GREEN LOAN BANKS POLICY TO PROVIDE ENVIRONMENT FRIENDLY PROJECT[1]

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Abstract

Banks have an important role in realizing SDGs, therefore the Bank must continue to develop its products and services to be directed towards sustainable economic activities and not too exploring resources. Based on The Appendix of the President Decree No. 59/2017 the Indonesian government directed the global target of economies inclusive regarding the participation of the financial services sector. The Banks will support the priority economic sectors development such as agriculture, processing industries, and infrastructure, Micro, Small, Medium Enterprises and Energy. Banks can participate by using a green loan policy. This research is a normative legal research, which focuses on examining the application of the rules or norms in positive law. The result is the Banks play a key role in society, banks have purpose to help develop sustainable economies and to empower people to build better futures. When banks will give a credit to those who have a business that has a direct impact to the environment, bank also can be offer a position as a manager of environmental recovery guarantee funds. In other side, Banks can provide green development, in a process of giving credit to the debtor; banks need to pay attention to the business legality of prospective debtors. Banks are required to ensure that prospective customers have a legal business and comply with all relevant laws and regulations.

Keywords: *Principle of Responsible Banking; Green Loan; Sustainable Development Goals*

1. Introduction

The Sustainable Development Goals (SDGs) are a global action plan agreed upon by world leaders, including Indonesia, to end poverty, reduce inequality and protect the environment. SDGs are a continuation step of the Millennium Development Goals (MDGs). It has been agreed that approximately 193 countries in the World, including Indonesia, will apply the following basic principles: People, Planet, Prosperity, Peace and Partnership. The Agenda for economic growth in the SDGs is make the institutions in Indonesia give their commitment to the international world. The SDGs contain 17 Goals and 169 Targets are expecting to be achieved by 2030.

The sustainable development is a concept (or an objective) that remains independent from past unsuccessful initiatives and, more importantly, independent from the linearity of the production–consumption model. Sustainable development is a society objective defined at the

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[1] Merupakan luaran dari Penelitian skema Penelitian Dasar Unggulan Perguruan Tinggi Hibah Penelitian Kementerian Riset dan Teknologi/Badan Riset dan Inovasi Nasional, dengan judul: "**Harmonisasi Dan Sinkronisasi Regulasi Tentang Penerapan Prinsip Keuangan Berkelanjutan Di Sektor Perbankan Untuk Mencapai Tujuan Pembangunan Berkelanjutan**" No Kontrak 1827/UN6.3.1/LT/2020

macro-level and includes broad notions of ecological, economic and developmental (or social) sustainability.[2] Sustainable development also is an agreement that drives changes that are shifting towards sustainable development based on human rights and equality to promote social, economic and environmental development. SDGs are implemented with universal, integration and inclusive principles to ensure that no one will be left behind "no one left behind".

Based on data obtained from United Nations, about half of the world's population still has global unemployment of around 5.7% and having a job does not guarantee the ability to get out of poverty in many places.[3] By looking at conditions like this, the UN member countries have issued several guidelines for making economic and social policy steps around the world so that they are aimed at eradicating poverty. Based on these 8 goals, it is also emphasized that employment opportunities and decent working conditions are needed for the entire working age population and need support through increasing access to financial services to manage income, collect assets and make productive investments. It is hoped that increased commitment to trade, banking and agricultural infrastructure will also help increase productivity and reduce unemployment in the world's poorest regions.

Banks have an important role in realizing SDGs, therefore the Bank must continue to promote their products and services to be directed towards community economic sustainable activities and not too exploring resources. Commercial banks wishing to make good their sustainability duties and undertakings are called Sustainable banking. The concept of sustainable banking is dynamic and evolving. Historically, it began with “social banking” or philanthropic community development. This became “ethical banking” by building non-profit ethics principles into business operations. “Green banking” followed, which took ecology into account. “Sustainable banking” situates the foregoing in an environmental, social, and governance (ESG) framework promoting sustainable development.[4]

By the end of 2018 UNEP-FI issued the Principles for Banking Responsible: Forming Our Future. The United Nation Environment Program-Finance Initiative (UNEP-FI) is a partnership between the United Nation Environment and Global Financial Sector, which was formed in 1992 after the Earth Summit with the mission of increasing sustainable finance. At that time there

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[2] Sébastien Sauvé, Sophie Bernard, and Pamela Sloan, “Environmental Sciences, Sustainable Development and Circular Economy: Alternative Concepts for Trans-Disciplinary Research,” *Environmental Development* 17 (2016): 48–56, doi:10.1016/j.envdev.2015.09.002.

