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ANALYSIS OF BANKING INTEREST IN SUSTAINABLE FINANCE

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Abstract

Sustainable finance is a strategic approach that integrates economic, social, and environmental aspects into the business activities of financial institutions. In Indonesia, the Financial Services Authority (OJK) through POJK No. 51/POJK.03/2017 requires all financial services institutions, including BUKU 1 and BUKU 2 banks, to implement sustainability principles in their operations and reporting. This study aims to analyze the level of interest, readiness, and obstacles faced by small and medium-sized banks (BUKU 1 and 2) in implementing sustainable finance. The research method used was a quantitative descriptive approach using content analysis techniques on annual reports and bank sustainability reports for the 2019–2023 period. Observed variables included three main aspects: internal education, adjustments to standard operating procedures (SOPs), and the development of sustainable finance action plans (RAKB). The results show an increase in disclosures related to sustainable finance since 2021, in line with increased regulatory socialization, environmental reputation promotion, and strengthening of digital sustainability initiatives post-pandemic. However, its implementation remains limited to corporate social responsibility (CSR) activities and has not been fully integrated into core business strategies. The main factors hindering the adoption of sustainable finance in BUKU 1 and 2 banks are limited financial resources, a lack of expertise, and minimal economic incentives from the government. This research emphasizes the importance of policy support, fiscal incentives, and technical assistance from the Financial Services Authority (OJK) to enable small banks to play an active role in strengthening the sustainable financial system in Indonesia.

Keywords: sustainable finance, banking, BUKU 1, BUKU 2, OJK

Introduction

Banking plays a vital role in realizing sustainable economic development through the distribution of funds and financing that takes environmental, social, and governance (ESG) aspects into account. In recent years, global attention to sustainable finance has increased in line with countries' commitments to the Sustainable Development Goals (SDGs) and the transition to a green economy. In Indonesia, the Financial Services Authority (OJK), through POJK No. 51/POJK.03/2017, requires financial services institutions to develop a Sustainable Finance Action Plan (RAKB) and implement ESG principles in their operations. This regulation represents a significant milestone in the transformation of the national financial system toward a greener, more inclusive, and resilient one.

However, the implementation of this policy has not been uniform across all bank categories. Larger banks (BUKU 3 and 4) are generally better prepared due to their adequate capital capacity, infrastructure, and human resources. In contrast, small and medium-sized banks (BUKU 1 and 2) face various obstacles such as financial constraints, a lack of ESG expertise, and a low understanding of the long-term benefits of sustainable finance. Nevertheless, from 2020 to 2023, there has been an increase in interest and awareness among banks regarding the implementation of sustainability principles, driven by the post-pandemic digitalization trend and increasing demands for transparency from the Financial Services Authority (OJK).

This study aims to analyze the level of interest, understanding, and readiness of BUKU 1 and 2 banks in implementing sustainable finance during the 2019–2023 period. The analysis focuses on three main variables: internal education (EDU), adjustments to standard operating procedures (SOP), and the development of sustainable finance action plans (RAKB). The results of this study are expected to provide an empirical overview of the extent of small and medium-sized banks' commitment to supporting a sustainable financial system in Indonesia.

Theoretical Framework

Sustainable finance is a concept that integrates sustainability values into the financial system to support economic growth without sacrificing environmental sustainability and social welfare. According to Elkington (1997), corporate sustainability is based on the Triple Bottom Line principle, which encompasses three main dimensions: economic, social, and environmental. In the banking context, the application of ESG principles is a form of strategic responsibility for financial institutions in managing risk and creating long-term value for stakeholders.

The implementation of sustainable finance in the banking sector can be explained through Institutional Theory by DiMaggio and Powell (1983), which states that organizational behavior is influenced by external pressures in the form of regulations, norms, and social expectations. In this context, OJK regulations act as a coercive factor that encourages banks to align their policies and procedures with sustainability principles. However, successful implementation also depends heavily on internal factors, such as the organization's understanding and intention to adopt ESG values comprehensively.

Furthermore, this study also draws on the Theory of Planned Behavior (Ajzen, 1991), which explains that an organization's intention to behave is influenced by three components: attitude toward the behavior, subjective norms, and perceived control. In the banking context, these components can be interpreted as management awareness of the importance of sustainability (attitude), pressure from regulators and the public (norms), and the organization's internal capacity to implement it (control).

Thus, this research framework connects internal education (EDU) as the foundation of organizational awareness, adjustments to operational procedures

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(SOPs) as a manifestation of sustainability policies, and RAKB as formal evidence of strategic commitment. These three variables form a causal relationship that illustrates the bank's level of readiness and interest in comprehensively implementing sustainable finance.

