

## **Juridical Review of the Implementation of Corporate Social Responsibility (CSR) as a Banking Commitment to Realizing Sustainable Banking (Case Study at PT Bank BJB, Tbk)**

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### **ABSTRACT**

*Applicability of the Financial Services Authority Regulation (POJK) No. 51 of 2017 on Sustainable Finance will gradually require banks to apply the principles of sustainable finance. One of the banking commitments to realize sustainable banking is carried out through the implementation of social and environmental responsibility (CSR) that integrates economic, social, environmental and governance aspects. The legal issue in implementing CSR is the change like regulation, which is all voluntary rules to become obligatory rules. Also, banking CSR practices require adjustments to accommodate sustainable financial principles to realize sustainable banking. The approach method used in this study is a normative juridical approach with descriptive, analytical research specifications, using secondary data in the form of primary, secondary and tertiary legal materials analyzed qualitatively juridically. The results of the study indicate that the regulations governing CSR as a commitment of banks to realize sustainable banking still require more detailed arrangements, specifically the determination of the amount and source of CSR funds and sanctions for violations of CSR. Also, banks have not been optimal in using CSR as a means to accelerate the realization of sustainable banking. The effort that must be made by banks is to include CSR as part of the company's value and change the view that CSR is a good practice of banking that will generate long-term benefits for all stakeholders.*

**Keywords:** Corporate Social Responsibility (CSR), Banking, Sustainable Banking  
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### **1. INTRODUCTION**

Banking is part of the financial services sector which has an important function in national economic development. Banking does not only function as an agent of development to encourage business activities through credit or financing, but also functions as an agent of trust and agent of services. As an agent of trust National banking is not only obliged to maintain public trust as the owner of the fund, but also must have trust in the community using the funds. This function as an agent of trust is closely related to the main principles of banking, namely the prudential banking principle, especially in the provision of credit or financing. Banks are required to have a Credit Policy or Bank Financing (KPB) Guideline as regulated in OJK Regulation Number: 42 / POJK.03 / 2017 concerning Obligations for Preparation and Implementation of Credit or Bank Financing Policies (Lastuti Abubakar, 2018).

The obligation to apply the precautionary principle in granting credit or financing has previously been mandated in Article 8 and Explanation of Article 8 of Law Number 10 the Year 1998 concerning

Amendment to Law Number 7 the Year 1992 concerning Banking (Banking Law). In addition to lending, banks are required to apply the bank's prudential principles in every activity, especially to avoid losses to both the bank and third parties. This precautionary principle must be translated as compliance with the Bank in all applicable laws and regulations, including guidelines made by the Bank and related regulations (regulatory compliance). Thus, the application of the precautionary principle has a broad scope, not only related to the process of granting credit or financing but is closely related to institutions and processes, including bank products and services (Abubakar & Handayani, 2017). Also, as a national banking agent of services, it is required to develop its products and services to provide optimal service for the community and meet the demands and global development. (OJK, 2016)

The function of the national banking system is always influenced by changes in the global financial regulation order. One of the changes in global development policies that have implications for banking activities is the commitment of the Indonesian government to realize sustainable development goals whose implementation in the banking sector refers to the OJK Regulation Number further stated in Presidential Regulation Number 51/POJK.03/2017 About Sustainable Financial Implementation for Financial Services Institutions (POJK Sustainable Finance). Based on Article 3 POJK, Banks are required to apply the principles of sustainable finance in stages starting January 1, 2019, for Commercial Banks including Commercial Banks with Business Activities (BUKU) 3, BUKU 4 and Foreign Banks.

Changes in the regulation of the global financial sector, demanded the banking sector to follow changes in global regulations and policies relating to the banking sector. One of the changes in global regulation that has implications for national banking activities is the commitment of the Indonesian government to realize global development through the agreement of countries as contained in the document entitled Transforming Our World: The 2030 Agenda for Sustainable Development which contains 17 Objectives and 169 Targets that take effect in 2016 to 2030. This Indonesian commitment is then outlined in Presidential Regulation Number: 59 of 2017 concerning the Implementation of the Achievement of the Sustainable Development Goals (Perpres TPB) which sets national targets for the period 2017 to 2019 in the 2015-2019 National Medium-Term Development Plan.

