International Journal of Islamic Economics (IJIE) Vol 6, Number 1, (2024), pp.18-31
DOI: https://doi.org/10.32332/ijie.v6i01.8856

Comparative Analysis of Green Banking Implementation in Mitigating Financing Distribution Risk between Bank Syariah Indonesia and Bank Rakyat Indonesia.

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Article History:
Submitted:
October 25th, 2023
Revised:
February 07th, 2024
Accepted:
March 10th, 2024
Published:
March 17th, 2024
By:
International Journal of Islamic Economics (IJIE)

Abstract

Introduction: In the distribution of financing, the implementation of green banking is outlined in green finance, which is one of the financing schemes or lending to environmentally friendly businesses. Green finance activities focus on risk mitigation in providing financing to sustainable development projects by considering the impact that these projects will have.
Objectives: This research aims to find out how the application of green banking implementation analysis mitigates the risk of financing distribution.
Method: This research is qualitative research of descriptive type. The data sources in this study are the BSI and BRI Sustainability Reports for the 2021-2022 period. The data collection technique used is the library method.
Results: The results of this study are seen based on a comparative study conducted between Bank Syariah Indonesia and Bank Rakyat Indonesia, there are differences and similarities between the two banks. One of the differences between the two banks lies in terms of bank monitoring of the company being financed, BSI monitors its business once every three months while BRI monitors it once a year. In addition, there are also similarities between the two banks, one of the similarities between the two banks lies in providing financing to palm oil companies that must have ISPO or RSPO certificates before financing.
Implications: This research is expected to provide implications for the green banking program implemented by Bank BSI and Bank BRI in mitigating the risk of financing distribution to customers. Both banks can complement each other to complement the shortcomings in their respective sectors.

Keywords: Financing Distribution; Green Banking; Green Finance; Risk Mitigation.

A. Introduction

The awareness of various parties to improve and manage the environment much better is increasing. This has led to the seriousness of the corporate world to increasingly involve themselves in activities that can create a positive impact on the social and natural environment, in other words as a form of corporate social responsibility. Currently, the slogan of returning to nature is starting to be called out everywhere, not least in the banking industry

(Andarsari & Firdiansyah, 2020). Banks function as financial intermediaries with the main business of collecting funds from the public channeling them back to the public and providing other services in payment traffic. As a business entity, the bank will always try to make a profit from the business it runs. On the other hand, as a financial institution, banks have the main obligation to maintain the stability of the value of money, encourage economic activity, and expand employment opportunities (Apridasari, 2021; Syamsiyah & Rohmi, 2021).

This intermediation function is not an easy thing for banks. Starting from the activity of collecting to distributing funds contains risk so banks are required to maintain a balance between managing the risks faced with the services provided to the community. The banking industry is also currently required to be involved in reducing environmental damage because it is considered necessary to adapt interdependently with the environment. The term is called Green Banking. Green Banking is a business concept that refers to environmentally friendly business practices. Green banking complements the concept of sustainable development, where sustainable development has the main concept or principle of "meeting the needs of the present without reducing the needs of future generations" (Lako, 2015). The implementation of green banking in Indonesia is not just following a trend but is based on relevant regulations that encourage the implementation of environmentally sound banks. Bank Indonesia Regulation (PBI) Number 14/15/PBI/2012 has included an assessment of environmental management by the debtor in the requirements for financing distribution.

The latest regulation relevant to the practice of green banking is the issuance of Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. Through this regulation, Financial Services Institutions, issuers, and public companies are encouraged to provide adequate sources of funding for sustainable development and climate change-related funding (Handajani et al., 2019). The implementation of Green Banking in some banks has tried to mitigate the risk of financing proposed by prospective debtors. Banks have the full right to choose to reduce financing funds or not reduce the financing funds, depending on the extent to which the activities to be financed with bank loans have an impact on the environment (Marcel, 2004).

In terms of financing distribution, the implementation of green banking is outlined in green finance, which is a financing scheme or lending to environmentally friendly businesses. The financing program for environmentally based projects is a program that looks at risk factors in the distribution of financing. In this case, it must prioritize businesses or businesses that are environmentally friendly and sustainable (Salim et al., 2023). If a business has met the environmentally friendly requirements by the Environmental Impact Analysis (AMDAL), then the bank can only disburse financing. Banks will see the extent of the risks that will arise and can be detrimental if they provide financing to businesses that are not environmentally friendly (Yuliawati et al., 2017).