[3] United Nations, “Sustainable Development GOALS - 17 Goals to Transform Our World,” *Sustainable Development Goals - United Nations*, 2016, doi:10.1016/j.placenta.2013.02.008.

[4] Alvaro Mendez and David Patrick Houghton, “Sustainable Banking: The Role of Multilateral Development Banks as Norm Entrepreneurs,” *Sustainability (Switzerland)* 12, no. 3 (2020): 1–21, doi:10.3390/su12030972.

were 230 financial institutions including banks, insurance companies and investors working together with the National Examination Unit to understand the environment and important procedures to actively finance and participate in addressing them. Principles for Responsible Banking are designed to achieve transparency and clarity about banking products and services so that they create value for customers, clients, investors, and society. The Principles for Responsible Banking are aimed at helping banks align their business strategies with the goals of society.

To succeed in sustainable economic growth needs to create conditions that allow people to have quality jobs that can encourage economic growth and not damage the environment. Based on data obtained from previous research, it is necessary for countries that need to keep the global range within 20^0C and better than dangerous climate. Countries in the world need to reduce emissions by up to 40% to 70% by 2050 and eliminate them by 2100. Global greenhouse gas emissions are increasing and currently equivalent to 52 billion tons of CO_2 per year. The government is committed to reducing emissions by around 29% to 41% with other countries in the world. [5]

The SDGs paradigm was gave an impact to the national banking law arrangements and also gave another changes to the Indonesia's national development agenda. The agenda of SDGs in Indonesia has been implemented with Presidential Regulation No. 59 of 2017 concerning the Sustainable Development Goals Achievement. This is a form of Indonesia's commitment as a member of the United Nations, which has been actively expanding, with the aim of achieving goals in Transforming The World, to eradicating poverty in all its forms and dimensions, including extreme poverty. This is the biggest global challenge and a very necessary requirement for sustainable development.

The Presidential Regulation of Indonesia No. 59 of 2017 contains several development agendas; focus on the 8th goals to promote inclusive and sustainable economic growth, productive and comprehensive employment opportunities, and decent work for all. Based on The Appendix of the Presidential Regulation No. 59 In 2017 the Indonesian government directed the global target of inclusive economies regarding the participation of the financial services sector into the third global target agenda, namely: strengthening the capacity of domestic financial institutions to encourage and expand access to banking; insurance and financial services for all. In this case Indonesia has carried out a global initiative with several financial institutions that

[5] Poppy Ismalina, "Why Does A Country Have to Develop a Sustainable Finance System?," n.d.

support sustainable development based on the Roadmap for Sustainable Finance in Indonesia, funding activities will be prioritized towards efforts to develop renewable energy and energy conversion, support to the energy sector coupled with support for the development of priority economic sectors namely sectors that have high multiplier effects such as agriculture in the broad sense, processing industries, infrastructure, Micro, Small, Medium Enterprises and Energy.

In order to support a sustainable development agenda that is focused on activities in the economic priority sector, it needs to be worth with the existence of new rules and policies that are supporting the environmental protection and management policies. Here, the bank can participate by using a green loan policy to debtors who qualify in terms of both financed requirements as defined in POJK No. 40/POJK.03/2019 concerning Asset Quality Assessment of Commercial Banks. Therefore, when the companies that are in the priority sectors of the government will proposed the loan to the Bank, the bank can take a part in the administrative selection process first. As defined in POJK No. 40/POJK.03/2019 that the debtors which will apply for a loan of over 1 billion rupiah and/or 10 billion Rupiah and even more than 10 billion rupiah is required to include the requirements of the Environmental Impact Analysis (AMDAL) and Company Performance Rating Assessment Program in Environmental Management (PROPER). According to POJK No. 40/POJK.03/2019, the way of assessing credit quality is seen from the business prospects and depends on the assessment efforts made by the debtor to protect the environment. The efforts made by large-scale and/or high-risk debtors with the aim of preserving the environment are proven by AMDAL. The results of the AMDAL are needed by the Bank to ensure that the project financed has preserved the environment. The Bank also considers the results of the PROPER that issued by the Ministry of Environment and Forestry as one of the requirement credit quality assessment.

