

HARMONIZATION OF ENVIRONMENTAL LEGAL POLICIES WITH BANKING REGULATION IN INDONESIA

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Abstract - The banking industry plays a crucial and strategic part in efforts to manage and safeguard and take care of the earth. The bank's performance in environmental protection can be achieved by involving the purpose of preserving the environment of life in its business activities, one of which is through the provision of environmentally sound loans. These financial institutions must put forward the sustainable development goals. The current problem is that there is no regulatory firmness that specifically regulates the synergy between environmental law and banking law in a standardization of compliance of banking business activities, especially in the arrangement of environmentally sound lending and borrowing agreements. Therefore, researchers conduct research with the normative legal approach method by collecting primary, secondary and tertiary data using the rules and regulations in laws, books, journals, both the internet. This paper aims to examine the harmonization between environmental law in banking activities, suggest it to the Indonesian Financial Services Authority as well a concept of harmonization and synchronization of banking and environmental regulations by applying sustainable finance principles in a regulation internal banking credit policy.

Keywords: Banking Regulation of Credit, Sustainable Banking, Green Banking, Banking and Environmental Law.

1. INTRODUCTION

Development in the era of globalization focuses solely on economic expansion without regard for the ramifications that have gained much attention. The negative impacts of the economic development process, accompanied by climate change, declining environmental quality, and widening social inequality, are changing the world's paradigm. The concept of sustainable development is a hot conversation because it is considered to reduce the negative impact caused by economic development. (Lastuti Abubakar, Tri handayani, 2020)

According OJK, IFC, LPPI (2018), development in the era of globalization focuses solely on economic expansion without regard for the ramifications that have gained much attention. The negative impacts of the economic development process, accompanied by climate change, declining environmental quality, and widening social inequality, are changing the world's paradigm. The concept of sustainable development is a hot conversation because it is considered to reduce the negative impact caused by economic development. This idea gives consideration to the harmony of the economic, social, and environmental aspects for future sustainability.

According Lastuti Abubakar & Tri Handayani (2020), as a country in Sustainable Development Goals (SDGs), Indonesia agreed to actively participate in putting the 17 goals into practice. The SDGs are anticipated to be a development strategy that addresses environmental issues that The Banking Act does not specifically regulate. However, the application of sustainable financial principles already exists. This refers to the stages made by the OJK, which formulated the Sustainable Finance Road Map in 2015, which is a follow-up to the accomplishment of the SDGs' goals.



The Banking Law, also known as Law No. 10 of 1998 on Changes to Law No. 7 of 1992 on Banking or simply the Banking Law, governs the banking industry's role in assisting environmental management. The adoption of Law No. 32 of 2009 on Environmental Protection and Management Laws provides support for the regulation. The role of banking in sustainable financing is also a form of its function in preserving the environment. An illustration of the business world's relationship with the environment is that a financial entity obtains credit facilities at the implementing bank. As a result, the bank has thoroughly assessed the entity in question's character, aptitude, capital, collateral, state, and future prospects for its operations. (Hassanuddin Rahman, 2000).

Financial institutions are expected to apply sustainable principles in their business and operations. This is achieved by applying the concept of sound credit facilities characterized by the requirement of Environmental impact assessment as one of the requirements for bank credit given to debtors. This becomes an important part of credit analysis and concerns documentation. The Financial Services Authority Regulation on determining the Quality of Assets of Commercial Banks also mentions it. It controls the requirement that commercial banks take into account debtors' efforts to preserve the environment.

Internal regulation or policy of banks governing credit requirements in the form of Environmental Impact Analysis that has the potential for environmental pollution is limited to large-scale credit. Banks need social and environmental risk management governance for each incoming credit application. Besides being useful to avoid losses and consequences arising from the social and environmental issues above, good management of risks will also bring other benefits.

According Zudan Arif Fakrulloh (2020), this application can increase cost efficiency for debtor companies, lowering the risk of default. Furthermore, When a bank has an effective system in place to manage social and environmental risks, this opens up new market opportunities for the distribution of green credit.

Optimization of the use of sustainable financial practices on environmentally sound credit provision needs to be discussed. It has been evenly applied by banks and incorporated into the internal SOP. Emphasis on the urgency of sound bank arrangements accompanied by social and environmental risk management is in credit provision requirements. The function of monitoring and controlling the environment, carried out by the government and the banking sector, is still an unsolved problem.