Green finance activities focus on risk mitigation in providing financing to sustainable development projects by considering the impact that the project will have. Based on POJK No 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial

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Services Institutions (FSIs), Issuers, and Public Companies, the regulation regarding sustainable finance is emphasized in Article 2 paragraph 1 where all FSIs are required to implement sustainable finance and their business activities. Green finance is focused on providing financing by paying attention to the balance between the economy, environment, and society.

Based on the background stated in the distribution of financing, the implementation of green banking is outlined in green finance, which is one of the financing schemes or lending to environmentally friendly businesses. Green finance activities focus on risk mitigation in providing financing to sustainable development projects by considering the impact that these projects will have. This research aims to find out how the application of green banking implementation analysis mitigates the risk of financing distribution.

B. Literature Review

Legitimacy theory focuses on the company's obligation to ensure that it operates within the appropriate frames and norms in the community where the company stands, where the company ensures that the activities carried out are accepted as legitimate (Adhiwardana & Daljono, 2013). This theory is very appropriate to use because it is in line with the concept of green banking which focuses on the activities of an organization for the sustainability of the environment and society. So that the company does not only run to make a profit but also still pays attention to its impact on the environment with various restrictions and norms that apply in society. The green economy is a big leap away from economic practices that are concerned with short-term profits that have left a variety of urgent problems to be addressed including driving a low-carbon economy. The main objective is to encourage policymakers to get all levels of government and the private sector on board to support increased green investment (Miah et al., 2021).

Corporate environmental performance defines sustainability targets that can meet corporate objectives by achieving targets set to satisfy shareholders, creditors, employees, customers, suppliers, and communities and to comply with regulatory and legal requirements within the organization (Risal & Joshi, 2018). Environmentally proactive strategies promote ecological innovation and can lead to competitive advantage (Miah et al., 2018). Environmental performance is an output issue in environmental management, which refers to the company's activities and products in the natural environment. Environmental performance reflects the output that demonstrates the extent to which the company is committed to protecting the natural environment. Identify environmental performance by toxic waste ratio, penalties paid for violation of environmental regulations, adoption of International Standardization Organization (ISO) 14001, and environmental efficiency score.

The basic principle of Green Banking is an effort to strengthen the bank's risk management capabilities, especially related to the environment, and encourage banks to increase their portfolio of environmentally friendly financing such as renewable energy, energy efficiency, organic farming, eco-tourism, environmentally friendly transportation, and various eco-label products (Apridasari, 2021) (Rahmayati et al., 2022). Activities in channeling financing related to environmental preservation can be carried out by utilizing renewable energy or creative industries made from organic materials and processing waste (Bose et al., 2021). The application of sustainability principles through financing activities to debtors is part of the financing clause entrusted by the Bank as a form of two-step loan financing for environmentally friendly projects (Ara Annisa Almi, 2023) (Radyanti, 2014). The financing agreement between the Bank and the customer is usually made in writing with an agreement that has been stated in it (Kasmir, 2008).

Based on the law of the Republic of Indonesia number 10 of 1998 dated November 10, 1998, concerning banking article 1 paragraph 3, what is meant is a bank that carries out conventional and sharia activities in its activities providing financial services in payment traffic. In Article 1 of Law Number 7 of 1992, banking is a business entity that collects funds from the public in the form of deposits and distributes them back to the public to improve the lives of many people. The types of banks can be divided into 2, the first is Islamic banks and the second is conventional banks.

Financing risk is a loss that may arise in lending and borrowing transactions (Edilius, 2017). Financing risk arises because the debtor cannot return the borrowed funds and the interest that must be paid to the bank. This risk must be anticipated by the bank through an assessment process, correct and appropriate credit analysis adjusted to the prudential banking legal lending limit (Latumaerissa, 2018). Financing risk is the possibility that the debtor or issuer of a financial instrument - whether an individual, company, or country - will not pay its principal and other investment-related cash flows by the terms of the agreement (Iqbal, 2015).

The term risk according to the Big Indonesian Dictionary is an unpleasant (harmful, dangerous) result of an action or action (Nasional, 2005). Risk According to Bussis (Fazriani & Mais, 2019), risk can be defined as a condition of uncertainty caused by variations in income or loss faced by banks. Risico is often referred to as uncertainty. Uncertainty is often defined as a situation where there are several possible events and each event will cause different results (Bramanto, 2016). Thus, we can conclude that risk is an opportunity for the possibility of unwanted (detrimental) events both for companies/institutions and for individuals.