In 2017 the Indonesia Financial Services (OJK) has issued a regulation POJK 51 / POJK.03 / 2017 concerning The Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies (POJK Sustainable Finance) which is also a response to global developments related to the issue of SDGs. This regulation regulates the general principles of all financial institutions including banks, in contrast to the principles issued by UNEP-FI that specifically issue principles regarding responsible banking, and specific regulate the activities of the whole world banks that are directed towards participating in realizing SGDs.

The aim of sustainable development is to create economic and social welfare for all Indonesians, to support from changes in the banking sector can prevent financed or investment practices in the business sector from becoming more sustainable by considering a balance of economic, social and environmental factors. It is expected that financed by Bank to the business sector be more careful and promote the principle of green loans, can reduce the social inequality and less damage living environment. The Indonesia's commitment to world is to provide a source of financing for the community by concerning to the community efforts to mitigate and adapt a climate change. These are principles that integrate aspects of environmental protection, social and risk management in order to avoid, prevent and minimize the negative impacts that arise and encourage the increase in the benefits of financing activities and bank operations. Thus banking loans that will be provided is not enough to only use risk analysis but also needs to apply analysis to the calculation of external costs (benefit and risk analysis).[6]

Based on the explanation of the conditions above, the issue is to examine some of the policies of the banking regulation that have been issued in order to implement the Financial sustainable program to support the SDG's, especially policies related to the 8th goal, namely promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all towards the financial services sector, especially banking. Referring to POJK No. 51/POJK 03/2017 Regarding Sustainable Financial Implementation for Financial Service Institutions, issuers, and Public Companies and also refers to Law Number 32 Year 2009 concerning The Protection and Management of the Environment will seek the role of banks in giving loan to their debtors by considering the principle of sustainability and responsibility and is associated with the principle of providing the protection and management of the environment.

2. Methods

This research is a normative legal research, which focuses on examining the application of the rules or norms in positive law [7] especially POJK No. 51/POJK.03/2017 dan POJK No. 40/POJK.03/2019. This article also used the positivist legist conception approach. This concept views the law as identical with written norms created and promulgated by authorized institutions. This conception views the law as a normative and independent system[8]. The research is descriptive-analytical since it makes a systematic, factual, and accurate description of the facts. Therefore, the study examines and describes legal aspects of issues relating to the role of banking

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6 Nicholas Maramis, "Tanggung Jawab Perbankan Dalam Penegakan Green Banking Mengenai Kebijakan Kredit," *Lex et Societatis* IV, no. 6 (2016): 1–9, doi:10.1360/zd-2013-43-6-1064.

7 Johny Ibrahim, *Theory and Methodology of Normative Legal Research* (Bayumedia Publishing, 2006).

8 Ronny Hanitijo Soemitro, *Legal Research Methodology and Jurimetry,* (Jakarta: Ghalia Indonesia, 1988).

funding portion in realize the Sustainable Development Goals. The method applied in this study is normative legal approach by prioritizing an analysis of secondary data in the form of primary legal materials, the legislation; secondary legal documents, both journals and the results of previous studies; and tertiary legal materials. In addition, the data are analyzed qualitatively and juridical.

3. Results and Discussion

3.1. Banking Financing Policy to Support the Green Loans

Green financing is now becoming a trending concept in the industry. Besides all the facts, the public is also demanding a company to be environmentally sensitive. Due to this reason many business houses have already started green financing. But this is indeed a crucial time for the companies to cope up with standards and norms of Green financing. Environmental improvements and economic growth should go hand in hand.[9] Banks play a key role in society, as financial intermediaries, banks also have purpose to help develop sustainable economies and to empower people to build better futures. Bank is also agent of trust, so they have to serve the best interest and to act responsibly. Banking role first moved was at the moment of financial crisis when real banking efficiency and reliability also referred to as ethical or social was noticed in particular. Its role is to promote social inclusion, sustainable growth, economy development and social entrepreneurship. It must be highlighted that sustainable banking performs in accordance with strict rules achieving measurable effects. Their performance is based on a transparent combination of ethical values, well known, accepted and respected at all levels of hierarchy. Pursuit to gain financial profits is strictly related to social and environmental benefits of the financed venture.[10] And the idea of sustainability gives new thinking to the banking sector, which recognizes the interdependencies of the economic, social, and environmental systems, and the connections between social and environmental challenges, on the one hand, and bank's level growth and innovation. Sustainability approach gives new possibilities for the banking industry,

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[9] S Jayadatta and S N Nitin, "Opportunities , Challenges , Initiatives and Avenues for Green Banking In India," *International Journal of Business and Management Invention* 6, no. 2 (2017): pp.10-15.

