CEO Characteristics and Sustainable Finance Disclosure in Indonesian Listed Banks

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Abstract

This study examines the role of chief executive officer (CEO) characteristics in shaping sustainable finance disclosure (SFD) in the Indonesian banking sector. The analysis covers banking companies listed on the Indonesia Stock Exchange during the 2020 to 2024 period and considers four CEO attributes, namely age, educational attainment, professional experience, and tenure, guided by upper echelon theory. Using purposive sampling, 209 firm year observations were obtained from 47 listed banks after outlier removal. Panel data regression was applied, and the fixed effect model was selected as the final estimation approach based on the Chow and Hausman tests. The findings show that CEO age and educational attainment have a positive and significant effect on the extent of sustainable finance disclosure, while professional experience and CEO tenure show no significant effect. Firm size, used as a control variable, is also positively associated with disclosure. These results suggest that the demographic and educational attributes of top executives play an important role in promoting transparency and sustainability related disclosure in the banking industry, and they extend upper echelon theory to the context of a developing country with a strong sustainable finance mandate.

Keywords: sustainable finance disclosure, CEO characteristics, CEO age, CEO education, upper echelon theory

INTRODUCTION

The integration of environmental, social, and governance (ESG) considerations into business activity and investment decisions has become a central agenda in the global financial system (World Bank, 2026). Within this agenda, sustainable finance disclosure (SFD) has emerged as a strategic instrument that allows financial institutions to communicate their sustainability commitments, policies, and performance to stakeholders. Investors who are increasingly aware of ESG risk now treat the quality of sustainability disclosure as part of their core investment considerations Rahayu and Djuminah (2022), so that the quality of SFD has a direct implication for a firm's reputation, legitimacy, and long term access to capital.

The banking sector holds a strategic position in the implementation of sustainable finance because banks' financing decisions directly influence the direction of capital flows in the economy. In Indonesia, the momentum for sustainable finance disclosure has been accelerated by Financial Services Authority Regulation No. 51/POJK.03/2017, which explicitly requires all financial service institutions, including banks, to prepare a Sustainable Finance Action Plan and to report its implementation every year (Nurmansyah *et al.*, 2026). This regulation has positioned Indonesia as one of the most ambitious developing countries in driving sustainable finance transformation in Southeast Asia (Citraningtyas, Widagdo and Ika, 2024). A strong regulatory framework, however, does not automatically produce uniform disclosure practice, since some banks disclose comprehensively while others disclose only limited sustainability information, indicating that firm level internal factors still shape disclosure decisions (Feng and Ma, 2025).

One internal factor that has received growing attention in the accounting and corporate governance literature is the individual characteristics of the highest ranking executive, the chief executive officer (CEO). The CEO is not merely a symbolic figure but the most dominant decision maker who determines a firm's strategic direction, including its commitment to transparency and sustainability. This view is rooted in upper echelon theory, introduced by Hambrick and Mason (1984), which argues that organizational strategic choices are a reflection of the characteristics, values, and cognitive base of top executives. Later development of the theory further emphasizes its psychological and cognitive foundations (Abatecola and Cristofaro, 2020). Within this framework, observable demographic characteristics such as age, education, work experience, and tenure serve as proxies for the underlying cognitive orientation and values that shape an executive's decisions, including disclosure behaviour (Yousaf and Nguyen, 2025).

Prior studies on this issue remain inconclusive.Rahayu, Djuminah and Setiawan (2024), Cakti and Aryani (2023), and Rahayu and Djuminah (2022) mostly examine the characteristics of the board of commissioners or the board of directors collectively rather than the CEO as an individual, while Wanta and Herawati (2021) focus on ownership structure as a determinant of SFD. Research that simultaneously tests CEO age, education, work experience, and tenure on SFD measured with the POJK 51/2017 indicator in the Indonesian banking sector remains scarce, and this gap motivates the present study.

This study aims to examine the effect of CEO characteristics, namely age, educational attainment, work experience, and tenure, on sustainable finance disclosure in banking companies listed on the Indonesia Stock Exchange during the 2020 to 2024 period. By positioning the CEO as the main unit of analysis, this study is expected to provide a sharper empirical contribution in explaining variation in the quality of sustainability disclosure in the Indonesian banking sector, while also enriching the development of upper echelon theory in a developing country context.

Building on upper echelon theory, CEO age is associated with accumulated experience and a broader understanding of business risk, regulatory change, and stakeholder demands. Chouaibi, Jilani and Chouaibi (2023) find that older CEOs in Islamic banks in the MENA region show stronger commitment to corporate social responsibility disclosure, Yousaf and Nguyen (2025) report a positive association between executive age and engagement with a wider range of stakeholders, and Ahmad et al. (2022) show that CEO characteristics, including age, influence firm performance and reporting behaviour in Southeast Asia. Accordingly, the first hypothesis is proposed.

H_1: CEO age has a positive effect on sustainable finance disclosure.

