

ABSTRACT

This study aims to analyze the effect of sustainability governance on the profitability of digital banks in Indonesia, with operational efficiency as a mediating variable. The research is motivated by the growing importance of environmental, social, and governance (ESG) practices in the digital banking sector, and the crucial role of operational efficiency in enhancing financial performance. The data were collected from annual and sustainability reports of 10 digital banks registered with the Financial Services Authority (OJK) for the period 2021–2023. The study employs panel data regression (Random Effect Model) and Sobel test for mediation analysis.

The results show that sustainability governance does not have a significant direct effect on profitability (ROA), but it significantly influences operational efficiency (BOPO). Operational efficiency has a significant negative effect on profitability but does not mediate the relationship between sustainability governance and profitability. These findings imply that sustainability practices must be implemented in a more strategic and integrated manner to generate tangible financial outcomes in digital banks. This research contributes to ESG literature development and provides practical insights for companies and investors in assessing the sustainability performance of digital banks.

Keywords: sustainability governance, operational efficiency, profitability, ESG, digital banks.