This sustainable development objective aims to maintain an increase in the economic well-being of the community sustainably, maintain the social life of the community, maintain environmental quality and inclusive development and implement governance that can maintain an increase in the quality of life from one generation to the next. Furthermore, one of the objectives of the Sustainable Development Goals (SDG's) relating to the financial sector is the 8th goal of "promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" (UN, 2017) in the appendix to the Presidential Regulation 59/2017, the global target of the 8th goal is to strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all. This target is translated into the 2015-2019 National RPJMN target, namely increasing expansion of access to capital and financial services through strengthening financial services until 2019, and appointing one of the implementing agencies to the Financial Services Authority which has a role to succeed the government's commitment through sustainable financial programs. Finance). On that basis, the Financial Services Authority issued a 2015-2019 sustainable financial roadmap in Indonesia containing an explanation of the work plan for sustainable financial programs that are under the authority of the OJK, namely banking, capital markets and the Non-Bank Financial Industry (NB). This Sustainable Finance Roadmap will be part of the Indonesian Financial Services Sector Master Plan (MPSJKI) and used as a reference for other sustainable financial stakeholders (OJK, 2014). The Sustainable Finance Roadmap mandates the need for follow-up by issuing specific regulations and binding on all financial service institutions, issuers, and public companies. On that basis, OJK issues POJK Number: 51 / POJK.03 / 2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions. (POJK Sustainable Finance)

Based on Article 1 Number 8 POJK, what is meant by Sustainable Finance is comprehensive support from the financial services sector to create sustainable economic growth by harmonizing economic, social and environmental interests. This concept is in line with some notions of sustainable finance in other countries, although some focus on harmony between the environment, social and governance in their business activities. This concept, for example, is embraced by Switzerland which means "sustainable finance refers to any form of financial service integrating environmental, social and governance (ESG) criteria into the business or investment. (FIRST, 2016) Based on the definition above, it can be concluded that sustainable finance refers to any form of financial service that integrates environmental, social and governance criteria into business decisions or investments for long-term benefits for customers and society. Likewise with the notion of sustainable finance issued by the European Union that "sustainable finance of finance to investments takes into account environmental, social and governance considerations" (SBN, 2018). Based on this definition, sustainable finance is the provision of finance for investments taking into account environmental, social and governance considerations. Sustainable finance includes a strong green finance component to support economic growth, but on the other hand, it reduces pressure on the environment, overcomes greenhouse gas emissions and overcomes pollution, minimizes waste and increases efficiency in the use of natural resources. (Deutsche Telekom AG & Stakeholder Reporting GmbH, 2018) Based on several definitions outlined, sustainable finance in principle emphasizes the integration of business activities in the financial services sector with social, environmental and governance aspects, which of course will have implications for policy, decision making and work culture in internal financial service institutions.

Sustainable financial implementation based on POJK Sustainable finance is focused on the obligations of financial service institutions to make Sustainable Financial and Sustainability Reports Action Plans. The two obligations are regulated in Annex I and II of POJK Sustainable Finance. Based on Article 1 Number 11 POJK Sustainable finance, this Sustainable Financial Action Plan is a written document that describes the activities of business activity plans and work programs of short-term financial institutions (1 year) and long-term programs (5 years) in accordance with the principles of sustainable finance. While the Sustainability Report is a report that is announced to the public that contains the financial, social and environmental economic performance of a financial service institution, Issuer, and Public Company in carrying out sustainable business.

One of the principles used in implementing sustainable finance is the principle of managing social and environmental risks. This principle is implemented, among others, through corporate social responsibility or CSR in financial service institutions that have been regulated in Article 74 of the PT Law. This social and environmental responsibility is a commitment to participate in sustainable economic development to improve the quality of life. And a beneficial environment, both for the company itself, the local community, and the community at large.

Based on POJK Sustainable Finance, this obligation to implement sustainable finance must be carried out by banks classified as Commercial Banks with Business Activities (BUKU) 3 and four on January 1, 2019. Thus, national banks, particularly BUKU 3 and 4 Banks, must implement the principles of sustainable finance in activities, services, and products. The legal issue is whether the implementation of CSR that has been carried out by national banks is by the principles of sustainable finance? Also, what are the efforts of banks to optimize CSR to realize sustainable banking? Based on these problems, the researcher tried to analyze the implementation of CSR in national banks, especially Bank BJB, Tbk as one of the first movers (implementing first) banks that applied the principle of sustainable finance.

