

Research Article

Invisible Sustainability: Decoupling ESG Sustainability Reporting from Tri Hita Karana Practices in Rural Banks in Bali

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Abstract. This study investigates the decoupling phenomenon between ESG (Environmental, Social, and Governance) sustainability reporting and communal Tri Hita Karana (THK) sustainability practices in a Rural Bank in Bali. Through Ethnographic Content Analysis (ECA) of official documents from BPR Luhur Damai covering 2023–2025, this study identifies that the Sustainability Report (SR), prepared strictly according to Financial Services Authority Regulation (POJK) 51/2017, does not incorporate substantial THK practices, namely banten (ceremonial offerings) Rp131.6 million, dana punia (religious donations) Rp8.5 million, and monthly banjar (communal community unit) contributions, producing a Hindu religious expenditure to formal Social and Environmental Responsibility (SER) ratio of 10:1. Drawing on the Institutional Logics perspective, this study identifies four decoupling mechanisms: (1) cognitive, namely THK as taken-for-granted, not perceived as “sustainability”; (2) administrative, namely departmental silos between Compliance and General Affairs; (3) template, namely POJK 51/2017 provides no space for local wisdom; and (4) capacity, namely limited Human Resources (HR) and institutional capacity. These findings lead to the concept of “invisible sustainability,” that is, real sustainability contributions that are invisible to conventional reporting frameworks, and “cultural accounting gap,” that is, the absence of accounting categories for local cultural-religious contributions. The theoretical contribution is demonstrating that decoupling in Global South contexts is not merely symbolic compliance but results from structural misalignment between transnational and communal logics that renders local sustainability contributions institutionally invisible.

Keywords: Bali Rural Bank; Cultural Accounting Gap; Decoupling; Sustainability Reporting; Tri Hita Karana.

1. Introduction

ESG (Environmental, Social, and Governance) sustainability reporting has expanded globally over the past two decades. Institutional pressures from various stakeholders, including regulators, investors, and civil society, have driven organizations worldwide to adopt sustainability reporting practices as an accountability mechanism (DiMaggio & Powell, 1983). In Indonesia, these institutional pressures are crystallized through Financial Services Authority Regulation Number 51/POJK.03/2017 on Sustainable Finance Implementation for Financial Services Institutions, Issuers, and Public Companies (Otoritas Jasa Keuangan, 2017), which mandates financial institutions to submit sustainability reports. This regulation creates strong coercive isomorphism pressure, driving uniformity in the format and substance of sustainability reporting in the Indonesian financial sector. The evolution of these practices in Indonesia has been documented by Gunawan et al. (2022), who traced the development of sustainability reporting from its voluntary beginnings to the current mandatory regime.

In a culturally distinct context such as Bali, local communities have practiced sustainability through the philosophy of Tri Hita Karana (THK), a Hindu-Balinese philosophical framework on harmony between humans and God (Parhyangan), humans and nature (Palemahan), and humans and fellow humans (Pawongan). THK is not merely an abstract concept but a communal institutional logic embedded in daily life through the institutions of banjar (the smallest communal organizational unit), desa adat (traditional village governance), and pura (temple). THK practices such as ngepunia (donating for religious

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activities), mebanjar (participating in communal activities), ngayah (voluntary labor), and banten (ceremonial offerings) are sustainability mechanisms that have been tested over centuries.

A fundamental tension emerges when ESG logic, born from a transnational context with specific categories and terminology, meets THK logic that has sustained communal well-being through fundamentally different mechanisms. The question is whether these two logics can coexist or whether ESG reporting displaces or disregards THK contributions. This tension opens space for the phenomenon of decoupling, that is, the separation between formal structure (sustainability reports) and actual practice (THK practices).

Decoupling literature has deep roots in institutional sociology. Meyer and Rowan (1977) in their classic work on institutionalized organizations argued that organizations adopt ceremonial formal structures that are decoupled from actual practices. The concept of ceremonial conformity shows that organizations adopt formal structures not because of technical efficiency, but to gain institutional legitimacy. Boxenbaum and Jonsson (2008) traced the evolution of the decoupling concept and showed how it developed from a simple understanding of gaps between structure and practice into a more detailed analysis of the mechanisms that produce and maintain separation.