Risk mitigation is part of the risk management process, one of which is the obligation to develop a risk mitigation or response plan to minimize risk exposure. Risk management standards COSO Integrated Framework 2004 and ISO 310002009 mention four risk mitigation strategies that include avoiding, reducing, sharing with third parties, and accepting (Zuleha, 2018). Based on the description above, it can be concluded that risk mitigation is the final stage of several risk management processes, namely risk identification, risk analysis, and risk evaluation. After going through these three stages, banks can prioritize risks by selecting several risk categories that significantly affect the bank (Zuardi, 2021). The risks prioritized by the bank will then be further mitigated and monitored for implementation, and risk mitigation serves to neutralize, minimize, or even eliminate the negative impacts that arise from the occurrence of a risk category (Novianti, 2019).

According to Law No.10 of 1998 concerning banking. Financing is the provision of money or bills that are equated with it based on an agreement between a bank and another

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party that requires the financed party to return the money or bill after a certain period with a return or profit sharing (Purnamasari & Salam, 2019). Financing is the provision of money or bills that can be equated based on an agreement or agreement between a bank and another party that requires the financed party to return the money or bill after a certain period in return or profit sharing (Turmudi, 2017)

C. Research Methodology

Data analysis is a description of activities in analyzing data that are carried out interactively and take place continuously until completion (Sugiyono, 2017). This study uses qualitative analysis techniques, which is an analysis based on the existence of a semantic relationship between the variables being studied. The goal is for the author to get the meaning of the relationship between variables so that it can be used to answer the problems formulated in the study. The relationship between semantics is very important because in qualitative analysis the author does not use numbers as in quantitative analysis. The data analysis process in this study begins with reviewing all available data from various sources, namely documents, images, photos, and sustainability reports of Bank Syariah Indonesia and Bank Rakyat Indonesia. The data analysis technique used in this research is the triangulation data analysis technique.

In this research, data collection is carried out by searching, recording, and collecting data through observations on documents, images, photos, and sustainability reports of Bank Syariah Indonesia and Bank Rakyat Indonesia, which are related to the research. Researchers collected data by looking at the implementation of green banking in the distribution of financing at Bank Syariah Indonesia and Bank Rakyat Indonesia presented in the sustainability report. The data source in this study is the sustainability report of each bank, namely Bank Syariah Indonesia and Bank Rakyat Indonesia. After collecting data by the research objectives, the data will be reduced so that the results are clear. The results are seen regarding green banking analysis in mitigating the risk of financing distribution.

After the data has been reduced, the next step is to present the data. In presenting the data, the data will be organized, and arranged in a relationship pattern, so that it will be easier to understand. So that it will make it easier to understand what is happening, and plan further work based on what has been understood (Sugiyono, 2017). Presentation of data is done to make it easier for researchers to be able to describe data so that it will be easier to understand regarding conclusions and verification. The next stage is conclusion drawing and verification. The initial conclusions put forward are still temporary and will change if no strong evidence is found that supports the next stage of data collection (Sugiyono, 2017). In this study, the initial conclusions put forward by researchers will be supported by data obtained by researchers in the field. The answers from the research results will provide explanations and conclusions to the research problems examined in this study.

D. Results And Discussion

Table.1

Ratio of Realization of Financing Distribution in the Sustainable Business Activity Category (KKUB) of Bank Syariah Indonesia and Bank Rakyat Indonesia 2021-2022 Percentage of Achievement)

No	Description	Growth Ratio	
		BSI	BRI
1	Micro, small, and medium enterprise (MSME) activities	6%	13%
2	Renewable energy	25%	27%
3	Pollution prevention and control	-	5567%
4	Sustainable management of biological resources and land use	159%	248%
5	Conservation of terrestrial and aquatic biodiversity	-	-75%
6	Eco-friendly transportation	78%	-72%
7	Sustainable water and wastewater management	14%	-25%
8	Eco-efficient Product	20%	39900%
9	Environmentally sound building	-16%	241%
10	Other environmentally sound business activities.	-49%	-44%

Source: Bank Syariah Indonesia and Bank Rakyat Indonesia Sustainable Financial Reports.

