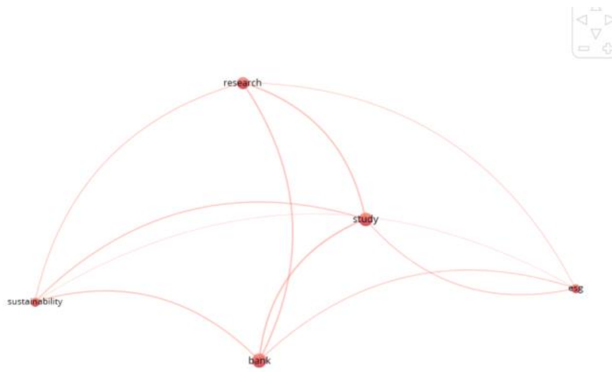

Figure 2 Network Visualization, VOSVIEWER 2025

It shows the connection between keywords. Research, study, and banks appear as centers with the densest connections, while ESG and sustainability are connected but still play a supporting role.

Figure 3 Overlay visualization, VOSVIEWER 2025

This is the time dimension. The keyword ESG appeared more frequently in early 2023, while sustainability was more prominent in publications at the end of 2023, indicating a shift in research focus.

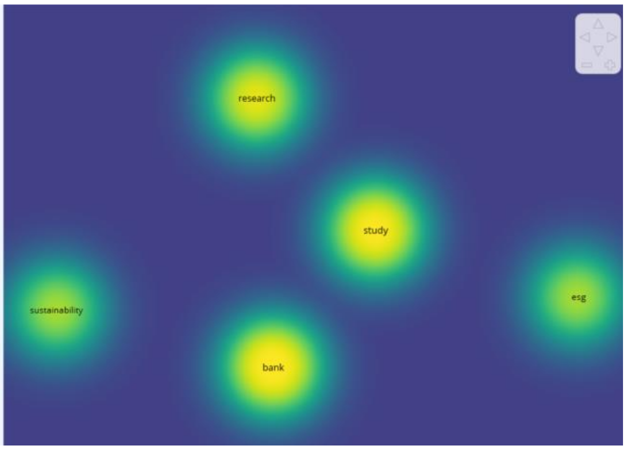

Figure 4 Density visualization, VOSVIEWER 2025

Shows the density of topics. The densest areas are occupied by research, study, and banks, while ESG and sustainability are still in areas with lower density.

these visualizations reinforce the positioning of this study. The bibliometric evidence shows that ESG and sustainability in banking remain developing themes, often situated under the broader umbrella of research on financial institutions. This underlines the relevance of examining whether ESG implementation in Indonesian state-owned banks, reflects a substantive strategic orientation or remains a matter of symbolic compliance.

A. Legitimacy Theory

ESG can be used to gain social legitimacy, not just action. An organization or company can do voluntary disclosure to strengthen its image. But disclosure without real action only builds image, not transformation. Legitimacy theory explains that organizations make social and environmental disclosures to gain social approval and legitimacy, especially when facing regulatory or reputational pressures. This is in line with concerns about symbolic ESG practices in emerging markets [11].

B. Stakeholder Theory

This theory emphasizes the importance of taking into account all parties affected by a company or organization, such as the community, government, customers, investors, etc. ESG can be considered an ethical response to stakeholder demands.

This theory was developed by Freeman (1984), who stated that companies should take into account the interests of all stakeholders, not just shareholders. As such, ESG emerges as a potential framework for aligning business operations with stakeholder expectations. But it can also be an instrumental strategy to maintain relationships, not a real moral action [12].

C. Institutional Theory

ESG emerges due to institutional pressures: regulatory, mimetic, and normative. Organizations can “decouple” between formal structures (ESG reports) and actual practices on the ground. Institutional theory highlights how organizations align themselves with environmental expectations regulative, normative and mimetic.To maintain legitimacy and survive [13]. This theory is critical to evaluate whether ESG disclosure reflects true integration or is just a response to institutional pressures.