The issues that will be studied are how Indonesia's sustainable financial arrangements are following the SDGs, given the background of the research that has been described above ? How is harmonization banking law accountability for environmental law nations associated with sustainable finance goals in today's banking activity ? Legal research from literature studies analyzes problems through laws, bank regulations, literature, and other reference materials using the normative legal architecture. The research guidelines that were used describe the analysis and application of the sustainability principle in bank regulation. The data source is the writing of normative law that uses secondary data. Finds the right regulatory concept that can realize the principles of sustainable banking in the form of updating credit SOPs in banks that require environmental regulation in providing environmentally sound credit to be useful for practitioners and entrepreneurs, banks and the wider community.

2. LITERATURE REVIEW

According the evaluation of the bank's level of health, one of them is the evaluation of the quality of assets, which includes the evaluation of the productive assets and the suitability of the bank's procedure policy in the regulation of internal credit from a bank. The Internal Provisions on banking lending must be thoroughly analyzed from all aspects that are currently being warmly raised is the issue of economic, social and environmental aspects. How the part and bank responsibility in participating in preserving the environment factor to be able to maintain environmental ecosystem to a future through the provision of environmentally sound credit must be regulated through clear and specific regulations, one of the efforts by including environmental aspects in the internal provisions and policies of lending and also until the credit monitoring process is associated with the



environmental impacts resulting from the business activities of debtors who are given loan facilities from banks.

Businesses carried out in banking activities are activities that are fraught with risks because the activities of the banks manage the trust deposits of the community in the form of third party funds and also channel the deposit of funds to the community as credit loans, and the effects of credit given to the community that has an impact on the environment must also be managed properly, then if all are managed properly and prudent will prosper the community and also the benefits of banking as a result. The large role of banks in the economy in carrying out its business activities, banking institutions must be supported by a juridical framework as well as good and sound regulation. The juridical framework in the form of policies and regulations governing banking credit to be aware of is if the lending is problematic and detrimental to the bank, because the bank business is a service full of risks.

Many factors are the cause of default or default of the debtor, including due to uncertainty on the part of the debtor in some ways such as businesses that have decreased turnover or bankruptcy, the character of the debtor himself who is not cooperative and there is bad faith to delay or not make payments as determined, the debtor's business imposed sanctions or penalties in the form of business closure by the authorities can also result in the debtor can not return the installment on time.

The provisions of According to paragraph 4 of Article 33 of the 1945 Constitution Amendment IV, the development and economic economy is structured according to the principles of economic democracy, efficiency, fairness, sustainable development, environmental awareness, self determination, maintaining the balance between economic unity. According to Article 33 paragraph (4), there is an element of equitable efficiency to provide wiggle room for the work of market mechanisms needed in an economy. However, the achievement of efficiency does not leave the elements of justice. The Provisions of the Article mandate the importance of self-reliance and sustainability in the economy. The government is responsible for equalizing justice and prosperity to realize the general welfare. The state should not side with one group only but with all those who need assistance in policy-making, especially the weak, to ensure their welfare. (Etty Mulyati, 2016).

The role of the banking sector in supporting environmental management is in line with Banking Law No. 10 of 1998 on Changes to Law No. 7 of 1992 on Banking, referred to as the Banking Law in the future. The regulation is supported by the issuance of Law No. 32 of 2009 on Environmental Protection and Management Laws. The role of banking in sustainable financing is also a form of its function in preserving the environment. An illustration of the business world's relationship with the environment is that a financial entity obtains credit facilities at the implementing bank. Therefore, the bank has conducted an in-depth evaluation of its character, ability, capital, collateral, condition and prospects of the business and activities of the concerned entity. (Hasanuddin Rahman, 2000)

Financial institutions are expected to apply sustainable principles in their business and operations. This is achieved by applying the concept of sound credit facilities characterized by the requirement of environmental impact analysis as one of the terms of giving credit from banks to debtors. This becomes an important part of credit analysis and concerns documentation. In addition, it can also be seen in one of the Financial Services Authority Regulations on assessing the Quality of Assets of Commercial Banks. It regulates the need for commercial banks to pay attention to the efforts made by debtors to maintain the environment.