[10] Pawel Micolajczak, "Sustainable Banking. Implications For An Ethical Dimension Of Finance of Social Enterprise Performance," *Studia Prawno-Ekonomiczne* t.CIV (2017): 287–301, doi:doi: 10.26485/SPe/2017/104/16.

new challenges and the higher level as economic performance, as the model of every modern business: social responsible and environment friendly.[11]

According to roadmap of sustainable finance, the government places the priority sectors given for financing to be preferred as the energy, agriculture, infrastructure and Micro and Medium Enterprises (MSMEs) industries. One of the increased financing programs is the Pollution Abatement Equipment Program (PAE Program), which provided financial assistance to support simple and affordable environmental financing. In terms of providing a source of funding is needed shall refer to the Long Term Development Plan and Medium Term Development Plan, which is characterized by a pro-growth, pro-job, pro-poor, and pro-environment. This priority sector is usually when it requires funding from banks not in small amounts, therefore banks categorize it as potential debtors who have the potential to become productive assets.

The result of this research Banks contribution is to provide financing to green project, comply with environmental performance appreciation, such as an AMDAL document and minimum blue rating of PROPER.[12] Two Banks in Indonesia Bank BNI and Bank BJB have done the same thing with other bank they are applying the principles of sustainable finance, banks also gain benefits, including: minimize the misuse of financing that will give an impact to poor credit quality; added portfolios for corporate and commercial loan in terms of renewable energy financing, active to participate in government activities for environmental, social and governance management; and encouraging debtors to implement sustainable practice transformations.[13]

Banks as one of the institutions that support green development, in a process of giving loan to a debtor's, banks need to concern to the business legality of prospective customers. Banks are required to ensure that prospective customers have a legal business and comply with all relevant laws and regulations. Supervision of the business carried out by the debtor in accordance with the prudential banking principles. Banks must believe that all debtor business-licensing documents that have a direct impact on lending have been fulfilled by the debtor. Banks in providing credit have the obligation to believe that the financing provided does not cause environmental pollution that can be unsettling for the public.

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[11] Marta Nikonorova Jelena Stankevicienea, "Sustainable Value Creation in Commercial Banks during Financial Crisis," *Procedia - Social and Behavioral Sciences*, no. 110 (2013): 1197–1208.

[12] BRI, "Memperkuat Dasar Keuangan Berkelanjutan," 2018.

[13] Febby Hidayanti, "Penerapan Prinsip Keuangan Berkelanjutan PT Bank BJB Sesuai POJK No 51 Tahun 2017," 2020.

Banks as funders have the right to supervise the use of funds by the debtor. The bank has the power to control the financing that will be given to debtors, this is implemented with the principle of prudence that is realized in the analysis or assessment known as the 5 C's analysis of credit is carried out on character, capital, capacity, collateral, and conditions of economic.[14] Through the Banking law, as a consequence of the implementation of the prudential principle and with the enactment of Law 32 of 2009, banks will increasingly focus on the environment, as explained in article 22 paragraph (1): "Every business and/or activity that has an important impact on the environment life must have an AMDAL". As for the environmental impacts referred to in Law 32 of 2009 include changes in landforms and landscapes, exploitation of natural resources, both renewable and non-renewable, which causes pollution and/or damage to the environment as well as the waste and degradation of natural resources in its use, and so forth, as regulated in the article 23 of Law 32 of 2009. This is the basis that every prospective debtor of the Bank is required to have an AMDAL and this can be used as a measurement tool for banks when performing steps 5 C's analysis.

The legal obligation of every bank in Indonesia to participate in preserving and managing the environment indirectly can be concluded from Article 67 of Law 32 of 2009. Bank is a legal entity and bank is morally binding as an institution that provides financing to priority industry and must conduct an environmental analysis in order to consider loan proposal from potential debtors. Referring to the Roadmap for Sustainable Finance, in 2019 the bank was obliged to put environmental pollution prevention clauses in the credit agreement. This clause is commonly known as Affirmatives covenants. Banks as a legal entity have the obligation to maintain the preservation of environmental functions and control pollution and/or environmental damage as mandated in Article 67 under 32 of 2009, this is the basis on which the bank performs the obligation to consider of environmental impact analysis in terms of loans agreement between prospective debtors and Banking especially for prospective debtor who have businesses that have direct environmental impact.