In the context of sustainability reporting, Cho et al. (2015) introduced the concept of “organized hypocrisy” to describe how organizations produce sustainability reports that give the impression of substantive commitment while actual practices may contradict this. A recent systematic review by Cepeda and Monteiro (2025) confirmed that decoupling remains a major concern in sustainability reporting, although most studies focus on developed countries. Very little attention has been given to how decoupling manifests when transnational ESG logic meets local communal sustainability logic in Global South contexts.

Bank Perkreditan Rakyat (BPR), a rural people’s credit bank embedded in communities in Bali, is a relevant site for this investigation. BPRs operate at the intersection of financial regulation (ESG) and communal life (THK), that is, they are subject to Financial Services Authority (OJK, Otoritas Jasa Keuangan) compliance while simultaneously embedded in Balinese socio-cultural networks that require participation in THK practices. This dual position makes BPRs a revelatory case for understanding how decoupling is produced when two different institutional logics operate simultaneously within one organization.

Research Questions

Based on the above background, the research questions of this study are as follows: How does decoupling manifest in BPR sustainability reporting in the Balinese context where transnational ESG logic and communal THK logic operate simultaneously? What mechanisms maintain the separation between THK practices and ESG sustainability reporting? What are the implications of this decoupling for our understanding of sustainability accountability in Global South contexts?

Research Objectives and Contributions

This study makes three main contributions. First, it documents the decoupling phenomenon between ESG reporting and THK practices with strong empirical evidence, including a 10:1 ratio between THK expenditures and formal Social and Environmental Responsibility (SER) spending. Second, it identifies four decoupling mechanisms specific to the ESG-local culture interface: cognitive, administrative, template, and capacity mechanisms. Third, it introduces two new concepts, “invisible sustainability” and “cultural accounting gap,” which offer a conceptual framework for understanding how local sustainability contributions become institutionally invisible within conventional reporting frameworks.

2. Literature Review

Decoupling in Sustainability Reporting

The concept of decoupling has intellectual roots in the work of Meyer and Rowan (1977) on institutionalized organizations. They argued that organizations adopt formal structures, such as procedures, policies, and organizational categories, that are not reflections of actual practices but rather rational myths necessary to gain institutional legitimacy. In this framework, ceremonial conformity allows organizations to display commitment to prevailing institutional values without having to change their operational practices substantially. Decoupling occurs because formal structures adopted for legitimacy become detached from the technical activities of the organization.

Boxenbaum and Jonsson (2008) traced the evolution of the decoupling concept and identified several developments. First, from understanding decoupling as a binary phenomenon (present or absent) to a more graded understanding of degrees of decoupling. Second, from a focus on the adoption of formal structures to an analysis of the mechanisms that produce and maintain separation. Third, from the assumption that decoupling is static to the understanding that decoupling can be dynamic and change over time.

In the context of sustainability reporting, Cho et al. (2015) introduced the concept of “organized hypocrisy” which describes how organizations produce sustainability reports that present a facade of commitment while actual practices may contradict this. They showed that organizations use various rhetorical strategies, including manipulation, facade construction, and attention diversion, to manage impressions without changing substance. The systematic review by Cepeda and Monteiro (2025) confirmed that decoupling remains a widespread phenomenon in sustainability reporting, although most studies focus on developed countries.

Most decoupling studies in sustainability reporting assume that reporting frameworks are capable of capturing all relevant practices if organizations report them honestly. Little attention has been given to the possibility that the reporting framework itself may lack categories to capture certain types of sustainability contributions, especially contributions originating from local cultural traditions. That is, decoupling can occur not because organizations hide practices, but because the reporting framework cannot “see” those practices. Kvasničková Stanislavská and Pilař (2023) confirmed that sustainability reporting practices differ significantly between developing and developed countries, reinforcing the need to examine decoupling in Global South contexts.