Based on Table 1 above, the results state that the ratio of financing distribution as outlined in the Sustainable Business Activity Category (KKUB) is divided into 10 sectors. Among the 10 sectors, some experienced significant increases, and decreases. In BSI, the largest increase occurred in financing in the sector of biological natural resource management and sustainable land use with an increase of 159%. There was also an increase in the environmentally friendly transportation sector with an increase of 78%. Meanwhile, the largest decrease occurred in the other environmentally sound business activities sector, with a decrease of 49%. Of course, this indicates that the focus of BSI's financing is on these two sectors where the distribution of financing is also given to customers of palm oil industry business actors who already have Indonesia Sustainable Palm Oil (ISPO) and/or Roundtable Sustainable Palm Oil (RSPO) certification.

Meanwhile, Bank Rakyat Indonesia, based on Table 1, states the results that there was a very large increase in the distribution of financing in the pollution prevention and control sector with an increase of 5567% and the eco-efficient product sector by 39900%. However, there were many decreases in the distribution of financing in several sectors, including the land and water biodiversity conservation sector with a decrease of 75%, and the environmentally friendly transportation sector with a decrease of 72%. This occurred due to a shift in focus where Bank Rakyat Indonesia focused more on channelling sustainable financing to the new and renewable energy sector which was included in the eco-efficient product sector through lending to hydropower plants amounting to 7.1 trillion.

Bank Syariah Indonesia and Bank Rakyat Indonesia are some of the banking financial institutions that have a vital role in channelling financing. As an intermediary or financial intermediary to its customers, both for small and large industries. BSI and BRI, which have this role, can indirectly become one of the contributors or mediators in environmental damage from the businesses they

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finance.

BSI and BRI interpret the concept of green banking as one of the banking efforts by mitigating risks to environmental damage through financing with environmental impact analysis (AMDAL) and implementing environmentally friendly practices in other activities. The following is a comparison of Green Banking in Mitigating the Risk of Financing Distribution at BSI and BRI in terms of differences:

Table.2

Differences in Analysis of Green Banking Implementation and Risk Mitigation of Financing Distribution Through Comparative Studies

No.	Bank Syariah Indonesia	Bank Rakyat Indonesia
1.	BSI in its business practices by prioritizing the principle of prudence does not contain elements of gharar, maisyur, and usury. The other contributions created by BSI are employment, financial inclusion, and contribution to the development of the State by the concept of Islamic economics. So that its business practices at BSI are more ethical by Islamic religious law and are socially and environmentally responsible.	BRI has an advantage in terms of promoting green business to support sustainable development.
2.	To develop evaluation and supervision of its customers' business development, BSI conducts monitoring once every three months through several communication media including video conferences, on spot, visits, consultant assistance, watchlist quarterly review, and annual review. If there are evaluation results that have the potential for high ESG risk, the bank can conduct a review of the financing provided. In 2022, BSI has carried out the evaluation process on these criteria and there are no customers with significant environmental and social issues. If there are customers who are under supervision due to indications of environmental or social problems, the bank will provide watchlist review assistance per quarter and yearly.	BRI has also developed a framework to measure the risk of customers' business activities. This framework is prepared based on the capacity, commitment, and track record of customers related to ESG and sustainability. BRI conducts regular monitoring and evaluation to ensure customers apply sustainable finance principles at least once a year, one of the methods used is the site visit method. Meanwhile, for companies that are downgraded from blue to red or black in the PROPER assessment scheme, BRI conducts special monitoring and correspondence to assist customers' efforts to re-rank blue, green, or gold. Based on the board of directors' decision letter No. KU.01-DIR/KRD/11/2022 concerning the general credit policy of PT Bank Rakyat Indonesia Persero tbk. (KPB BRI), supervision is carried out by reviewing credit documents submitted by debtors.