## 2. RESEARCH METHOD

This research is descriptive analytical, which presents systematically, factually and accurately about the facts by reviewing and describing legal aspects problems related to the implementation of CSR in banks as an effort to realize sustainable banking as part of the government's commitment to achieve sustainable development goals. The approach method used is a normative juridical approach using secondary data in the form of primary legal material consisting of laws and regulations, secondary legal materials, namely relevant journals or the results of previous research and tertiary legal materials. In addition, a sustainable financial concept approach is also used in this research method. The concept of sustainable finance is basically not the same between one country and another, but in general it refers to the concept of sustainable development that has been agreed upon by UN member states. Primary data obtained from the results of field research are used to strengthen or support secondary data. Furthermore, the data is analyzed qualitatively juridically, meaning that conclusions are not based on statistical figures, but are based on the relationship between legal principles, legal rules and legal interpretation.

## 3. RESULT AND DISCUSSION

### 3.1. Sustainable Banking: Financial Services Sector Commitments.

Indonesia represented by the Financial Services Authority (OJK) has become a member of the Sustainable Banking Network (SBN) working group, a voluntary community of financial regulators, banks and environmental regulators of developing countries that are committed to advancing sustainable finance that prioritizes national development, deepening and stable financial market. The approach used is good international practices that reflect national context and priorities. The main objectives of SBN are to a) provide technical assistance to support their members in creating an enabling environment through the development and implementation of a national sustainable financial framework; b) organizing a global platform for practitioners to benefit from best practices and shared learning; c) provide capacity building and knowledge sharing between members. Through the International Finance Corporation (IFC) as part of the private sector of the World Bank group, technical assistance is provided to SBN members based on practical experience gained from regulating and implementing environmental, social and governance (ESG) sustainability standards, as well as from private sector investment and consulting on emerging markets in green financial innovation (green finance). IFC also acts as a Secretariat and knowledge partner to network and connect SBN with its global network of development partners. In the course of SBN, IFC has supported members in developing and implementing various types of sustainable financial frameworks that are relevant to the national context of participating countries, including guidance on banking regulations such as environmental and social risk management guidelines, high-level policy statements such as sustainable financial roadmaps, and standards voluntary industries such as the principle of sustainable finance. (SBN, 2018)

At present, the SBN consists of 35 countries, which represent \$ 42.6 trillion in banking assets or 85% of the \$ 50 trillion in banking assets in emerging markets. Through collaboration with financial regulators, SBN supports and contributes to the formulation of green financing strategies with a focus on banking policies in member countries. The majority of SBN members already have a sustainable development strategy or climate strategy as a drive to commit to advancing sustainable finance and the desire to develop guidelines or standards, including national sustainable development goals. Indonesia through the OJK sees sustainable finance as a means to realize Indonesia's commitment to global and national sustainable development goals and climate change targets. To that end, OJK has issued a sustainable financial roadmap and POJK Sustainable Finance as an umbrella policy to green the entire financial system, including banking. (SBN, 2018) The principles of sustainable finance that must be implemented by Financial Services Institutions based on the roadmap are as follows (OJK, 2017):

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1. The Risk Management Principle that integrates environmental and social protection aspects in risk management. LJK to avoid, prevent and minimize the negative impacts that arise and encourage the increase of the benefits of LJK activities and operations.
2. Principles of Economic Sector Development Sustainable Priorities that are inclusive by increasing funding activities, especially in the industrial, energy, agricultural (broad sense) sectors, infrastructure and MSMEs by balancing economic, environmental and social aspects, and providing financial services to communities that generally have limitations or do not have access to financial services in the formal sector.
3. Principles of Environmental and Social Governance and reporting, by carrying out stable and transparent environmental and social governance practices in LJK's operational activities and on environmental and social governance practices held by LJK customers; and periodically report on the progress of LJK in applying sustainable financial principles to the community.
4. Principles of Capacity Building and Collaborative Partnership by developing the capacity of human resources, information technology and operational processes of each LJK related to the application of the principles of sustainable finance; and establishing cooperation between LJK, regulators, the government and utilizing partnerships with domestic and international institutions to encourage sustainable financial progress.

The principle of sustainable finance above can be revised based on input from various parties, including regulations issued by OJK. Thus, substantially POJK Sustainable Finance has elaborated on the principles and specifically regulated the principles that must be implemented by LJK, Issuers and Public Companies. Article 2 POJK Sustainable Finance regulates several principles, namely:

1. The principle of investment is responsible;
2. Principles of sustainable business strategies and practices;
3. Principles of managing social and environmental risks;
4. Governance principles;
5. The principle of informative communication;
6. The principle of inclusive;
7. The principle of developing priority sectors; and
8. The principle of coordination and collaboration.