Method

This study uses a descriptive quantitative method with a content analysis approach to the annual reports and sustainability reports of BUKU 1 and BUKU 2 banks for the 2019–2023 period. This method was used to systematically analyze the banks' published documents to identify the extent to which sustainable finance principles are being implemented. Population and Sample:
The study used a sample of 10 banks in the BUKU 1 and 2 categories that consistently published annual reports from 2016 to 2020, including:

• Bank Victoria International Tbk
• Bank Mayapada International Tbk
• Bank Mestika Dharma Tbk
• Bank Ina Perdana Tbk
• Bank Jasa Jakarta
• Bank Harda Internasional Tbk / Allo Bank
• Bank Kesejahteraan Ekonomi (BKE)
• Bank Pundi Indonesia
• Bank Artos Indonesia / Bank Jago
• Bank Agris / IBK Indonesia

Research Variables:
1. Internal Education (EDU)
2. Adjustment of Standard Operating Procedures (SOP)
3. Preparation of Sustainable Finance Action Plans (RAKB)

Data were analyzed using crosstabs to examine trends between variables over the past five years.

Results

The following is an analysis of sustainable finance disclosures at BUKU 1 and 2 banks for the 2019–2023 period.

Table 1. Analysis of Sustainable Finance Implementation at BUKU 1 and BUKU 2 Banks (2019–2023)

No	Bank Name	Category	EDU	Adjustment of SOP	RAKB

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No	Bank Name	Category	EDU	Adjustment of SOP	RAKB
1	Bank Victoria International Tbk	BUKU 2	Continuous ESG training since 2020	SOPs aligned with green policies	RAKB preparation and reporting of results to the Financial Services Authority (OJK)
2	Bank Mayapada Internasional Tbk	BUKU 2	ESG education for management and staff	SOP for environmental risk-based	Credit Sustainability report published annually since 2021
3	Bank Mestika Dharma Tbk	BUKU 2	Limited training on CSR	SOP for efficiency and environmental friendliness	RAKB under updating
4	Bank Ina Perdana Tbk	BUKU 2	ESG socialization from OJK since 2020	Credit policy refers to sustainability principles	Simple RAKB submitted to OJK
5	Bank Jasa Jakarta	BUKU 1	No formal ESG training	SOP does not cover ESG aspects	RAKB not yet prepared
6	Bank Harda Internasional/ Allo Bank	BUKU 1	Post-acquisition ESG training in 2021	SOP updated for digital sustainability	RAKB preparation to begin in 2022

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No	Bank Name	Category	EDU	Adjustment of SOP	RAKB
7	Bank Kesejahteraan Ekonomi (BKE)	BUKU 2	Sustainable financial literacy education	SOPs support green financial inclusion	RAKB is not yet formalized
8	Bank Pundi Indonesia	BUKU 1	No ESG training	SOPs are not yet directed towards sustainability	RAKB is not yet available
9	Bank Artos Indonesia/ Bank Jago	BUKU 2	Digital sustainability education	SOPs for energy efficiency & paperless	Digital-based RAKB implemented in 2022
10	Bank Agris/ IBK Indonesia	BUKU 2	ESG training by the IBK Korea group	SOPs comply with global ESG standards	RAKB is integrated into the annual report

Source: Data processed from the Annual Report and Sustainability Report of each bank (2019–2023) and Indonesian Banking Statistics (OJK, 2019–2023).

Interpretation

The analysis in Table 1 shows that the implementation of sustainable finance in BUKU 1 and BUKU 2 banks from 2019–2023 has progressed, although not evenly. BUKU 2 banks are generally better prepared than BUKU 1 banks, particularly in adjusting their Standard Operating Procedures (SOPs) and developing Sustainable Finance Action Plans (RAKB).

Banks such as Victoria International, Mayapada International, and IBK Indonesia have conducted ESG training, updated their internal policies, and regularly reported their RAKB to the Financial Services Authority (OJK). Bank Jago stands out for its implementation of paperless banking and energy efficiency, demonstrating the integration of digital banking with sustainability principles. In contrast, several BUKU 1 banks, such as Jasa Jakarta and Pundi Indonesia, are still in their early stages, with sustainability activities limited to CSR programs and no formal ESG policies.

Limited human resources and minimal internal education are the main factors hindering implementation in small banks. Overall, these findings suggest that the increase in the implementation of sustainable finance is driven more by regulatory pressure from the OJK than by internal strategic awareness. Therefore, policy support and mentoring are needed so that small-scale banks can internalize ESG principles sustainably.

Table 2. Number of Sustainable Finance Disclosures Based on Preparation Aspects (2019–2023)

Year	EDU	Adjustment of SOP	RAKB	Total Disclosure
2019	12	18	20	50
2020	18	23	28	69
2021	26	30	35	91
2022	33	38	45	116
2023	38	42	50	130
Total	**127**	**151**	**178**	**456**

Sumber: Data processed from annual and sustainability reports of banks (OJK, 2019–2023).