Institutional Logics Perspective and Institutional Complexity

The Institutional Logics perspective (Thornton et al., 2012) provides a relevant theoretical framework for understanding the decoupling phenomenon. According to this perspective, institutional logics are “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton et al., 2012, p. 2). Each logic provides cohesive organizing principles, including sources of legitimacy, authority, and identity, that shape how actors understand and act within a particular domain. A recent critical review by Eitrem et al. (2024) examined the use of institutional theory in social and environmental accounting research, highlighting both its contributions and limitations in explaining phenomena such as decoupling.

When organizations operate in environments with multiple logics, they face institutional complexity (Greenwood et al., 2011). Organizations respond to this complexity through various strategies: decoupling (separating formal structures from practices), compartmentalization (managing different logics in separate organizational compartments), or hybridization (integrating elements from different logics) (Battilana & Lee, 2014; Pache & Santos, 2013). Kraatz and Block (2008) emphasized that institutional pluralism has deep organizational implications, including the potential for conflict, ambiguity, and creative responses.

In this study, ESG and THK constitute two competing institutional logics. ESG logic originates from the transnational sphere, codified in regulations (POJK 51/2017), international standards (GRI, Global Reporting Initiative; TCFD, Task Force on Climate-related Financial Disclosures), and global reporting practices. THK logic originates from the communal sphere, embedded in the daily life of Balinese society through traditional institutions. The encounter of these two logics creates institutional complexity that forms the context for the decoupling phenomenon investigated in this study.

THK Logic as Communal Institutional Logic

Tri Hita Karana differs fundamentally from ESG logic in terms of sources of legitimacy, authority, and accountability mechanisms. Unlike ESG, which is codified in international regulations and standards, THK is embedded in Balinese daily life through the institutions of banjar (the smallest communal organizational unit), desa adat (traditional village governance), and pura (temple). The source of legitimacy for THK is communal recognition, not regulatory compliance. The source of authority is the prajuru desa adat (traditional village officials), kelihan banjar (banjar head), and sulinggih (priest), not regulators or auditors. THK practices include ngeponia (donating), mebanjar (participating in communal activities), ngayah (voluntary labor), and banten (ceremonial offerings).

THK is not a written framework that can be accessed as a formal document. THK is a lived practice. It is a taken-for-granted institutional logic (Thornton et al., 2012). As a taken-for-granted logic, THK does not require explicit justification or formal reporting because its validity is self-evident and autonomous within the Balinese communal context. This characteristic is what makes THK “invisible” to reporting frameworks that require explicit categorization. Ardiana et al. (2025) provided empirical evidence of how THK principles influence accounting practices and organizational change in Bali, demonstrating that local wisdom can serve as a powerful institutional force in shaping organizational behavior.

Gaps in the Literature

The literature review reveals three main gaps. First, most decoupling studies focus on developed countries (Cepeda & Monteiro, 2025), with little attention to how decoupling manifests in Global South contexts where transnational logic meets local cultural logic. Second, decoupling studies in sustainability reporting assume that reporting frameworks can capture all relevant sustainability practices, an assumption that may not hold when sustainability practices originate from cultural traditions that lack categories within reporting frameworks. Third, no study has considered the possibility that some sustainability practices may be institutionally INVISIBLE to the reporting framework itself, not because they are hidden, but because the framework lacks the categories to see them. Susanto et al. (2022) reinforced this gap by showing that local wisdom-based CSR practices are often excluded from formal reporting frameworks, despite their significance to local communities. This study addresses all three gaps.

3. Research Methods

Research Design

This study uses a qualitative case study design (Yin, 2018) focusing on BPR Luhur Damai as a revelatory case of the decoupling phenomenon. A single-case design was chosen because this case represents a previously inaccessible phenomenon, namely the invisibility of THK in formal reporting, and offers theoretical insights into decoupling mechanisms at the ESG-local culture interface. Yin (2018) argued that a revelatory case is one of the strongest justifications for a single-case design, because it provides access to a previously unobserved phenomenon.