Based on POJK's Sustainable Financial Explanation, the direction of regulating the implementation of sustainable finance in the financial sector is to encourage the creation of sustainable finance in the financial services sector that supports economic sustainability in the financial services sector that supports economic, social and environmental sustainability in the implementation of the development process in Indonesia. The target of the regulation on the implementation of Sustainable Finance is that every LJK, issuer, and Public Company has awareness or commitment to the implementation of the principle of Sustainable Finance, contributing to product development in the form of goods and services that take into account economic, social and environmental aspects. Also, with the existence of POJK Sustainable finance, it is expected that conditions will create healthy competition and avoid activities that harm one party. Furthermore, POJK Sustainable Finance explains the purpose of implementing Sustainable Finance, namely (OJK, 2017):

1. Providing funding sources needed to achieve sustainable development goals and funding related to climate change in an adequate amount;
2. Increase the resilience and competitiveness of LJK, issuers, and Public Companies through better management of social and environmental risks by developing financial products and/or services that apply the principle of Sustainable Finance so that they can contribute positively to financial system stability;

3. Reducing social inequalities, reducing and preventing environmental damage, maintaining biodiversity, and promoting efficient use of energy and natural resources; and
4. Develop financial products and/or services that apply the principle of Sustainable Finance.

The selection of banks as the financial services sector which will first implement sustainable finance is not without reason. As a financial service institution that has an intermediary function and a driver of the national economy, banks have links with other financial services sectors, not only at the national level but at the level of the global financial sector. In the development of financial sector regulations, banking activities can influence other financial sectors, even potentially causing systemic risk due to their relationship with other banks or other financial services sectors. This raises a new approach in the regulation of the financial services sector which is commonly called interconnectedness. This approach is also used in Law Number 9 of 2016 concerning Prevention and Handling of the Financial System Crisis (PPKSK Law), specifically Article 1 Number 5 which defines Systemic Banks as "Banks that are due to the size of assets, capital and liabilities; network size or complexity of transactions for banking services; and the relationship with other financial sectors can result in the failure of part or all of the other Bank or financial services sector, both operationally and financially, if the Bank experiences a failure or failure. "

When viewed from the policy of implementing sustainable finance, then in the medium term (2015-2019) it is expected that LJK already has regulations and a reporting system (sustainability reporting), in addition to understanding, knowledge, and competency of human resources, including preparedness of systems that can monitor increased funding volumes in priority economic sectors

Based on POJK for Sustainable finance, the obligation to apply sustainable financial principles will be carried out in stages, namely:

**Table 1.** Agenda for Implementing the Principles of Sustainable Finance

No.	Financial Services Institution	Sustainable financial implementation
1	Banks with Business Activities (BUKU) 3 & 4	January 1, 2019
2	BUKU 1 & 2; finance companies, Islamic finance companies, venture capital, Islamic venture capital, infrastructure finance companies, insurance companies, sharia insurance companies, reinsurance companies, sharia reinsurance companies, Indonesian Export Financing Institutions, Housing Secondary Housing Financing, BPJS, issuers other than Issuers with scale assets small and medium and public companies	January 1, 2020
3	BPR based on Business Activities (BPRKU) 3, BPRS equivalent to BPRKU 3, Securities Companies, Issuers with Medium-scale Assets	January 1, 2022
4	BPRKU 1 and 2, BPRS equivalent to BPRKU 1 and 2, small scale issuers, securities companies that do not administer customer securities accounts, mortgage companies, guarantee companies, sharia guarantee companies	January 1, 2024
5	LJK is in the form of pension funds with total assets of 1 trillion	January 1, 2025

Based on the above provisions, then Banks which are included in BUKU 3 and four must apply the principle of sustainable finance as of January 1, 2019. OJK regulations do not specifically define sustainable banking. Therefore it can be seen the notion of sustainable banking provided by the SBN-International Finance Corporation (IFC) that the definition of sustainable banking/finance can differ

across community practices and based on national development priorities. The term sustainable banking is generally understood to include some or all of the following dimensions:

1. Integrating environmental, social and governance considerations in investment and making lending decisions;
2. Loans and investments for green industries/projects;
3. Corporate social responsibility (CSR) initiatives including how the bank manages its social and environmental track record.