The internal regulation or policy of banks governing credit requirements in the form of Environmental Impact Analysis that has the potential for environmental pollution is limited to large-scale credit. Banks need social and environmental risk management governance for each incoming credit application. Besides being useful to avoid losses and consequences arising from the social and environmental issues above, good management of risks will also bring other benefits

Technically, the degree of tightness or leeway of bank policies in financing can be formulated. One of them is by identifying the level of balance between bank sustainability and the environment. By heeding these two factors, banks can optimize their role in reducing the rate of environmental degradation. In fact, furthermore, banks can provide a stimulus that encourages



"environmentally friendly" behavior. The banking sector can be a key player in efforts to implement sustainable development. (Lelp, 2021)

This application can increase cost efficiency for debtor companies, lowering the risk of default. Furthermore, when a bank has an effective system in place to manage social and environmental risks, this opens up new market opportunities for the distribution of green credit. (Zudan Arif Fakrullo, 2020)

Concerning the above objectives, the entire banking activity should heed the advice to exercise caution, considering that funds managed and stored are for the third party. Implementing this precautionary principle not only to the distribution of credit or financing to the community but also applies to the bank. Optimization of the application of sustainable finance principles on environmentally sound credit provision needs to be discussed. It has been evenly applied by banks and incorporated into the internal SOP. Emphasis on the urgency of sound bank arrangements accompanied by social and environmental risk management is in credit provision requirements. The function of monitoring and controlling the environment, carried out by the government and the banking sector, is still an unsolved problem.

According Lastuti Abubakar, Tri Handayani (2019), every bank activity in providing services and products should not harm the institution. At the level of implementation, this precautionary principle translates as the bank's obligation to ensure full compliance with all regulations, including Standard Operating Procedures (SOPs) (regulatory compliance). Credit should heed the advice to exercise caution the principle of banking accountability.

The Financial Service Authority's Financial Service Authority Number 40/POJK.03/2019 on Assessment of The Quality of Commercial Banks Assets previously governed the Principle of Responsible Banking in the provisions of Article 11 paragraph 1 letter (e), is "efforts made by debtors to maintain the environment." It states that assessing business prospects, one of the factors assessing credit quality, should include the assessment component, such as the debtor's concern for the environment. This proof of banking accounts for the environment by including environmental factors as one of the assessments. However, it is not enough without the bank's internal provisions regarding credit which specifically include environmental aspects impacting business activities for the principle of responsible banking that will be further investigated. The level of banking health became one of the absolute factors fulfilled, and the dark experience in 1998 of the monetary crisis was quite a lesson. Many banks were liquidated because of deteriorating health.

Banking accountability is more on maintaining the environment and society, for example, by providing CSR and annual reporting on business activities to the public and the continuity of credit. The sanctions applied by Financial Service Authority are only administrative sanctions until the closing of the business on the debtor. However, there are no firm sanctions when the bank provides credit facilities proven to have damaged the environment.

According Andi Nurul Fadillah Ayu and Maria Anityasari (2013) the third principle is related to sustainable development that involves banking for balance in three points of view or better known as 3P, namely profit, people, and planet. Sustainability goals themselves are global action plans for the subsequent 15 years, from 2016 to 2030, and include 17 goals and 169 targets. The substance of the SDG's objective is to eradicate poverty, decrease inequality, and safeguard the environment. This applies to all countries without exception, following the main principle of the SDGs, 'Leave No One Behind.' (INFID, 2019). Financial sustainability is one of the requirements for success in realizing sustainable development. As for Sustainable growth is a method of advancing the economy that is aligned with social development and environmental sustainability. the achievement of sustainable development of a country can be seen in the values and rankings of sustainable development goals (SDGs). Cultural differences and idioms between regions, differences in values, noorma and ideology are among the determining factors for sustainable development. As a comparison with other countries, it can be seen in the comparison in ASEAN Exchange member countries that have cultural similarities and geographical similarities, but in terms of sustainable development achievement has a different Sustainable Development Report score, which is depicted in the chart below : (Lydia, David, Joubert, Lucky, Djurwati, 2022).