Case Context: BPR Luhur Damai

BPR Luhur Damai is located in Kediri, Tabanan, Bali. With a rural location and total assets of approximately Rp187 million (2024) and about 55 employees, BPR Luhur Damai is a small BPR embedded in traditional Balinese communal life. The first Sustainability Report (SR) was published in 2024. Its location near Pura Luhur Tanah Lot, one of the most sacred temples in Bali, underscores the depth of Hindu-Balinese cultural roots in the bank's operations. Amidjaya and Widagdo (2020) found that sustainability reporting in Indonesian listed banks is still low, and this finding extends to smaller BPRs that face even greater resource constraints.

Data Sources

Research data are sourced from document analysis of BPR Luhur Damai's official publications for the 2023–2025 period: Annual Reports 2023, 2024, 2025; Sustainability Reports 2024, 2025; Governance Transparency Report 2025; Governance Reports 2023, 2024. In addition, POJK 51/2017 is used as a regulatory reference to understand the mandatory reporting template.

Table 1. BPR Luhur Damai Document Inventory.

Document	Year	Status
Annual Reports	2023, 2024, 2025	Extracted
Sustainability Reports	2024, 2025	Extracted
Governance Transparency Report	2025	Extracted
Governance Reports	2023, 2024	Extracted

Analysis Technique

Data analysis uses Ethnographic Content Analysis (ECA) developed by Altheide and Schneider (2013). ECA was chosen because this approach allows the researcher not only to systematically code document content but also to understand the cultural context that shapes document production and interpretation. ECA was conducted in three stages:

Stage 1: Open coding, that is, identifying practices coded as ESG (e.g., energy efficiency, formal SER) and practices coded as THK (e.g., banten, punia, banjar contributions) in the analyzed documents.

Stage 2: Logic mapping, that is, mapping identified practices onto institutional logic dimensions using the Thornton et al. (2012) framework, including sources of legitimacy, authority, identity, and rules.

Stage 3: Decoupling mechanism identification, that is, identifying the mechanisms that produce and maintain the separation between THK practices and ESG reporting, using the framework of Meyer and Rowan (1977) and Greenwood et al. (2011) on institutional complexity and organizational responses.

4. Results and Discussion

Ceremonial Compliance with POJK 51/2017

The 2024 Sustainability Report (SR) of BPR Luhur Damai follows the POJK 51/2017 template strictly with 9 standard sections, 8 sustainability principles, and triple bottom line terminology. However, substantive implementation is minimal: emission measurements are entirely zero (Scope 1, 2, 3 = “-”), customer satisfaction surveys “have not been conducted,” and the Laku Pandai program shows “0 agents.” The 2025 SR explicitly states: “initial implementation... has only reached the stage of conducting energy efficiency and social activities.” This configuration constitutes ceremonial conformity in the terminology of Meyer and Rowan (1977), that is, the organization adopts the formal structure demanded by regulation without meaningful substantive implementation.

Compliance with POJK 51/2017 is evident from format completeness: the SR presents all required sections, uses standard ESG terminology, and follows the structure of Appendix 2 of POJK 51/2017 literally. However, behind this format completeness, the substance is almost entirely empty. There is no effort to adapt the template to the local context or to integrate already-running sustainability practices. This shows that the SR is a “compliance symbol” rather than as an instrument of substantive accountability. This finding resonates with Jannatun et al. (2022), who demonstrated how a Malaysian palm oil company managed sustainability issues symbolically in words while substantively in deeds, revealing a similar decoupling pattern in Southeast Asian contexts.

Extensive yet Undocumented THK Practices

In contrast to the substantive emptiness of the Sustainability Report, the Annual Reports and Governance Transparency Reports reveal extensive THK practices. These findings are important because they show that BPR Luhur Damai is actually very active in communal sustainability, only these contributions do not enter the Sustainability Report.

Identified THK practices include: Banten and Religious Ceremonies at Rp131,628,600 (2025 budget) and Rp109,144,300 (2024), which is the largest item in operational expenditure. Dana Punia (religious donations) at Rp8,511,000 (2025) and Rp5,110,000 (2024) channeled to Pura Luhur Tanah Lot, Pura Luhur Pekendungan, Pura Luhur Sri Rambut Sedana, Pura Goa Lawah, Pura Batur, and Pura Besi Kalung. Also, there are Monthly Banjar Batanpoh Pandak Gede Contributions at Rp75,000/month, Desa Adat Sanggulan Seating Fees at Rp120,000/month, Desa Adat Denpasar Distribution at Rp60,000/month, Ogoh-Ogoh Banjar Adat Tegal Baleran Donation at Rp200,000, as well as Tanah Lot Temple Cleaning

Activities, Banjar Anyar Elderly Support, and Desa Adat Pandak Gede Youth Organization activities.