Educational attainment reflects an individual's capacity to process information and make decisions. Higher education is generally associated with a broader outlook on strategic issues, including sustainability and governance (Hambrick and Mason, 1984). Wan et al. (2023) find that executive education consistently contributes to higher

quality ESG disclosure, Aryani et al. (2025) show that highly educated CEOs communicate sustainability information to stakeholders more effectively, and Zhang, Xue and Zhang (2023) find that CEO educational background significantly affects the quality of corporate reporting. The second hypothesis is therefore proposed.

H_2: CEO educational attainment has a positive effect on sustainable finance disclosure.

Work experience represents the accumulation of practical knowledge and skill over a career, shaping how executives identify opportunity, manage risk, and respond to external demands (Hambrick and Mason, 1984). CEOs with a professional background in the financial sector are expected to have a deeper understanding of the sustainable finance regulatory framework. Chouaibi, Jilani and Chouaibi (2023) link executive work experience to CSR disclosure commitment, Sang, Yan and Ahmad (2024) show that relevant CEO experience improves overall ESG performance, and Sarto et al. (2025) find that CEO professional background contributes to the quality of sustainability reporting. The third hypothesis is proposed accordingly.

H_3: CEO work experience has a positive effect on sustainable finance disclosure.

CEO tenure reflects the length of leadership within an organization. A longer tenure is expected to give leaders deeper insight into firm characteristics, stakeholder needs, and the business environment (Hambrick and Mason, 1984). Septiany et al. (2025) find that CEOs with longer tenure are better able to align corporate strategy with long term sustainability goals, and Mukherjee and Mukherjee and Sen (2022) show that CEO tenure contributes to sustainable firm growth in the Indian context. Although findings on this relationship remain mixed, the theoretical argument provides sufficient basis for the fourth hypothesis.

H_4: CEO tenure has a positive effect on sustainable finance disclosure.

RESEARCH METHODOLOGY

This study uses a quantitative approach based on annual reports and sustainability reports published by banking companies listed on the Indonesia Stock Exchange during the 2020 to 2024 period. The population consists of 47 banks listed on the exchange during the observation period. The sample was selected through purposive sampling based on the fit between sample characteristics and the research requirements Sekaran and Bougie (2016), namely continuous listing during the observation period, consistent publication of annual and/or sustainability reports, and availability of the data required to measure all research variables. After the selection process and the removal of outlier observations, the final sample consisted of 209 firm year observations.

Sustainable finance disclosure (SFD), the dependent variable, is measured with a content analysis approach based on the 67 disclosure items set out in POJK No. 51/POJK.03/2017 OJK (2017), scoring 1 for each item disclosed and 0 otherwise, and dividing the total score by the maximum possible score. This approach has been widely used in prior sustainability disclosure research Rahayu and Djuminah (2022). CEO age

(AGE) is measured by the CEO's age in the observation year (Oehoedoe, Minanurohman and Fitriani, 2023). CEO education (EDU) is measured on an ordinal scale from 1 (senior high school) to 5 (doctoral degree) (Aryani *et al.*, 2025). CEO work experience (EXPERT) is a dummy variable equal to 1 if the CEO has professional experience in the financial sector, such as banking, non-bank financial institutions, or a financial supervisory authority, and 0 otherwise (Yang *et al.*, 2021). CEO tenure (TENURE) is measured by the number of years the CEO has held the position up to the observation period (Pham, 2023). Firm size (SIZE) is included as a control variable, proxied by the natural logarithm of total assets (Yang and Shen, 2022).

Hypothesis testing uses panel data regression processed with EViews 13. The panel approach combines the time series and cross section dimensions of the data, allowing better capture of data variation (Baltagi, 2021). The Chow test was used to determine whether the fixed effect model is more appropriate than the common effect model, and the Hausman test was used to choose between the fixed effect and random effect models (Baltagi, 2021). A multicollinearity test was also conducted to confirm that the independent variables are not highly correlated (Napitupilu *et al.*, 2021). The empirical model used in this study is as follows.

$$SFD_{it} = \alpha + \beta_1 AGE_{it} + \beta_2 EDU_{it} + \beta_3 EXPERT_{it} + \beta_4 TENURE_{it} + \beta_5 SIZE_{it} + \varepsilon_{it}$$

where SFD is sustainable finance disclosure, AGE is CEO age, EDU is CEO educational attainment, EXPERT is CEO work experience, TENURE is CEO tenure, SIZE is firm size, α is the constant, β1 to β5 are the regression coefficients, εit is the error term, i is the cross section index, and t is the time series index.

RESULTS AND DISCUSSION

The 209 firm year observations were drawn from 47 banks listed on the Indonesia Stock Exchange between 2020 and 2024, after purposive sampling and outlier removal. Table 1 shows that SFD has a mean of 0.9037, indicating that the sampled banks disclose about 90.4% of the 67 items required under POJK No. 51/POJK.03/2017 on average, with a relatively small standard deviation of 0.1135, consistent with the fact that all sample firms operate under the same disclosure regulation. The average CEO age is approximately 58 years, the average education score of 3.59 indicates that most CEOs hold a bachelor's to a master's degree, about 85% of CEOs have financial sector work experience, and average tenure is close to 5 years.