Table.1 SDGs ASEAN Exchange Countries

COUNTRY	ORDER		SCORE	
	2021	2019	2021	2019
THAILAND	43	40	74.19	73
VIETNAM	51	54	72.85	71.01
MALAYSIA	65	68	70.88	69.06
SINGAPURA	76	66	69.89	69.06
INDONESIA	97	102	66.34	64.02
PILIPHINA	103	97	64.51	64.09

Sources : Sustainable Developmet Report 2022 (sdgindex.Org)

As a result of the implementation of sustainable development and funding support through sustainable finance, globally it has been agreed with the agreement "The future we want" in the UN conference agreed on a 2030 agenda, namely the Sustainable Development Goals (SDGs). regionally as an example of ASEAN's dedication to support progress of the agenda, the ASEAN Taxonomy Board for sustainable Finance was formed.

In Indonesia according ASEAN commitment the purpose of achieving this is the importance of environmentally sound credit arrangements regulated in banking law No. 10 of 1998, later called the Banking Law and regarding the environment regulated in Environmental Management and Protection Laws, Law No. 32 of 2009. The special arrangements governing the provision of environmentally sound credit have been implied in Number 40/POJK.03/2019 of the Financial Service Authority. The Analysis of Commercial Banks' Asset Quality is considered inadequate for environmental conservation efforts because they are not in the express and detailed arrangements as needed.

According Abdul Rahman (2016) Financial Service Authority has become a necessity of urgency of environmentally sound credit arrangements accommodated and applied as a provision that should be adhered to by all banks. The publication of Financial Service Authority Number 51/POJK.03/2017, in which the application of sustainable finance incorporates the concepts of sustainable finance as stated in Article 2 Paragraph 2. Following are some examples of sustainable financial concepts that can be used by banks:

1. The Responsible Investment Principle
2. Sustainable Corporate Governance and Strategy Principles
3. The social and environment risk control Principles
4. Principles of The term governance
5. Informative Communication Principles
6. Principles of Inclusion
7. Superior Sector Advancement Principles of Priority
8. Guidelines for Cooperation and The coordination

The banking industry and other businesses should follow these sustainable financial rules. The application of governance, instructive interaction, inclusion, priority sector development, coordination, and collaboration from the eight principles of sustainable finance above has been optimally carried out by banks in executing their business and operational activities.. However, the application of Social and environmental risk management, sustainable company models, and responsible investment is not optimally carried out. Some have optimally implemented the 3 principles, while others are still not optimal.

According UNEP FI (2018), From the viewpoint of debtors, Analysis of the Environmental Impact and Environmental Management Performance Rating and Assessment Program for Businesses (PROPER) as a method of determining credit approval are dynamic in relation to the implementation



of Sustainable Finance. Analysis of the Environmental Impact obligations are governed by the Financial Service Authority on Asset Quality Appraisal in an attempt by debtors to protect the environment. OJK, by issuing guidelines roadmap sustainable finance phase one of 2015 on banking has become a necessity of urgency of environmentally sound credit arrangements accommodated and applied as a provision that should be adhered to by all banks.

In 2021-2025 The second phase roadmap from Financial Service Authority developed an ecosystem of 7 components. These include market infrastructure, non-governmental assistance, personnel resources, policy, products, coordination between ministries and institutions, and awareness. The Financial Service Authority is committed to establishing elements of the sustainable financial ecosystem as well as to developing open regulations, collaborating with other departments and institutions, and enhancing industry capabilities. (LPPI, OJK, IFC, Modul Overview, 2018).

A sustainable financial roadmap outlines three strategic work plans: increasing the supply of environmentally friendly funding, increasing demand for financial products and increased supervision and collaboration of long-term financial planning. Medium Term period (2015-2019), which focuses on the fundamental regulatory and reporting structure and strengthens sustainable finance. This enhances the human resources of participants in the financial services business in terms of understanding, knowledge, and competence. Additionally, it offers rewards and collaborates with pertinent organizations. During the Long Term (2020-2024), efforts will be made to combine risk management, corporate governance, the evaluation of bank health, and the creation of long-term integrated financial information systems.

Some of these gaps should be resolved immediately to maximize existing opportunities with the increasing market demands and society for sustainable finance services and products. Utilizing these possibilities should be done in tandem with managing climate change-related risks to avoid unintended negative effects. The risks include physical risks from climate change phenomena damaging property and adversely affecting business operations, as well as risks from policy changes and technical advancements leading to a switch to a low economy.