3.	In 2015 BSI also entered but in 2015 it was still only in BRI Syariah.	BRI became one of 8 (eight) other banks appointed by OJK in 2015 as the pilot project of the first movers on sustainable banking in Indonesia.
4.	The management of environmental, social, and governance risks at BSI is outlined in the Financing Portfolio Guideline Business Procedures Standard which broadly includes 4 directions related to financing, namely the prohibition of providing financing that violates the main principles of Sharia, the prohibition of providing financing that has the potential to damage the environment, the obligation of AMDAL and PROPER for the required types of business, and the establishment of Industry Acceptance Criteria (IAC) for the palm oil industry that has Indonesian Sustainable Palm Oil (ISPO) and/or Roundtable for Sustainable Palm Oil (RSPO) certification. Bank Syariah Indonesia has a Standard Operating Procedure (SPO), Corporate Plan (Corplan), RAKB, and Bank Business Plan (RBB), this SPO contains the steps in preparing the RAKB and RBB, including developing a sustainable finance priority program. This document regulates the procedures for the financing process to debate with environmentally sound business activities. BSI has green finance criteria that become one of the considerations in providing financing. Each prospective debtor's business must meet the criteria of environmental impact analysis, among others: 1. No pollution in the production process. 2. No pollution and waste treatment according to regulations. 3. No complaints from residents about the business premises. 4. Fulfillment of all applicable government regulations such as the possession of a business license.	BRI already has guidelines for the implementation and implementation strategy of sustainable finance as stated in the circular letter of the Board of Directors No.52-DIR/ESG/10/2022 concerning Sustainability Policy and Strategy. This document also defines the responsible party and regulates the level of authority in the implementation of sustainable finance. In 2022, BRI organized the ESG Desk into the ESG Division which is responsible for the implementation of ESG and sustainable finance and is directly monitored by the ESG Committee directors. BRI actively participates in sustainable financing initiatives that refer to the Loand Portfolio Guidelines (LPG). BRI's LPG regulates credit requirements, one of which is a checklist related to ESG aspects. ESG aspects are one of the aspects that need to be confirmed in the know your customer (KYC) process. It will be outlined in the form of a Memorandum of Business Analysis (MAB). BRI also adjusted the lending policy with the green sector as stated in Circular Letter No. 74-DIR/MPE/12/2020 dated December 30, 2020, concerning the green sector provisions of PT BRI (Persero) Tbk. In lending, BRI pays attention to environmental risks including climate change issues where the Loan Portfolio Guidelines Policy regulates certification statements or documents that show debtors or prospective debtors pay attention to sustainable business in the pre-screening process. Based on Circular Letter No. SE.30+DIR/MPE/05/2022. Dated May 23, 2022, regarding Loan

		Portfolio Guidelines (LPG), the requirements in the selection and evacuation process that involve environmental and social risk mitigation and meet the general Acceptable Risk Criteria are as follows: 1. Complete licensing by applicable regulations. 2. Environmental management documents based on the industrial sector including Environmental Management Efforts, and Environmental Monitoring Efforts (UKL-UPL). Environmental Impact Analysis or AMDAL natural resource management certification permits including RSPO and ISPO to determine proper small and medium cooperative debtors for medium and cooperative debtors in the oil palm plantation business sector. 3. The results of an environmental impact study or analysis in which Bri is committed not to provide credit financing for businesses that damage the environment or negative exclusion lists such as the National heritage park does not support financing for land acquisition activities through violence and does not finance debtor business activities that can damage UNESCO World Heritage Sites. 4. There is a sector limit which is an overall limit on credit placement in each industry sector.

Table.3
Equation of Analysis of Green Banking Implementation and Risk Mitigation of Financing Distribution through Comparative Studies

No.	Similarities between BSI and BRI
1.	In its implementation, BSI and BRI are relatively the same in terms of prerequisites for financing distribution, customers are required to meet complementary documents as prerequisites before the financing is realized. Such as personal identity and other prerequisites provided by the bank. The distribution of financing based on the concept of green banking itself, in addition to conducting a careful assessment of customers with the 5C aspects (Character, Capacity, Capital, Collateral, and Condition) must also pay attention to social and environmental aspects, namely seen from the results of the assessment of environmental management as evidenced by the fulfilment of environmental documents.
2.	The practice of the Sustainable Finance Action Plan (RAKB) of BRI bank as the first mover is not much different from BSI, which contains organizational adjustments, product development, and human resource capacity development (HR) to implement green banking. With this provision, it can maximize costs on environmentally friendly projects, increase competence, and apply risk management to social, environmental, and governance. This action plan contains priority banking activities implemented in the next one to five years and improves the quality of sustainability reporting information for stakeholders. With the RAKB and more focused sustainability reports the principles of sustainable finance policies run well.
3.	Since the establishment of the green banking policy by the Financial Services Authority on the financial action plan mentioned in article 4 (four) POJK No. 51/2017 has been implemented by Bank Syariah Indonesia and by Bank Rakyat Indonesia. With this policy, banks in Indonesia have committed to providing financing to *mudharib* who have certification by environmental, social, and governance (LST) principles. Then have an AMDAL (Environmental Impact Analysis) permit in the green construction, agriculture, green infrastructure, forestry, renewable energy, recycling industry, and energy efficiency sectors. So that the provisions by the bank are by the principles of sustainable finance.
4.	BSI and BRI both provide financing to palm oil industry business customers who already have Indonesia Sustainably Plam Oil (ISPO) or Roundtable Sustainable Plam Oil (RSPO) certification. MSMEs are one of the play a role sectors that play a role in the national economy. The bank is committed to providing ESH-oriented MSME financing as one of the supporters of the real sector economy. BSI and BRI identify sustainable financing or activities for environmentally sound business based on Technical Guidelines No. 51/POJK.03/2017 where OJK has established criteria and sustainable business activities (KKUB). Based on these guidelines, BSI and BRI identified sustainable financing consisting of MSME financing and non-MSME green portfolios.