Banks as a financial service institution that is a part of supporting system in an effort to realize the SDGs agenda, then when they're run their business, banks are required to innovate in terms of their products and services by considering the principle of environmentally friendly (eco-friendly), so it is necessary to manage environmental and social risks that are now more known as green banking.

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[14] Lastuti Abubakar, "Implementasi Prinsip Kehati-Hatian Melalui Kewajiban Penyusunan Dan Pelaksanaan Kebijakan Perkreditan Atau Pembiayaan Bank," *Rechtidee, Vol. 13, No. 1, Juni 2018* 13, no. 1 (2018): 62–82.

Green banking is a bank that the operations lead to environmentally sound practices, has environmental responsibility in running his business. By considering environmental aspects in making business decisions, it can reduce the negative impact of financial institution operating activities so that it can help corporate social responsibility efforts and achieve sustainability. Various ways can be done in the adoption of green banking such as online banking, internet banking, green checking accounts, green loans, mobile banking, electronic banking outlets and energy use savings that contribute to environmentally sustainable programs.[15] In order to support the activities of banks in the world to do a green banking, UNEP-FI had issued the Principle for responsible banking that they have a commitment to environmental issues; The principle provides a framework for a sustainable banking system, and helps the industry to show how it makes a positive contribution to society. The principles are the following: **(1) Alignment**; Strategic Alignment is needed to comment on the current environmental and social challenges. This makes the Bank must integrate itself to conditions such as this starting with decision making on the availability of funds that are specifically addressed to face this challenge. Strategic alignment means consistency between the bank's value creation model and the SDGs, The Paris Climate Agreement, and other relevant national, regional or international frameworks, which articulate globally agreed goals and challenges for building a more sustainable future. This indicates that the bank accepts joint responsibility to shape and participate in securing the future. Aligning strategies with individual needs makes banks need to consider a person's economic or financial needs by analysed the potential risks of negative impacts on people's rights to live well in the future; **(2) Impact and Target Setting**; the purpose of the Bank as a party that helps develop a sustainable economy and empowers people to build a better future. To realize this goal banks need to take steps such as **identifying, assessing**, and **increasing** the impact on people and the environment resulting from their activities, products and services. All economic sectors create or have the potential to create positive opportunities and impacts, risks and negative impacts. For bank capital allocation and the provision of products and services to continue to increase positive impacts while reducing negative impacts on humans and the environment, there is a need to combine sustainability and risk-related impacts based on the three sustainability dimensions (environmental, social and economic) into business decisions strategic level, portfolio and transactions; **(3) Client and Customers**; Banks should works responsibly with the client and customers to encourage sustainable practices and enable economic activities that

[15] Lilik Handajani, Ahmad Rifai, and L. Hamdani Husnan, "Study of The Initiation of Green Banking Practices at State-Owned Bank," *Jurnal Economia* 15, no. 1 (2019): 1–16, doi:10.21831/economia.v15i1.21954.

create shared prosperity for current and future generations; **(4) Stakeholders**; The bank can proactively consult with stakeholders to ensure bank profits from their subject's knowledge and expertise and enable the correct definition of a community's goals. This encourages legitimacy and capacity to identify positive and negative impacts. Stakeholders who are actively involved can ensure all relevant interests are considered and the bank will not face challenges; **(5) Governance and Culture**; By fulfilling commitments to these principles, it enables banks to position themselves credibly, align with the needs of the community and in doing so can build trust and credibility for their actions. This requires establishing a culture and daily business practices where all bank employees understand their role in fulfilling the bank's objectives and then integrate sustainability in their work and when making decisions. To fulfill its commitments based on these principles, banks need to implement effective governance procedures related to sustainability, including establishing clear roles and responsibilities, preparing an effective management system and allocating adequate resources; and **(6) Transparency and Accountability**: Bank will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impact and our contribution to society's goals.