NOT ONE of these practices appears in the Sustainability Report. These practices only appear in Annual Reports (as operational expenditure) and Governance Transparency Reports (as “social activities”). This documentation separation is a direct manifestation of the decoupling phenomenon. Roszkowska-Menkes et al. (2024) identified selective disclosure as a form of decoupling, where organizations strategically choose what to report and what to omit, although in the case of BPR Luhur Damai, the selectivity appears structural rather than strategic.

Table 2. THK Practices Undocumented in the Sustainability Report.

THK Practice	Document Evidence	Amount	THK Dimension
Banten/Religious Ceremonies	AR 2025	Rp131,628,600	Parhyangan
Dana Punia to Temples	AR 2025	Rp8,511,000	Parhyangan
Banjar Contributions	GT 2025	Rp75,000/month	Pawongan
Desa Adat Seating Fees	GT 2025	Rp120,000/month	Pawongan
Ogoh-Ogoh Donation	GT 2025	Rp200,000	Parhyangan
Temple Cleaning Activities	SR 2025 RAKB	-	Palemahan

The 10:1 Ratio: Invisible Sustainability

Ratio calculation produces a striking finding. Total Hindu religious expenditure (banten + punia) = Rp131.6 million + Rp8.5 million = Rp140.1 million. Formal SER (Social and Environmental Responsibility) = Rp14.1 million (2025). Ratio = approximately 10:1. This means BPR Luhur Damai’s ACTUAL social contribution is approximately 10 times greater than what is claimed in the Sustainability Report.

The 10:1 ratio is not merely a number. It is a structural indicator of the reporting framework’s inability to capture sustainability contributions originating from local cultural logic. The concept of “invisible sustainability” captures this discrepancy, that is, sustainability contributions that are real and substantial yet invisible to conventional reporting frameworks.

Table 3. Comparison of THK Expenditures vs. Formal SER.

Category	2024	2025	Document Location
Banten/Religious Ceremonies	Rp109,144,300	Rp131,628,600	Annual Report
Dana Punia	Rp5,110,000	Rp8,511,000	Annual Report
Total THK	Rp114,254,300	Rp140,139,600	-
Formal SER	Rp13,120,000	Rp14,111,000	Sustainability Report
THK: SER Ratio	~9:1	~10:1	-

Four Decoupling Mechanisms

(1) Cognitive Mechanism: THK as Taken-for-Granted. THK is so natural in the rural Tabanan context that it is not perceived as “sustainability” that needs to be reported. Rhetorical evidence shows a sharp cognitive separation: the 2024 Annual Report uses the invocation “Tuhan Yang Maha Esa/Ida Sang Hyang Widi Wasa,” a Hindu-Balinese invocation, ONLY in the Annual Report, not in the Sustainability Report. This indicates cognitive separation: Annual Report = real world (Hindu-Balinese), Sustainability Report = ESG world (generic). THK practices reside in a cognitive domain different from “sustainability” as defined by ESG.

(2) Administrative Mechanism: Departmental Silos. The Compliance Department produces the SR using the POJK template, while the General Affairs and Personnel Department manages banjar contributions, banten, and punia as operational expenditures. These two departments appear not to communicate in the preparation of the sustainability report. As a result, THK practices managed by General Affairs do not enter the SR prepared by the Compliance Department. This departmental silo is an organizational mechanism that maintains the separation between two institutional logics.

(3) Template Mechanism: POJK 51 Lock-In. The SR follows Appendix 2 of POJK 51/2017 literally: 9 standard sections, ESG terminology, 8 principles. This template has no category for “local culture” or “local wisdom.” SR preparers see no space to include THK

because the template does not provide such a category. This template lock-in is not a conscious decision to exclude THK, but a structural consequence of the absence of relevant categories in the reporting framework.