According OJK, Sustainable Finance Indonesia, "Road map sustainable Finance II (2021-2022), one way to overcome the above is by conducting a kolaborasi and socialization campaign for all business people. Banking and local governments' integrated environmental and social aspects become the most important material applied in every activity per the Sustainable Finance Roadmap I and II directives.

In terms of why Indonesian banks should care about the environment by adopting environmentally friendly loan practices, there are several considerations: (Lastuti Abubakar, Tri handayani, C.Sukmadilaga, 2021)

1. There is a connection with the provisions of Articles 5, 6, and 7 of environmental Protection and Management Law that everyone not only has the right but also should maintain, prevent and overcome pollution and destruction of the environment. The bank is a legal entity that should participate in the management of the environment.
2. The bank needs to protect itself and the credit it provides in connection with The Provisions of Articles 25, 26, and 27 Regarding the terms of Article 12A, environmental protection and management law (1) of the Banking Law. It is also responsible for the damage caused by business activities given credit facilities because of the potential to buy collateral.
3. The bank can participate as the project's owner to overcome the consequences of credit failure by the debtor. It should take responsibility and participate in environmental pollution, provided capital participation has not been released.
4. Credit supervision, security, and rescue clauses in agreements required banks also to take responsibility for the credit facilities they provided to debtors.
5. A variety of fines can be imposed, including civil sanctions such as compensating those harmed by pollution or paying the state's environmental recovery costs. The banking sector is also threatened with criminal sanctions as a legal entity.



This is connected with the lack of strict provisions in the banking law regulating the provision of environmentally sound credit. The OJK and the Banking Law should be brought together to create a Indonesia regulation finance authority service -level rule governing the operations and policies of banks.

3. METHODS

This research uses normative legal strategy method that gives primary legal materials, such as legislation, priority over secondary legal materials, including books, journals, and study findings, and tertiary legal materials. Descriptive and analytical research objectives call for creating a systematic, factual, and precise image of the relevant legal facts. Therefore, this study investigates, analyzes, and presents the findings of research based on secondary data that was examined in a qualitative legal manner.

4. RESULT AND DISCUSSION

Eight risks regulated in the Financial Service Authority Regulations have been felt lacking when associated with environmental aspects. Banks have a very important role in mitigating environmental damage through the selective application of credit loans from debtors with the potential to damage the environment. Banks need to understand the interconnectedness of social and environmental risks to their business performance.

Based on this, the principle applied to the fourth banking is the Application of Risk Management. In order to avoid, prevent, and limit any negative effects that may emerge and to promote greater benefits from financing and operational activities of financial services institutions, it incorporates environmental and social protection aspects into risk management of financial services institutions. How the bank's current system can incorporate social and environmental risks into the overall credit distribution process is linked to the application of environmental and social risk management, from screening and due diligence of credit proposals and mitigation of business risks/activities to monitoring projects. In addition, environmental and social risks are also applied in Good Corporate Governance (GCG) banking.

The rights and obligations of the debtor as the credit applicant in implementing environmentally sound credit arrangements in banking credit will further explain the regulation of rights and obligations. Banks, as the crediting party in applying the principle of balance, must be regulated through the agreed-upon provisions. The SOP accommodates Bank and Debtor Credit Agreement. This is also a step in carrying out the precautionary principle.

According to Mochtar Kusuma Atmaja, the theory of development specified that "law is a tool of social engineering". This showed that the law which is always dynamic has to accommodate cross-sector in Indonesia (Yuokysurinda, 2016). Concerning the Political Will, the government attempted to formulate strategic policies to regulate and supervise the Providing a Sustainable Finance Roadmap is the Financial Services Authority (FSA) from 2014 to 2024 (Ida Nurlinda, 2012). Several provisions were prepared to achieve the sustainable development goals (SGDs) in line with the SFR that was designed by FSA. Sustainable Banking the one of developments that strengthen and support national economic expansion in Indonesia. This development become an effort used to create synergy between the bank and the community.

The basic principles of the law of agreements and the fiduciary relationship, which is covered by the trust principle, both apply to a regular contractual relationship between a debtor and a creditor. Prudent behavior also applies to the connection between the bank and the client.. Implementation of precautionary principle should also be reflected concerning the obligation of banks to participate in environmental management. Banks should pursue an environmentally sound credit policy associated with protection and management laws.