**Table 2.** Types of Approaches in Sustainable Banking Implementation

No.	Type of approach	Country
1	The regulatory approach, led by the financial / banking regulator	Bangladesh, Cina, Indonesia, Maroko, Peru dan Vietnam.
2	Industry-led Voluntary approaches, led by banking associations	Kolombia, Ekuador, Kenya, Meksiko, Mongolia, Turki dan Afrika Selatan.
3	Collaborative approach that combines initiatives initiated by industry and regulation. Starting with voluntary principles led by associations and strengthened by regulations by regulators	Brasil dan Nigeria

Source : SBN-Briefing April 2018.

It is interesting to note that Indonesia is included in the category of countries that use a regulatory approach. According to the results of the study, Indonesia does not only use a regulatory approach, but many national banks voluntarily have already begun to apply sustainable financial principles long before POJK is implemented. The difference is that national banks voluntarily implement sustainable finance as part of compliance with good corporate governance and the obligation to implement corporate social responsibility (CSR) which is well regulated in the Limited Liability Company Law (PT Law) as *lex generalis* and in banking regulations.

### 3.2. Obligations of the Bank's Corporate Social Responsibility

In positive law in Indonesia, Corporate Social Responsibility (CSR) is regulated in Law Number: 40 of 2007 concerning Limited Liability Companies. Article 74 of the PT Law stipulates that:

1. The Company that carries out its business activities in the field and relating to natural resources must carry out Social and Environmental Responsibility.
2. Social and Environmental Responsibilities as referred to in paragraph (1) are corporate liabilities that are budgeted and calculated as company costs for which implementation is carried out by observing dignity and fairness. Also, the provisions of Article 74 of the PT Law impose an obligation to carry out social and environmental responsibilities only

Based on the explanation of Article 74 of the PT Law, the arrangement in Article 74 aims to continue to create harmonious, balanced and by the environment of the values, norms, and culture of the local community. In addition, these environmental and social responsibility obligations are explicitly addressed to 1) The Company that carries out its business activities in the field of natural resources, namely the Company that manages and utilizes natural resources; and 2) The Company that carries out its business activities related to natural resources, namely the Company that does not manage and does not utilize natural resources, but with its business activities has an impact on the function of natural resource capabilities.

If observed, the regulation of social and environmental responsibility in the PT Law focuses on environmental impacts. The arrangement in Article 74 of the PT Law is further expanded by Article 2 Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibilities of

Limited Liability Companies which regulates that "Every Company as a legal subject has social and environmental responsibility." Based on the explanation of Article 2, this provision confirms that basically every Company as a manifestation of human activities in the field of business, is morally committed to being responsible for the continued creation of Company relations that are harmonious and balanced with the environment and local communities in accordance with values, norms and culture the community. Thus, this social and environmental responsibility is inherent in every limited company. The regulation of CSR in the PT Law is a general regulation that applies to each Limited Liability Company. In addition to the PT Law, specifically for PT (Persero) applies BUMN Minister Regulation Number PER-02 / MBU / 7 2017 concerning Second Amendment to SOE Minister Regulation Number PER-09 / MBU / 07/2015 Concerning the Partnership Program and Business Community Development Program State-owned (PKBL BUMN Candy). Based on Article 1 Number 6 Candy PKBL BUMN, what is meant by the BUMN Partnership Program is a program to improve the ability of small businesses to become resilient and independent.

Furthermore, Article 1 Number 7 explains that what is meant by the Community Development Program is a program to empower the social conditions of the people by the BUMN. This BUMN PKBL Candy is an implementation of Article 88 of Law Number 19 of 2003 concerning State-Owned Enterprises (UU BUMN), which regulates that BUMNs can set aside part of their net income to foster small businesses/cooperatives and fostering communities around BUMN. Provisions regarding the allowance and use of this profit are regulated by a ministerial decree.

This regulation on Social and Environmental Responsibility or CSR has changed the concept of optional rules into obligatory rules for individual companies. These CSR problems have been debated since the 1950s. In its development CSR experiences changes in meaning and practice. The classic view of CSR, which is all limited to philanthropy, has shifted to emphasizing business and community relations, primarily referring to the contribution that companies make to solving social problems. And at the beginning of the 20th century, this link between social performance and market performance encouraged company management to take the initiative in improving ethical and fairness standards in society through the ethics of economics (economic) with efficient use of resources. Thus, businesses create wealth in society and provide a better standard of living. At present CSR has become a concept where companies will consider the interests of the community by taking responsibility for the impact of their activities on society and the environment. In its implementation, CSR will influence the company's strategy to conduct business in an ethical and friendly manner. This Corporate Social Responsibility can involve various activities such as in partnership with local communities, investments that pay attention to social interests, develop relationships with employees, customers, and their families, and engage in activities for environmental conservation and sustainability (Maimunah Ismail, 2009).