III. METHODOLOGY

This research employs a qualitative content analysis of sustainability reports from BRI, Bank Mandiri, and BSI between 2023 and 2024. Bank BRI was chosen because it has the largest market cap of state-owned banks, besides that BRI is closely related to financial inefficiency to MSMEs [14] [15] [16]. Bank Mandiri was chosen because its market cap is the second highest of the state, owned banks [17] [18] . The measurement tool is market cap because it is closely related to investors who are very influential on company sentiment. Bank BSI was chosen because it is a fairly large Islamic bank in Indonesia. Which means, with sharia principles, the application of business processes is also in accordance with Islamic law [19-20].

The analysis was conducted using each bank's 2023 and 2024 sustainability report as well as annual reports. The sections used for comparison are “Vision & Mission”, “ESG Strategy”, “Environmental & Social Performance”, “Green Financing”, and “SDGs Alignment” . For validation of company statements, news, media articles and ESG score from IDX are used. This is a sample selection gap and limits because only a short period of time was selected, and no in-person interviews were held for validation . This is a summary of the results of the data search of available data:

Table II Compares The Banks' ESG Frameworks, Their Alignment With POJK 51/2017, And Real,World Incidents

BANK	ESG STRATEGY (reports)	EXTERNAL VALIDATION	ASSESMENT
BRI	Strong ESG integration with targets set for NZE; Climate Risk Management embedded; ESG ratings are high	Digital fraud complaints; data security concerns (BRImo)	Strategic ESG intent is clear, but operational control gaps remain
MANDIRI	SG Unit and ESG KPIs; strong green finance push; active in carbon trading	Lawsuit by TuK INDONESIA over financing allegedly harmful to environment (AAL case)	ESG is strategic, but financing oversight may contradict sustainability claims
BSI	Faith,based ESG rooted in Maqasid Syariah; focus on education and inclusion	2023 cybersecurity incident and data leakage	ESG values deeply embedded, but digital risk undermines credibility

IV. FINDINGS AND DISCUSSION

A. Regulatory Influence vs. Strategic Authenticity

The three banks declared that the making of the SR or sustainable report is based on POJK 51/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. Bank BRI explicitly mentions that ESG is prepared based on POJK 51/2017 and also confirms the suitability of ESG reporting with POJK and SEOJK. Bank Mandiri also has a list that discloses POJK,51/2017 & GRI index in addition there is an explanation that ESG is prepared in reference to SEOJK, and SDGs. Similarly, BSI bank explains that their ESG framework is built to comply with POJK. All three banks are in full compliance with the regulation (POJK 51/2017), but Reporting and RAKB (Sustainable Finance Action Plan) are already part of the annual reporting system. Looking at this, each bank is at the compliance level because it shows that ESG is not an "option" but a "minimum obligation".

Bank BRI with its climate scenario as well as ESG becomes BRI's core strategy for financial inclusion and green transition. Bank mandiri with its initiatives such as digital carbon tracking, green bond, ESG desk. Bank BSI incorporating ESG is not just compliance, but part of maqasid sharia. Demonstrated by the integration of ESG into social and spiritual programs , e.g. green campaign & zakat linked programs. Looking at the strategy, the three banks are committed that ESG is not just for regulatory compliance, but is starting to be used as a business tool, ethics, and corporate identity.

B. Structural Integration vs. Operational Execution

All three banks have serious ESG elements. They have management level ESG committees, multi year roadmaps, measurable ESG KPIs, and they adopt international standards. Bank BRI incorporated climate risk into its risk management system and received SBTi (Science,Based Targets) validation. Bank Mandiri established an ESG Unit and ESG Financing Desk, expanding ESG coverage to core business strategies. And BSI bank uses a sharia and maqasid value,based approach, making ESG part of its spiritual purpose, not just regulation. The regulation issued by OJK, POJK 51/2017. Becomes the basis for these three banks to carry out their business activities, especially ESG. The sustainability report proves that they are not just in imaging or beyond compliance. The three of them are not just following regulations, but have prepared a mature ESG infrastructure.