The purposes of these principles are to harmonize the banks role with the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. They provide guidance for how to be responsible banks and be followed up on how to achieve this. They encourage banks to continue to increase their contributions towards a sustainable future. These principles will help banks to gain the opportunity of changes in the economy and society nowadays by creating value for the community and shareholders, and helping banks build trust with investors, customers, employees and society. [16]

The Principles require banks to be transparent and accountable: to report publicly on their positive and negative impacts; their contribution to society's goals and their progress in implementing the Principles, and to engage with key stakeholders on their impacts. To realize responsible banking, the regulation of the principles of Sustainable Finance is not enough. What is required is how this principle can be applied in banking practices[17] but through this principle

[16] Tri Handayani and Lastuti Abubakar, "Bank Participation in Managing Environmental Recovery Guarantee Funds in Order to Realize the Sustainable Development Goals" 358, no. Icglow (2019): 9–13, doi:10.2991/icglow-19.2019.3.

[17] Lastuti Abubakar and Tri Handayani, "Implementation of the Principles for Responsible Banking in Indonesian Banking Practices to Realize Sustainable Development Goals," vol. 358 (Atlantis Press, 2019), 103–6, doi:10.2991/icglow-19.2019.26.

for responsible banks, banks are expected to pay more attention to environmental aspects of incoming loan proposal. Those are in accordance with the sustainable development goals that achieving prosperity without sacrificing environmental interests intended for future generations.

The principle of responsible banking is provides a framework for a sustainable banking system, and helps the industry to show how it makes a positive contribution to society. They accelerated the contribution of the banking industry to achieve the goals of society as stated in the Sustainable Development Goals and the Paris Climate Agreement. In line with POJK No. 40/POJK.03/2019, it is necessary to consider the assessment of business prospects which includes the AMDAL and PROPER assessment processes, this is also in line with Law 32/2009 which requires that every business activity must have an AMDAL and a business permit. These obligations need to be clearly stated in the credit agreement. Banks can also put in environmental clauses in the representations, warranties, and covenants of credit agreements such as environmental.

When banks will give a loan to those who have a business that has a direct impact to the environment, bank also can participate to offer a position as a manager of environmental recovery guarantee funds. The Environmental Recovery Guarantee Fund is used to carry out the following activities: The Environmental emergency relief efforts in the business and /or activity caused by the company and / or its activities; and recovery of the post-operation environment in the business area and/or activities caused by the business and/or activities. The guarantee fund will be used for the environmental permit holders tackling environmental emergencies in the area of its business.

In addition, it is also to restore the environment after operations in certain business areas. Even so, the funds do not exempt the obligation of business holders to prevent pollution due to their business operations. Based on Government Regulation 46 of 2017, the Environmental Recovery Guarantee Fund is provided in the form of: Term deposit; Joint savings; Bank guarantee; Insurance; and /or The others that appropriate with laws and regulations. So, the bank has an important role to be participate both in protection and managing the environment.

The principle for responsible banking is needed to build and improve the trust between clients, customers and employees of the Bank. The banking industry needs to define and affirm its role and responsibilities in shaping and financing a sustainable future. In Indonesia, these principles in Indonesia this principle has not been too urgent to be adopted because banking in Indonesia is still covered by the principles that issued by POJK No. 51/POJK 03/2017 concerning Sustainable Finance. There are a number of Principles stated in POJK that are in conformity and have the same objectives as the principles issued by UNPFI. This following are the comparison of the principle for Responsible Banking And Principle of Sustainable Finance Principles that have been affirmed in POJK Financial sustainability in 2017:

Table.1
The Comparison of the Principle for Responsible Banking and Principle of Sustainable Finance Principles

No	Principle of Responsible Banking (UNEP-FI)	Sustainable Finance Principle (POJK 51/POJK. 03/2017)
1	Alignment;	Responsible Investment
2	Impact	Strategy and Sustainable business practice
3	Client and Customers	Management of Social Risk and Environment
4	Stakeholders	Governance
5	Governance and Target setting	Inclusive
6	Transparency and Accountability	Developing superior sector and priorities
7		Coordination and collaboration

Source: Author.

According to the comparison table above, it can be concluded that some principles of responsible banking have been implemented on sustainable financial policies issued by the OJK. In Responsible investment, the strategy of business practice and managing social risk and environment is the same principle with its value with the principles of alignment, impact and client and customer, that these principles require that every bank in Indonesia can approach financial investment on a project and initiative sustainable development by believing in the creation of long-term investment benefits depending on the economic system, social environment and governance.