The application of effective social and environmental risk management will reduce bank risks of credit, reputation, and market. The description should be in the renewal of banking law through internal policy through SOP, especially in the credit field, accommodating environmental aspects for the four sustainable finance principles.



The role of banking as an intermediary is crucial in realizing the balance between the economy, society and environment. This is mandated through the constitution, banking law, environmental protection and management laws, and Financial Service Authority. Based on the principle of prudence, banking accountability, sustainable finance, and risk management principles concluded the need for developing banking regulation through internal SOP (Standard Operating Procedure). This included the aspects of the banking environment as a requirement for credit application and the need for social and environmental risk management in implementing banking GCG. One of the proofs of banking accountability can be seen from its sustainable financial statements or annual reports published by banks every year. The report can be accounted for in an accountable manner and meet the requirements of sustainable financial reporting following the terms of POJK Number 51/POJK.03/2017 as a measure of banking accountability made public.

The Banking Law considers that banking accountability in the environment is more on the role of banking in the maintenance of the environment and society, for example, by providing CSR and annual reporting on business activities to the public, and also the continuity of credit provided not to the effects of business activities that pollute the environment. Because of this, the Financial Service Authority only imposes administrative penalties on debtors up until the point at which their businesses are closed. If a bank offers loan facilities that are shown to have harmed the environment, there are still no concrete sanctions in place.

The rules of POJK Number 51/POJK.03/2017 Article 9 Paragraphs 1 and 2 do not recognize sanctions on banks that do not run sustainable finance in their business activities. Still, banks that run it well will be given incentives. Financial Service Authority conducts a persuasive approach by imposing reward incentives and ATMR waivers on banks that adhere well to sustainable finance in banking activities. While to Environmental Protection and management laws, banks must be responsible if debtors given credit facilities are proven to pollute the environment.

The debtor does not make a return on the instalment of the credit facility that the bank has provided when there is a default. There needs to be a firm arrangement that prohibits the bank from lending to companies not committed to maintaining the environment, and the project violates this. Therefore, companies that violate will be punished, while those who obey will be incentivized (Abdul rahman, 2016). This should be harmonized between the Banking Law and environmental protection and management laws bridged by the financial service Authority that regulates operations and policies related to providing environmentally sound credit to banks.

Regulatory banks should also have a foundation in formulating environmentally sound credit arrangements that can provide legal certainty to achieve the objectives of the SDGs as follows: (WWF Indonesia, 2020).

1. Regulation.
2. Strict laws should be regulated in Indonesia to encourage businesses to be more concerned about the environment. The simplest example is banks adding specific environmental requirements, as in credit agreements.
3. Incentives.
4. The existence of provisions and incentives in green credit distribution will cause banks to prioritize debtors of pure business value. The provisions for applying Environmental protection and management regulations include incentives and disincentives in Articles 42 and 43, paragraphs (2) and (3).

Financial Service Authority construction and supervision is a provision in the Banking Law which ultimately protect the bank concerned and depository customers in the event of a violation of obligations related to provisions governing the principles of prudence, coaching and supervision. Bilateral engagement with several banking regulators has taken place. In addition, a meeting between science and finance experts was organized to inquire about the Construction of a Sustainable Financial System improve the general understanding and exploit how these relationships can be handled in the future. (UNEP FI, 2018)

The government's internal policies influence the design of Sustainable Finance through the role of banks in enforcing environmental law. The existence of banking is needed to support the continuity



of economic activities, especially credit-giving transactions for the industrial sector. Conversely, banking operations are also influenced by the back and forth of economic activity, such as the industrial sector. The primary duty is to raise and disperse funds from and for the society. However, in its participation in providing development financing, the banking sector should still consider the precautionary principle.

This supports the implementation of national development to increase equality, economic expansion and stability in the interest of enhancing the welfare of many individuals. Environmentally sound project financing has been shown to increase competitiveness and give an advantage to banks implementing it as a business strategy. Therefore, banking is expected to increase the role and attention of financing projects to raise environmental integrity.