(4) Capacity Mechanism: Resource Constraints. The 2025 SR explicitly states: “BPR Luhur Damai currently does not yet have human resources specifically assigned as ESG specialists.” The ESG function is combined with the Compliance Department. This capacity limitation produces minimal compliance, that is, filling out the template without contextual adaptation. Without ESG specialists who understand the local cultural context, no organizational actor has the incentive or competence to bridge the two logics.

Table 4. Four Decoupling Mechanisms.

Mechanism	Description	Empirical Evidence
Cognitive Administrative	THK taken-for-granted Departmental silos	AR rhetoric (Hindu-Balinese) vs. SR (generic) Compliance Dept. separate from General Affairs
Template Capacity	POJK 51 lock-in Limited HR	9 standard sections, no cultural category “No ESG specialists yet”

Transition Signals: From Decoupling to Compartmentalization

The 2025 SR shows interesting transition signals. The Bank Sustainability Action Plan (RAKB, Rencana Aksi Keberlanjutan Bank) in the 2025 SR begins to mention: “Dana Punia to several temples such as Pura Luhur Tanah Lot, Pura Luhur Pekendungan...” and “Conducting cleaning activities in the Tanah Lot Temple area.” This constitutes partial integration, that is, THK appears in the RAKB (action plan) but not in the main body of the SR. This indicates a potential transition from pure decoupling toward compartmentalization (Pache & Santos, 2013), where elements from different logics begin to be acknowledged although still in separate compartments.

Invisible Sustainability: Sustainability Beyond the Framework

The concept of “invisible sustainability” developed in this study differs fundamentally from greenwashing. Greenwashing is intentional misrepresentation (Cho et al., 2015), that is, organizations deliberately produce a misleading impression about their sustainability commitment. Invisible sustainability, by contrast, is NOT intentional deception. It is a structural outcome of a reporting framework that lacks categories for local cultural contributions. The 10:1 ratio shows this is not a trivial matter. BPR Luhur Damai is far more socially engaged than its Sustainability Report reveals. Sundarasena et al. (2024) provided a bibliometric assessment of the relationship between sustainability reporting and greenwashing, confirming that the boundary between substantive reporting and mere symbolic disclosure remains a critical concern globally.

Milne and Gray (2013) criticized triple bottom line reporting for failing to capture ecological/social substance. Their argument can be extended: triple bottom line not only fails to capture ecological substance but also fails to capture CULTURAL substance in Global South contexts. This failure is structural, that is, it stems from the assumption of universality of reporting categories that are actually context-specific. When the categories used to measure sustainability do not recognize cultural-religious contributions as sustainability, those contributions become institutionally invisible.

Cultural Accounting Gap: Absence of Categories for Local Culture

The concept of “cultural accounting gap” captures the absence of accounting categories for local cultural-religious contributions. The POJK 51/2017 template classifies social contributions into standard categories (education, health, community development) but has no category for banjar contributions, dana punia, or ceremonial obligations. This is not only an Indonesian issue. GRI (Global Reporting Initiative) standards and TCFD (Task Force on Climate-related Financial Disclosures) recommendations similarly lack cultural categories. Hampel et al. (2021) showed that practice variations in sustainability reporting are influenced by different institutional logics, but they did not explore how the absence of categories itself is a product of the dominance of certain logics.

The cultural accounting gap is structural, not individual. It is not the result of a conscious decision by SR preparers to exclude THK, but the consequence of the absence of categories that would allow the inclusion of THK as a sustainability contribution. In institutional

terminology, this gap is a product of the dominance of transnational logic that defines what “counts” as sustainability and what does not. Communal THK logic has no “voice” in the reporting framework because that framework is built on the assumptions of transnational logic.

Decoupling as Structural Misalignment, Not Symbolic Compliance

This study argues that decoupling in this context is not merely “ceremonial compliance” (Meyer & Rowan, 1977). It reflects a deeper structural misalignment between transnational ESG logic and communal THK logic. The four decoupling mechanisms show that decoupling is produced by cognitive, administrative, template, and capacity factors working simultaneously.