At present, CSR is no longer felt like a burden on the company but has become an integral part of the company's business activities as a corporate strategy to create value for sustainability. One of the visions that link business and community activities in 2020 is sustainable supply, namely business activities (business) view sustainability as an opportunity and utilize technology to develop innovative solutions to social and environmental problems. Therefore, regulation can function to guarantee the market to make new sustainability innovations and encourage businesses to make long-term investments. Business and society jointly develop strategies that can be applied to protect global resources. (Committee on Encouraging Corporate Philanthropy Based on research by McKinsey & Company, 2010) In line with the commitment of the financial services sector including banks to implement sustainable financial principles, CSR can be used by the banking industry as a means to realize sustainable banking. Banking regulations include CSR activities in annual reports that must be

reported to the FSA. This reporting obligation then becomes part of the Bank's obligation to implement sustainable finance.

### 3.3. Corporate Social Responsibility (CSR) at the Bank (CSR practices at Bank BJB, Tbk)

General Social and Environmental Responsibility or Corporate Social responsibility is regulated in Article 74 of Law No. : 40 of 2007 concerning Limited Liability Company (PT), so that it applies to all PTs, especially mandatory for companies that carry out their business activities in the field and related to natural resources. Banking is no exception, both conventional and sharia, as long as the business entity is a Limited Liability Company.

The implementation of CSR in banks as one of the efforts to realize sustainable banking can be seen in the Sustainability Report. Based on the attachment II of POJK Sustainable Finance, banks are given the option of whether the sustainability report will be prepared separately or as a part that is not separate from the annual report. Before the obligation to submit a sustainability report becomes mandatory for Banks entering BUKU 3 and 4, several Banks have made and submitted sustainability reports voluntarily to the OJK. Some of these national banks represent 46% of Indonesian banking assets that are grouped as "The first movers on sustainable banking", namely Bank Artha Graha Indonesia, BRI Syariah, Bank Central Asia, Bank Mandiri, Bank Muamalat, Bank Negara Indonesia (PT Bank BNI) , Bank Rakyat Indonesia (PT Bank BRI, Tbk), and West Java and Banten Regional Development Banks (PT Bank BJB, Tbk). To illustrate the application of sustainable financial principles to the Bank, Researchers try to see the implementation of sustainable financial principles, especially the implementation of CSR at PT Bank BJB, Tbk, which can be one of the substances in a sustainable report. PT Bank BJB, Tbk has made and delivered continuous reports since 2011, but those published and can be accessed on the web of PT Bank BJB, Tbk are continuous reports from 2013 to 2017. In each continuous report a report on CSR of PT Bank BJB is published, Tbk. The following is a comparison of the implementation of CSR in PT Bank BJB, Tbk from 2013 to 2017 which will be illustrated in table form.

**Table 3.** CSR Implementation at PT Bank BJB, Tbk from 2013-2017

No.	Substance	2013	2014	2015	2016	2017
1	Total SCR funds (in IDR billion)	Rp.74.1 billion or a maximum of 5% of profit	Rp.86.04 Billion or 5% of 2013 profits + the balance of previous year's CSR funds	Rp.16,860,000,000 (Education)	-----	-----
2	Realization of CSR Funds	Rp.39.694.245.183.	Rp.46.110.000.000	Rp.8,430,000,000 Billion (Education)	Rp.79.324.457.534	Rp.116.889.226.922 Billion
3	CSR scope	Education, Health, Environment	Education, Health, Environment	Education, Health, Environment	Education, Health, Environment	Education, Health, Environment
4	Purpose	Balance and harmony between business, social and environmental dimensions	Balance and harmony between business, social and environmental dimensions	Balance and harmony between business, social and environmental dimensions	Balance and harmony between business, social and environmental dimensions	Balance and harmony between business, social and environmental dimensions

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No.	Substance	2013	2014	2015	2016	2017
5	Cooperation	Business partners, government, universities, private institutions				
6	Source of funds	Allowance for profit after tax as stipulated in the RUPS	Allowance for profit after tax as stipulated in the RUPS	Allowance for profit after tax as stipulated in the RUPS	Allowance for profit after tax as stipulated in the RUPS	Allowance for profit after tax as stipulated in the RUPS