In addition to the same values, there are several dimensions here. The dimensions selected are Governance, Strategy, Portfolio, Targets, and Data Security, which represent the main aspects in banking ESG assessment in accordance with the POJK 51/2017 regulatory framework. Governance assesses management governance, transparency, and accountability. Strategy reflects the extent to which ESG is integrated into longterm policy directions. Portfolio looks at the implementation of ESG in products and financing. Targets assess the consistency of commitments to measurable sustainability indicators. Data Security was chosen because cyber security incidents are increasingly relevant in assessing ESG reliability, especially for the digital banking sector.

Table III Scoring by 5 dimensions

Dimension	BRI	Mandiri	BSI
Governance	2	2	2
Strategy	2	2	1
Portfolio	2	2	1
Targets	2	1	1
Data Security	2	2	2
Total ESG Score	10	9	7

BRI has established a sustainability committee at the board level, reports ESG transparently in accordance with international standards, and integrates sustainability principles into the Bank's Business Plan, particularly in the MSME and green finance sectors. The credit portfolio focused on renewable energy and environmentally friendly SMEs has also been strengthened, accompanied by clear targets, such as the commitment to achieve net zero emissions by 2060. This differs slightly from Mandiri, as in the Targets dimension, Mandiri Bank only received a score of 1 because the targets set are still general in nature, such as a commitment to reduce emissions without quantitative indicators and a clear roadmap. BSI Bank has some weaknesses, as in the Strategy dimension, it scored only 1 because its sustainability strategy is still limited to compliance with regulations (POJK 51/2017) and has not yet been fully integrated into its core business. BSI's green portfolio is also minimal, resulting in a score of 1, and the Targets set are more general commitments without measurable indicators, resulting in a score of 1.

On the other hand, the implementation of ESG still faces several barriers. Bank BRI is facing security issues in the BRImo application. Moreover, there are still quite a lot of phishing on behalf of BANK BRI with the mode of changing the monthly fee policy BRI. This shows that digital inclusion has not been accompanied by strong enough protection. Bank Mandiri specifically makes sustainability financing with a sizable portfolio. In 2023, it increased by 15% from 2022 and in 2024 it increased by 11% from 44.4% to 56.1%. However, Bank Mandiri also experienced a case that contradicted its commitment to green financing, where Bank Mandiri was being sued by NGO TuK Indonesia for financing a palm oil company (AAL) that was suspected of damaging the environment which was not in accordance with its commitment to ESG. BSI Bank has a social performance report that is not only aimed at external parties, but also their employees, which means that they are empowering the internal part of the company, implicitly showing that their business activities are ESG based. But BSI Bank suffered a data breach due to a major cyberattack in 2023, which led to a decline in public confidence in their commitment to digital security and governance. The three banks show a solid ESG framework, but at the implementation level there are still contradictions between sustainability goals and concrete actions.

C. Media and Index Validation

BRI, Mandiri, and BSI,have shown a structural commitment to ESG, several incidents reported in the media question the commitment's sincerity. BRI experienced a case of customer fraud in its BRImo app, Mandiri faced lawsuits from NGOs regarding its financing of environmentally controversial companies, and BSI suffered a sizable cybersecurity breach in 2023.

Table IV Validation External

BRI	Metro TV (Online news)	With the keyword METRO TV BRIMO, 4 news articles appeared, where each news article contained a different case, a man from Malang lost 50 million rupiah. Farmers in Buleleng also lost 248 million rupiah and there was also another from Malang who lost 549 million. The factors are varied, some are due to customer carelessness to customer negligence exposed to phishing claiming to be from the official BRI account. Moreover, BRI conducts a prize festival program every two years which is also used by fraudsters to attract victims. Here BRI's homework is to increase education to the public. Not only has the largest user but also must play an active role in educating. Amarta Sen said that “True financial inclusion is not just access,it's about the freedom to make informed and beneficial choices, enabled by education, regulation, and trust”. BRI's ESG score based on IDX is 17.83.