In line with BSI, BRI is also very strict in mitigating the risk of financing distribution related to the implementation of green banking. BRI will routinely conduct monitoring and evaluation to ensure that debtors apply sustainable finance principles at least once a year, one of the methods used is the visited method. Supervision is carried out by reviewing credit documents submitted by the debtor. BRI will follow up on the company related to the financing provided. Meanwhile, at BSI,

DOI: https://doi.org/10.32332/ijie.v6i01.88556

monitoring evaluation and supervision of the customer business development is carried out every three months through several communication media.

The implementation of risk mitigation for financing distribution in the implementation of green banking by BSI and BRI has the same characteristics. Stick assessment from the beginning of the financing application to the ongoing financing process is still being monitored. This is certainly done so that the financing provided is in accordance with the agreement between the bank and the customer and in line with applicable regulations.

E. Conclusion

The implementation of green banking in mitigating the risk financing disbursement oat Bank Syariah Indonesia is outline in the Financing Portfolio Guidelines Business Procedures Standard which broadly includes 4 directions related to the provision of principles of financing, namely the probation of providing financing that violate the main principles of Sharia, the prohibition of providing financing that the potential to damage the environment, the obligation of AMDAL and PROPER for the required types of business, and the establishment of Industry Acceptance Criteria (IAC) for the palm oil industry. The implementation of green banking in mitigating the risk of financing distribution at Bak Rakyat Indonesia has routinely carried out monitoring and evaluation to ensure thar debtor apply sustainable finance principles at least once a year. One of the methods used is the visit method. BRI will request in information from the debtor is principles of sustainable finance, BRI may decide to terminate the financing.

Comparative between Bank Syariah Indonesia and Bank Rakyat Indonesia in terms of implementing green banking in financing distribution as that there are similarities and differences between Bank Syariah Indonesia and Bank Rakyat Indonesia analyzing the implementation of green banking in mitigating financing risks, namely in BSI in its business practices by prioritizing the principle of prudence does not contain elements of *gharar*, *maisyir*, and *usury*. Meanwhile, BRI has an advantage in terms of promoting environmentally friendly businesses to support sustainable development. To develop evaluation and supervision of its customers' business development, BSI conducts monitoring once every three months through several communication media including video conferences, on the spot, visits, consultant assistance, watchlist quarterly reviews, and annual reviews. BRI conducts routine monitoring and evaluation to ensure customers apply the principles of sustainable finance at least once a year, one of the methods used is the site visit method. BRI became one of 8 (eight) other banks appointed by OJK in 2015 as the pilot project of the first movers on sustainable banking in Indonesia. However, in 2015 BSI also entered but in 2015 it was still single only at BRI Syariah.

While the similarities of the Analysis of Green Banking Implementation and Risk Mitigation of Financing Distribution through Comparative Studies at BSI and BRI are in its implementation, BSI and BRI are first, relatively the same in terms of prerequisites for financing distribution, customers are required to fulfill complementary documents as prerequisites before the financing is realized. Second, the practice of Sustainable Finance Action Plan (RAKB) of BRI bank as the first mover is not much different from BSI, which contains organizational adjustments, product development and human resource (HR) capacity development to implement green banking. With this provision, it can maximize costs on environmentally friendly projects, increase competence, and apply risk management to social, environmental and governance. Since the establishment of the green banking policy by the Financial Services Authority on the financial action plan mentioned in article 4 (four) POJK No. 51/2017 has been implemented by Bank Syariah Indonesia and by Bank Rakyat Indonesia.

With this policy, banks in Indonesia have committed to providing financing to *mudharib* who have certification in accordance with environmental, social and governance (LST) principles. And finally, since the establishment of the green banking policy by the Financial Services Authority regarding the financial action plan mentioned in article 4 (four) POJK No. 51/2017 has been implemented by Bank Syariah Indonesia and by Bank Rakyat Indonesia with this policy, banks in Indonesia have committed to providing financing to *mudharib* who have certification in accordance with environmental, social and governance (ESG) principles.

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