Source: PT Bank BJB, Tbk Sustainability Report's from 2013-2017

Referring to the data above, CSR fund allocation from year to year has increased, so that it can be concluded that the Bank's contribution to social and environmental responsibility is getting bigger. The amount of CSR funds comes from a maximum of 5% of the Company's profits plus the balance of the previous year's CSR funds. The mechanism for determining the amount of CSR funds is determined by the GMS. Furthermore, based on the data outlined in the 2013-2017 continuous report, it appears that social and environmental responsibility (CSR) is focused on three pillars, namely the environment, education, and health. In its implementation, PT Bank BJB, Tbk uses four approaches to realize CSR:

1. Actively participate in the implementation of CSR in the community;
2. Working actively with local NGOs in implementing CSR;
3. Cooperating with government and private institutions in supporting low-income community communities;
4. Direct financial donations and sponsorships for community-based organizations and initiatives.

The largest CSR fund is channeled to the environment, reaching 75.83% in 2017. The environmental pillar in question includes public infrastructure, facilities, and social and religious facilities. The implementation of CSR activities related to the environment is packaged in CSR activities in the community, and these activities include:

1. Distribution of tree seedlings
2. The arrangement of Green Spaces / Parks and Watersheds (DAS);
3. Construction / Renovation of Houses Not Eligible;
4. Construction of Waste Water Drains.

The implementation of CSR activities carried out by PT Bank BJB, Tbk throughout 2017, has had an impact, among others, the increasing number of green open spaces as the lungs of the city and absorbers of pollutants. Also, the park / green open space can be utilized by the community as a place of recreation and socialization so that in the end it is expected to improve the quality of the environment for the surrounding community. Also, this CSR activity involves the community in maintaining the environment so that it has an impact on increasing public awareness of the importance of maintaining the surrounding environment through proper reforestation and waste management. (PT Bank BJB, 2017)

The CSR activities of PT Bank BJB, Tbk have not covered all regions of Indonesia, but have been carried out in 13 provinces and 4 activities abroad. The following is the location data of CSR activities of PT Bank BJB, Tbk:

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**Table 4.** Location of Bank BJB's CSR activities in 2017

No.	Location of Activity	Number of Activities	Percentage(%)
1	Jawa Barat	470	81,31
2	Banten	80	13,84
3	DKI Jakarta	8	1,38
4	Jawa Tengah	1	0,17
5	Jawa Timur	1	0,17
6	Aceh	2	0,35
7	Sumatra Utara	1	0,17
8	Sumatra Selatan	1	0,17
9	Kalimantan Timur	3	0,52
10	Kalimantan Selatan	1	0,17
11	Nusa Tenggara Barat	4	0,69
12	Jambi	1	0,17
13	Bangka Belitung	1	0,17
14	Luar Negeri	4	0,69
<b>TOTAL</b>		<b>578</b>	<b>100</b>

Source: Sustainability report of PT Bank BJB, Tbk 2017

### 3.4. Optimizing CSR to Realize Sustainable Banking.

Based on a study of the implementation of CSR at Bank BJB, Tbk, banks have great potential to use CSR as a means of realizing sustainable banking. Some of the reasons that support the above statement are as follows:

1. Optimization at the level of legal implementation appears with the inclusion of CSR as part of Indonesia's positive law that has provided an adequate legal basis for the implementation of Social and Environmental Responsibility (CSR) for banks. In addition to the PT Law as Lex General, the Sustainable Finance and POJK Sustainable Finance roadmap explicitly includes CSR as one of the means to realize sustainable banking by harmonizing economic, social and environmental interests. In practice, CSR in banks is focused on environmental and social pillars such as education, health, and community empowerment.
2. One of the strategic issues in implementing CSR in banks is how banks try to incorporate CSR as part of the corporate value. Corporate value is meant by "the values chosen and decided by the company as the basis and corridor of movement of all elements of the company in running the company. (Indonesia, 2013) In good practice, companies can become proactive agents of change, only by voluntarily agreeing to raise the company's business ethics standards. The survey results from Ethisphere Magazine in 2007 proved that companies that prioritize ethical leadership could increase profits. (Sullivan, 2009) Ethics or corporate morals that merge into company values are very closely related to good corporate governance. One of the pillars of good corporate governance is responsibility, including corporate responsibility towards society and the environment. Therefore, by optimizing the well-designed function of CSR by integrating banking activities with social, environmental and governance, sustainable banking will be more quickly realized. Changes in the implementation of CSR policies that were originally voluntary (obligatory) to obligatory (mandatory) became a driver for banks to accelerate in integrating business aspects of the bank with social, environmental and governance. Based on the results of research conducted at PT Bank BJB, Tbk, there appears to be a change in corporate culture that internally has applied sustainable financial principles through green banking programs, through efforts to encourage sustainable banking, such as saving water, paper, electricity, e office and optimization of CSR funds as outlined in company policies.