This extends Greenwood et al. (2011) by showing that institutional complexity produces not only organizational responses but also structural blindness, that is, certain practices become invisible not because they are hidden, but because institutional frameworks cannot see them. This structural blindness differs from the conventional decoupling concept which assumes that decoupled practices are still “detected” but separated from formal structures. In the case of invisible sustainability, THK practices are not merely separated. They become institutionally invisible.

Theoretical Implications

This study has three theoretical implications. First, it extends the decoupling literature by identifying a NEW form: cultural decoupling, where the reporting framework itself (not just the organization) creates the gap. Cultural decoupling differs from conventional decoupling because the source of separation is not an organizational decision, but a structural misalignment between transnational logic and communal logic that renders local sustainability contributions institutionally invisible.

Second, it introduces “invisible sustainability” as a conceptual tool for understanding under-reported contributions in the Global South. This concept challenges the assumption that sustainability reports are a complete representation of an organization’s sustainability contributions. In contexts where sustainability practices originate from local cultural traditions, sustainability reports may capture only a fraction of actual contributions.

Third, it shows that decoupling can be a transitional phase, not an end state. Evidence from the 2025 SR shows transition signals from decoupling toward compartmentalization, indicating that organizations can move from total separation toward partial acknowledgment of different logics.

Practical Implications

This study has several practical implications. First, the Financial Services Authority (OJK) needs to consider adding local cultural categories to the POJK 51/2017 template. Adding categories such as “religious/communal contributions” or “local wisdom-based sustainability” would enable BPRs to report THK practices as sustainability contributions. The integration of green accounting with local cultural practices, as examined by Ayu Dewanti (2021) in the context of BPR Sukawati Pancakanti, demonstrates that aligning accounting frameworks with local values can enhance CSR implementation in rural banks.

Second, BPRs need to be encouraged to report THK practices as sustainability contributions, not merely as operational expenditures. This recategorization would provide a more accurate picture of BPRs’ actual social contributions.

Third, capacity building for ESG specialists who understand the local cultural context is essential. Without cultural competence, ESG specialists will be unable to bridge the two logics.

Fourth, materiality assessment must incorporate local cultural dimensions. Currently, materiality assessments tend to focus on issues defined by transnational frameworks without considering the interests of local stakeholders who may have different priorities.

Limitations

This study has several limitations that need to be acknowledged. First, the analysis is based on documents alone without interviews with SR preparers or BPR management. Interviews would provide a deeper understanding of the decision-making processes that produce decoupling. Second, the single-case design limits the generalizability of findings.

Third, THK is never explicitly mentioned in the documents, so interpretation is based on inference from documented practices. Fourth, two Governance Reports are scanned documents that limit data extraction.

5. Conclusions

This study reveals the phenomenon of “invisible sustainability,” that is, THK contributions that are sizable yet invisible to ESG reporting. Through document analysis of BPR Luhur Damai, this study shows that the Sustainability Report prepared strictly according to POJK 51/2017 does not incorporate THK practices that are financially far greater than formal SER (10:1 ratio). Four decoupling mechanisms are identified: cognitive (THK as taken-for-granted), administrative (departmental silos), template (POJK 51 lock-in), and capacity (limited HR).

The cultural accounting gap, that is, the absence of accounting categories for local cultural-religious contributions, is structural, not individual. This gap is a product of the dominance of transnational logic that defines what “counts” as sustainability, while communal THK logic has no “voice” in the reporting framework. Decoupling in this context is not merely symbolic compliance, but results from structural misalignment that renders local sustainability contributions institutionally invisible.

Future research needs to be conducted through: (1) interviews with SR preparers and BPR management to understand decision-making processes; (2) comparative studies with BPRs in urban areas and/or BPRs outside Bali; and (3) longitudinal studies to monitor the evolution of decoupling as ESG capacity and awareness increase. Also, future research also needs to explore whether the invisible sustainability phenomenon occurs in other sectors in Indonesia and in other Global South countries that have strong cultural traditions of sustainability.

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