In existence need for policies and SOPs in each bank and improvements in the quality of environmentally sound credit financing, especially in business sectors with high environmental and social risks. This initiative is also designed to support and seize business chances for Indonesia's economic development initiatives that directly advance the SDGs.

The urgency of the provisions governing the legitimacy of environmentally sound credit arrangements is made in the form of internal provisions. This is strengthened through the provisions issued by authorized institutions, such as the Financial Service Regulations. The contents require banks to have an immediate SOP regulating environmentally sound credit provision. Environmental clauses conduct this in credit agreements that become agreed upon or contracts between parties and debtors. Meanwhile, the provisions expressly sanction banks that have provided credit facilities to debtors proven to have damaged the environment.

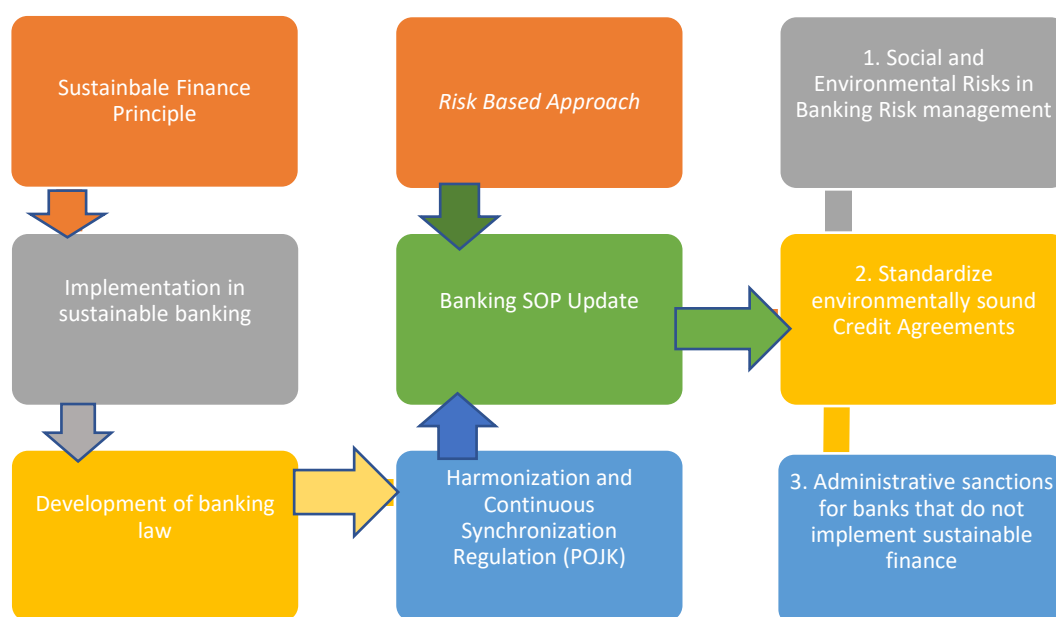
According Nicholas F. Maramis, 2013, the bank will suffer losses concerning the credit when the debtor neglects to maintain the sustainability of environmental functions. The risk of such losses can be reduced when the bank takes preventive measures before and during the credit agreement. This is achieved by conducting a preliminary examination, an environmental audit and listing the conditions that the debtor should meet concerning environmental protection in the credit agreement and other documents. Therefore, enforcing environmental laws by banks through the implementation of audits is very important for the security of the credit.

A follow-up to the clause in the credit agreement that contains sound credit is the creation of a regulation to evaluate the environmental management efforts of debtors and prospective debtors, ultimately affecting asset quality assessment. Banks need to analyze the role of Analysis of the Environmental Impact and PROPER (Environmental Management Company Performance Rating and Assessment Program) in looking at business risks or debtor activities. (USAID, LPEM FEB UI, OJK, 2017). Banking accountability in realizing the goal of sustainable finance, especially in the provision of credit, in their business operations, they should consider social and environmental risks.. This is achieved by ensuring debtors meet the requirements of environmental documents in applying for credit facilities. In addition, it also ensures the existence of licensing based on risk approaches to mitigate risk and maintain the quality of banking assets.