There are fundamental changes regarding the role of CSR since the enactment of the PT Law and the passage of POJK Sustainable Finance. Before the PT Law regulates CSR in Article 74, CSR is a way for companies to harmonize company values and behavior with the expectations and needs of stakeholders, not only customers and investors but also employees, suppliers, communities, regulators, special interest groups and communities overall. In other words, CSR describes the company's commitment to being responsible to stakeholders (stakeholders). Corporate Social Responsibility (CSR) means that businesses manage the economic, social and environmental impacts of company activities to maximize benefits and minimize losses. Bowen provided the first modern definition of this CSR concept since 1953, which states that businesses are responsible for their actions outside of the income statement (Fontaine & Rd, 2013). Thus, CSR is a continuing commitment of the company to behave ethically and contribute to economic development without neglecting the quality of life of the community and the environment.

The application of environmentally and socially responsible practices will increase shareholder value and have an impact on improving financial performance and guaranteeing sustainable success for the company. In practice, not all companies can implement CSR properly so that their goals are not achieved. This is because CSR is not planned and not supported by a good concept (Suparman, 2013). Article 74 of the PT Law generally regulates CSR as an obligation for companies engaged in and related to the management of natural resources that must be taken into account in production costs. The regulation of CSR in the PT Law led to debate due to the uncertain regulation of the number of fees and sanctions due to the failure of CSR to be implemented by the company. Article 74 Paragraph (2) of the PT Law stipulates that Social and Environmental Responsibility is the Company's obligation that is budgeted and calculated as the company's costs which the implementation is carried out by observing propriety and fairness. In the explanation of Article 5 Paragraph (1) PP No. 47 of 2012, the meaning of propriety and reasonableness is interpreted as the Company's policy, which is adjusted to the Company's financial capabilities, and potential risks that result in social and environmental responsibility that must be borne by the company in accordance with its business activities that do not reduce obligations as stipulated in legislation. Invitation. It is not easy to translate dignity and fairness, considering what is reasonable and appropriate for companies not necessarily reasonable and appropriate for stakeholders of the company, especially the government and society. Thus, more detailed regulations are needed regarding CSR or social and environmental responsibility (TJSL). The constraints faced by banks and companies, in general, are the lack of understanding that CSR is a good practice in companies that will be a solution for banks to contribute to sustainable development and not the company's burden.

In addition to more stringent regulations needed to regulate the implementation of CSR sanctions for not implementing CSR, banks can plan and integrate bank activities with social, environmental and governance issues in annual reports or ongoing reports. Determination of the focus of CSR can be determined by looking at or considering the objectives in sustainable finance. Thus, initiatives to determine the focus of CSR fund distribution need to be considered based on the need to realize sustainable banking, not based on community demand. Therefore, CSR needs to be planned carefully and strategically. By incorporating banking CSR in the annual report or ongoing report of the bank, it is certain that CSR has been planned, budgeted and agreed upon at the GMS. Furthermore, if this CSR is managed optimally by referring to social integration, environment and governance and the principles of sustainable finance and the Sustainable Financial Action Plan prepared by the Bank, sustainable banking in Indonesia will be more quickly realized.

#### **4. CONCLUSION**

Regulations governing the implementation of CSR as part of the company's commitment, including banks to realize sustainable banking are not yet complete, especially related to the amount

and source of CSR funds, as well as sanctions for companies that do not implement CSR. At present, banks set aside CSR funds from corporate profits after tax, which amounts to between 4-10%. Also, CSR is still carried out with a voluntary approach so that it has not yet been felt as an inherent part of company values that will bring benefits to the bank in the long run.

Applicability of POJK No. 51 of 2017 concerning Sustainable Finance provides an opportunity for banks to utilize CSR funds in a planned, mature manner and focus on sustainable financial goals and are based on sustainable financial principles to integrate all banking activities into social, environmental and governance aspects.

Sustainable banking will be the spearhead for the financial services sector to contribute to the achievement of sustainable development goals, especially the 8th goal, namely promoting inclusive and sustainable economic growth, productive and comprehensive employment opportunities, and jobs that decent for all.

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