BSI	Kompas.id Kompas.tv Kompasiana Kompas	With the keyword 'News BSI data leaks KOMPAS" several chronologies and news related to this issue appeared. BSI also clarified that there was indeed a data leak and claimed that customer data was safe. This is BSI's homework to maintain the ecosystem so that this does not happen again and make customers lose trust. BSI's ESG score based on IDX is 28.48
MANDIRI	TuK story	Apart from the news, the lawsuit given to Mandiri bank also has a case number, namely 1186/Pdt.G/2024/PN.JKT. This is a big question mark regarding the implementation of ESG by Bank Mandiri. TuK is doing this because he insists that financial institutions can no longer hide behind claims of sustainability while funding environmentally destructive practices. This is a big issue for Mandiri to address and re,commit to ESG as its business objective. MANDIRI's ESG score based on IDX is 17.52

These cases indicate a mismatch between public ESG reporting and actual operational performance. These findings are in line with one research which empirically show that green finance policies may accidentally incentivize greenwashing behavior, especially in environments with weak law enforcement and high information asymmetry,conditions typical in emerging markets [21]. ESG disclosure, in such contexts, may be used as a tool to gain access to green finance or legitimacy in public indices (e.g., IDX ESG Leader Index), while the actual substance of its implementation remains underdeveloped.

The problems faced by these three banks cannot be dismissed as failures, but should be seen as symptoms of a broader transformation process. These banks are not just ticking regulatory boxes, but also navigating the complex intersection of regulation, strategic business adaptation, stakeholder pressure and reputational risk. Evidence suggests that they are moving away from lip service and towards meaningful ESG integration , albeit with the expected setbacks common in emerging market contexts. The observed results are therefore not greenwashing in the traditional sense, but rather a transitional phase where banks are trying to bridge their strategic intentions with operational realities.

D. Challenges in ESG Implementation

Internally, there are several issues faced in order to fully adopt ESG. In terms of data, there is limited ESG data & an immature tracking system. There is also a need for internal competencies that understand ESG technically and strategically, so people training is required [22]. Based on research Korzeb, *Banks that underperform in ESG face increased default risk [23]*, because ESG is not yet considered a risk factor that affects defaults or bad debts. The last is that ESG is still seen as a separate ethic from business logic, so the bank's ESG is not fully included in business case logic such as pricing, risk, or reward [24].

V. CONCLUSION

This study set out to evaluate whether ESG practices in three major state,owned banks in Indonesia,BRI, Bank Mandiri, and BSI,represent symbolic compliance or are becoming substantively integrated into business strategy. Based on 2023 and 2024 sustainability disclosures and external media validation, the research reveals that these banks are currently undergoing a transitional phase.

Structurally, all three banks have established ESG units, adopted POJK 51/2017, and aligned their reporting with global frameworks such as SDGs and GRI. They have integrated ESG language into strategy documents and disclosed ESG,related KPIs. However, real,world incidents,such as BRImo fraud, Mandiri’s lawsuit over environmentally harmful financing, and BSI’s data breach,suggest gaps in governance, operational risk mitigation, and stakeholder trust.

Internally, challenges include limited ESG data quality, low ESG risk integration in financial decisions, and lack of internal ESG competencies. Externally, weak stakeholder demand and fragmented enforcement reduce pressure to go beyond compliance. Structurally, ESG remains decoupled from risk models, incentive systems, and pricing mechanisms.

The findings indicate that the observed ESG actions are not simply greenwashing, but rather part of a dynamic, non linear institutionalization process. Indonesian banks are learning to align ESG with reputation, regulation, and risk,not just image. Therefore, the study contributes to the ongoing discourse that ESG in emerging markets is evolving, and requires deeper integration, cross functional ownership, and stronger alignment with strategic outcomes.

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