The concept of developing banking law through the creation of regulations issued by the OJK as an authorized institution in supervising banking business activities Financial services authority regulation call POJK. Without taking into account Law Number 32 of 2009 concerning Environmental Protection and Management and the Job Creation Law, the POJK's content can accommodate the achievement of the SDGs by applying sustainable finance principles to banks that foster environmental awareness in the implementation of operational activities and banking business activities. This is done with the idea of harmonizing sustainable regulations. According to the great dictionary Indonesian (KBBI) harmony is, an effort to find harmony. So the definition of harmonization is an effort or process that wants to overcome the limitations of differences in conflicting things and irregularities. And the synchronization in terminology according to the big Indonesian dictionary (KBBI) is derived from the word "synchronous" which means alignment. The benefit is to store data either temporarily or permanently so that it facilitates work, while the purpose of synchronization itself is to avoid data inconsistencies due to access by several different processes and to arrange the order in which the process runs so that it can run well. (*Scribd.com*, 2019).

The concept of Banking Law Development Regulation, which is named the Harmonized and Continuous Synchronization Regulation, can be described through the following scheme:

Table 2. The Concept of Banking Law Development Regulation



According to researchers, the Regulation of Harmonization and Continuous Synchronization must contain the following settings:

1. POJK which regulates the standardization of environmentally sound crediting mechanisms, especially those that have the potential for the results of their business activities to have an impact on the environment, which skim business loans, both MSMEs, commercial and corporate.
2. POJK contains provisions for standardization of sanctions if the banking industry does not comply with the application of sustainable finance in providing environmentally sound credit.
3. there is a standardization of SOPs in which there is also a standardization of the content of credit agreements made by banks which in the clauses contain things that must be fulfilled by banks, especially on points of concern for the environment.

The content of the regulation is the implementation of sustainable banking SOP standardization utilizing a risk-based approach strategy which contains the following:

1. The addition of environmental and social risks to financial risk management.
2. There is a renewal of the Credit Agreement which contains a clause on the obligation to have environmental documents on credit requirements according to a level of risk that the debtor's business.
3. Provide strict sanctions to banks that neglect or do not carry out sustainable finance in their the form of business operations written reprimands.

With the spirit of sustainable development oriented towards the future, it is hoped that the future generation of young people will still enjoy a beautiful environment maintained even though the economy and technology are growing rapidly but the environment is maintained. The input from researchers on this research is in the form of making banking law development by making a regulation that contains harmonization and synchronization between the Banking laws, Environmental Protection and Management Law Number 32 of 2009 and the Sustainable Job Creation Regulation which contains the renewal of Banking SOPs by applying 8 principles of sustainable finance using the Risk Based Approach approach as an effort to realize the achievement of the SDGs with the aim of public welfare and social justice based on Pancasila.



There is no firmness of regulation that specifically regulates utilizing sustainable business principles to the provision of environmentally sound credit. Therefore, the results developed banking laws to harmonize and synchronize Financial Services Regulations.

The research implication of this studies are anticipated to provide thoughts the development of legal science, especially banking law and environmental law by finding the concept of harmonization of credit SOPs in banks that prioritize the environment as one of the requirements for crediting. Finding the concept of credit agreements that are used as a legal umbrella for banks in order to play an active role in preserving environmental functions in society. Through this research, researchers hope to update and discover legal theories related to banking activities that are associated with environmental law and sustainable finance.

5. CONCLUSION

The concept of developing banking regulations encourages banks to comply with utilizing sustainable business principles. The creation of rules by means of regulations issued by institutions authorized to supervise banking business activities is through the Financial Service Authority Regulations. The regulations can accommodate the achieving the objectives of sustainable development (SDGs) with applying financial concepts that are relevant with environment in implementing operational and banking business activities without overriding Environmental Management and Protection Laws. The Work Copyright Law is Financial Service Authority Regulations with the renewal of environmentally sound credit agreements standardization for all banks in Indonesia. Harmonization and synchronization of the two provisions between the Banking Law, Copyright Law, and Environmental Management and Protection Laws are bridged through OJK-level regulations in their arrangements. There is legal certainty in the implementation of internal banking with standardization credit SOP and the accomplishment of SDG goals through the use of sustainable financial principles. Implementation of banking accountability in maintaining the environment and achieving sustainable financial goals (SDGs) is recommended through the creation of rules set by OJK for all banks. This develops the internal regulations (SOP) by incorporating environmental aspects into the flow of environmentally sound credit processes and also suggests adding a category of banking risks to Indonesia.

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