Seeing that condition, the impact of the project on the environment is difficult to evaluate, and there are some conflicts of interest for commercial banks, the green loan has gained importance and has been implemented by more and more countries and commercial banks. With the implementation of green credit and frameworks such as the Equator Principles, some enterprises or industries which destroy the environment have been prohibited from the credit market, and environmental protection behavior have been encouraged, thus the environment is protected or improved by the green credit.[18]

Valuable development for the financial services sector and contributing to society through business practice policies and the implementation of business strategies by banks. Through managing social and environmental risks that integrate aspects of social responsibility and protection and management of the environment in risk management. Thus it can prevent or avoid and minimize the negative impacts that arise due to risk exposures related to social and environmental aspects.

In the governance principle, it includes regulating aspects of social responsibility and protection and management of the environment in a way that is transparent, accountable, independent and equitable. The principle of sustainable finance also regulates the principles of informative communication including organizational strategies, governance, and performance and business prospects for all stakeholders. The principle of sustainable finance also requires every Bank to make a Sustainable Financial Action Plan that contains the bank's business plan that involves shareholders and the entire network of organizations that are in the Bank.

The results of the study indicate that the bank in the middle of carrying out their operational activities even without adopting the principle of responsible banking, the bank must still act proactively to develop ecological aspects due to giving credit by implemented the principles of risk management relating to the implementation of social and environmental risk. Regarding the green banking policy that given by this bank, it must actually consider the principle of sustainability in terms of the debtor's business prospect to be financed. Banks need to carry out risk management that integrates environmental and social aspects, this is an effort to prevent the project investment practices, lending and funding for business activities that use excessive resources.

A business activity certainly requires a source of funding to conduct its business activities and the Bank is still an option for business actors to submit funding requests for their business activities. When businesses will apply for credit this is the bank can do a credit analysis based on 5 c's analysis. However, the bank will be more developed not only related to 5 c's analysis but also other matters, namely administrative requirements that have been given by POJK 40 in 2019, namely debtor candidates for banks must include AMDAL and PROPER requirements. If

[18] Changqing Luo, Siyuan Fan, and Qi Zhang, "Investigating the Influence of Green Credit on Operational Efficiency and Financial Performance Based on Hybrid Econometric Models," *International Journal of Financial Studies* 5, no. 4 (2017): 27, doi:10.3390/ijfs5040027.

the results of each AMDAL and PROPER activity itself are not feasible, the bank is obliged to not approve the application from the prospective debtor. By using these tools (AMDAL and PROPER) instruments, the bank carries out risk management against the possibility of the emergence of risks that arise especially in the environmental issue when conducting business financing through credit. Therefore, in conducting risk management, the AMDAL and PROPER instruments must be one component of the assessment of the appropriateness of a credit application. To be able to carry out risk management for business activities carried out by banks, banks must carry out bank business activities based on the prudential banking principle. The point is that the prudential banking principles itself is the principle of risk control through the implementation of the applicable laws and regulations consistently. The purpose of applying this precautionary principle is to maintain the security, health and stability of the banking system.

Banks as one of the institutions that support green development, in a process of giving credit to a debtor's, banks need to pay attention to the business legality of prospective customers. Banks are required to ensure that prospective customers have a legal business and comply with all relevant laws and regulations.

Banks are having an important role in allocating resources to sustainable investments and stop financing activities that will harm the environments. Awareness is increased when the financial system is applied in a country always take into account environmental risks and climate faced by the real economy, and the role of the regulator, which is Bank Indonesia and the OJK began to develop and promote policy banks to be prepared in order to support the creation of sustainable banking.

4. Conclusions

Banks are having an important role in allocating resources to sustainable investments and stop financing activities that will harm the environments. When businesses will apply for loan this is the bank can do a credit analysis based on 5 c's analysis. However, the bank will be more developed not only related to 5 c's analysis but also other matters, namely administrative requirements that have been given by POJK 40 in 2019, namely debtor candidates for banks must include AMDAL and PROPER requirements. If the results of each AMDAL and PROPER activity itself are not feasible, the bank is obliged to not approve the application from the prospective debtor. By using these tools (AMDAL and PROPER) instruments, the bank carries out risk management against the possibility of the emergence of risks that arise especially in the environmental issue when conducting business financing through Loans.

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