A multicollinearity check based on the correlation matrix of the independent variables found no correlation coefficient above 0.80, so the regression model was considered adequate for hypothesis testing Gujarati and Porter (2009) dan Basuki (2021). The Chow test produced a cross section Chi Square probability of 0.0000 and the Hausman test produced a probability of 0.0043, both below the 5% threshold, so the fixed effect model was selected as the most appropriate estimation approach.

Table 1. Descriptive Statistics

Variable	Obs	Mean	Max	Min	Std. Dev
SFD	209	0.9037	1.0000	0.5671	0.1135
AGE	209	57.7846	71.0000	33.0000	6.1500
EDU	209	3.5933	5.0000	3.0000	0.5651
EXPERT	209	0.8468	1.0000	0.0000	0.3609
TENURE	209	4.8564	21.0000	1.0000	4.4612
SIZE	209	31.6432	35.4255	27.9965	1.7065

Source: processed data output, Eviews 13, 2026.

As reported in Table 2, the fixed effect model has an adjusted R squared of 0.7835, meaning that CEO age, education, work experience, and tenure, together with the firm size control variable, explain about 78.35% of the variation in sustainable finance disclosure, while the remaining 21.65% is explained by factors outside the model. The F statistic probability of 0.0000 confirms that the model is jointly significant.

Table 2. Fixed Effect Model Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.1873	0.5274	-2.2511	0.0258
AGE	0.0007	0.0013	5.5520	0.0000***
EDU	0.0791	0.0162	4.8844	0.0000***
EXPERT	0.0089	0.0123	0.7248	0.4696
TENURE	0.0045	0.0030	1.4704	0.1434
SIZE	0.0427	0.0172	2.4815	0.0141**

*Note: R-squared = 0.8365; Adjusted R-squared = 0.7835; F-statistic = 15.7605; Prob(F-statistic) = 0.0000; N = 209. *** p<0.01, ** p<0.05*

Source: processed data output, Eviews 13, 2026.

CEO age has a positive and significant effect on sustainable finance disclosure, so H1 is supported. This finding is consistent with upper echelon theory, in that older CEOs tend to possess more accumulated experience, a broader understanding of business risk, and more mature judgment, all of which support the integration of sustainability considerations into corporate strategy. This result is in line with Chouaibi, Jilani and Chouaibi (2023), Ahmad et al. (2022), and Pham (2023), who report that CEO age contributes to stronger sustainability disclosure practice.

CEO educational attainment also has a positive and significant effect on sustainable finance disclosure, so H2 is supported. A higher level of education appears to be associated with a stronger inclination toward comprehensive sustainability reporting, consistent with Wan et al. (2023), Aryani et al. (2025), and Zhang, Xue and Zhang (2023), who find that executive education enhances disclosure quality.

CEO work experience has no significant effect on sustainable finance disclosure, so H3 is not supported. One plausible explanation is the relatively homogeneous professional background among CEOs in the banking sector, a homogeneity that is reinforced by Financial Services Authority Regulation No. 55/POJK.03/2016 on fit and proper requirements for bank management, which leaves limited variation in financial sector experience across the sample and therefore limited power to differentiate disclosure outcomes. This result is consistent with Trisnawati, Mustikawati and Sasongko (2023)

and Azzam (2024), who likewise find no significant association between CEO professional experience and sustainability disclosure.

CEO tenure has no significant effect on sustainable finance disclosure, so H4 is not supported, indicating that the length of a CEO's time in office does not automatically translate into more extensive sustainability disclosure. Sustainability practice in the banking sector appears to be driven more strongly by regulatory pressure, governance policy, and stakeholder demand than by leadership duration, consistent with Chen et al. (2023), Teja (2023), and (Ratri, Harymawan and Kamarudin, 2021).

Firm size, the control variable, is positively and significantly associated with sustainable finance disclosure, suggesting that larger banks, which typically face greater public scrutiny and possess more resources, tend to disclose sustainability information more extensively.

CONCLUSION

This study examines the effect of CEO characteristics on sustainable finance disclosure in banking companies listed on the Indonesia Stock Exchange during the 2020 to 2024 period, using 209 observations from 47 banks estimated with a fixed effect model. The results show that CEO age and educational attainment have a positive and significant effect on sustainable finance disclosure, indicating that demographic maturity and cognitive capacity at the top of the organization support stronger sustainability disclosure. CEO work experience and tenure, on the other hand, show no significant effect, indicating that professional background in the financial sector and length of leadership are not decisive factors for disclosure quality in the Indonesian banking industry.

RECOMMENDATION

This study measures sustainable finance disclosure through content analysis based on the items set out in POJK No. 51/POJK.03/2017, an approach that captures the presence of disclosed information but not necessarily its depth or substantive quality, and the coding process may carry an element of subjectivity despite the use of a structured guideline. Future research may consider complementary disclosure frameworks, such as the Global Reporting Initiative (GRI) Standards or the Sustainability Accounting Standards Board (SUSBA) framework, to obtain a more comprehensive picture of sustainable finance disclosure practice and to strengthen the validity and consistency of measurement.

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