Table 2 shows a significant increase in sustainable finance disclosures at BUKU 1 and 2 banks during the 2019–2023 period. The number of disclosures nearly tripled, from 50 in 2019 to 130 in 2023. The largest increases occurred in the Sustainable Finance Action Plan (RAKB) and adjustments to Standard Operating Procedures (SOP), reflecting the bank's growing compliance with OJK policies.

An increase was also seen in the internal education (EDU) aspect, although growth was slower than the other two aspects. This indicates that human resource awareness and capacity regarding ESG principles still need to be strengthened. Overall, the trend of increasing disclosures demonstrates a greater commitment by banks to transparency and sustainability responsibility, although the motivation remains regulatory. To achieve long-term effectiveness, strengthening organizational culture is necessary so that sustainability practices become not merely an administrative obligation but also part of the bank's core business strategy.

Discussion

The research results show that the implementation of sustainable finance in BUKU 1 and BUKU 2 banks in Indonesia has significantly improved during the 2019–2023 period, although gaps in readiness and commitment remain among small and medium-sized banks. The greatest improvements occurred in the adjustment of Standard Operating Procedures (SOPs) and the development of Sustainable Finance Action Plans (RAKB), while internal education (EDU) remains relatively lagging. This situation illustrates that the implementation of sustainable finance in small banks is still driven by compliance with OJK regulations (compliance-driven), rather than internal strategic awareness (strategy-driven).

This finding aligns with Institutional Theory (DiMaggio & Powell, 1983), which states that changes in organizational behavior are often driven by external pressures, in this case, POJK Regulation No. 51/POJK.03/2017. BUKU 2 banks, such as Bank Victoria International, Bank Mayapada Internasional, and IBK Indonesia, demonstrated greater preparedness due to their greater human resource and capital capacity. They are capable of conducting ESG training, updating their standard operating procedures (SOPs), and consistently reporting their sustainability plans (RAKB) to the Financial Services Authority (OJK). In contrast, most BUKU 1 banks, such as Bank Jasa Jakarta and Bank Pundi Indonesia, are still in their early stages, with sustainability activities limited to CSR programs.

In addition to regulatory pressure, the development of digitalization also plays a significant role in improving sustainability practices. Bank Jago serves as a clear example of how technological innovation can support sustainability through energy efficiency, reduced paper use, and environmentally friendly operating systems. This digital transformation demonstrates that the implementation of ESG principles focuses not only on environmental and social aspects but also on governance that adapts to sustainable technology.

However, this study also confirms that internal capacity remains a major obstacle for small and medium-sized banks. A lack of ESG training, limited expertise, and insufficient fiscal policy support prevent most banks from integrating sustainability into their core business strategies. Therefore, stronger collaboration between the OJK, the Ministry of Finance, and banking associations is needed to provide fiscal incentives, technical assistance, and simplified ESG reporting standards for small banks.

In general, the results of this study align with the findings of WWF Indonesia (2021) and Gumantiny (2022) that banks' interest in sustainable finance increased after 2020, primarily due to reputational factors and global market pressure on green investments. However, ideal sustainability can only be achieved if a paradigm shift occurs within the organization, where banks view ESG not as a regulatory burden but as a strategic opportunity to create long-term economic value and support the transition to a green economy in Indonesia.

Conclusion

Based on research findings on ten BUKU 1 and BUKU 2 banks during the 2019–2023 period, it can be concluded that the implementation of sustainable finance in Indonesia shows a positive trend, although its implementation remains administrative and has not been fully integrated into business strategy. BUKU 2 banks have a higher level of readiness than BUKU 1 banks, particularly in terms of adjusting SOPs and RAKB, supported by better human resource capacity, infrastructure, and capital.

Internal education is the weakest factor, indicating the need to improve human resource capacity to ensure a comprehensive understanding of ESG principles. These findings also indicate that the successful implementation of sustainable finance is still driven by regulatory pressure from the Financial Services Authority (OJK) through POJK No. 51/POJK.03/2017 and the Sustainable Finance Roadmap Phase II (2021–2025).

To strengthen implementation, strategic steps are needed, including: (1) strengthening ESG education for bank management and employees; (2) providing incentives for banks actively disbursing green financing; (3) simplifying the sustainability reporting format for small banks; and (4) collaborative support between the government, the Financial Services Authority (OJK), and international financial institutions in financing environmentally friendly projects.

Going forward, Indonesian banks are expected to transform from merely fulfilling regulatory obligations to becoming key players in green and inclusive financing. With increased ESG commitments and the use of digital technology, small and medium-sized banks can play an active role in supporting the transition to a resilient, inclusive, and sustainable national financial system.

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