

IMPLEMENTATION OF GREEN BANKING ON PROFITABILITY AT PT BANK NEGARA INDONESIA (PERSERO) TBK FOR THE 2021–2023 PERIOD

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Abstract: Green banking constitutes a strategic initiative aimed at fostering environmentally sustainable practices and mitigating the carbon footprint generated by banking operations. PT Bank Negara Indonesia (BNI), as one of Indonesia's prominent financial institutions, has incorporated green banking initiatives into its operational framework as a tangible demonstration of its commitment to supporting the government's national zero-carbon emission agenda. This study seeks to investigate the influence of green banking implementation on bank profitability, with a particular emphasis on the Return On Equity (ROE) ratio as a key financial performance indicator. The research adopts a qualitative methodology utilizing descriptive analysis, with data obtained from secondary sources in the form of the bank's published annual reports. The results reveal that Bank BNI has actively advanced the green economy agenda in Indonesia through its consistent application of green banking initiatives throughout the 2021–2023 period. These initiatives have made a positive contribution to the enhancement of bank profitability, as evidenced by increased ROE and improved operational efficiency, alongside the integration of climate risk management frameworks in alignment with the institution's long-term objective of achieving Net Zero Emission by 2060.

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Introduction

Business activities today are not solely focused on generating profit but must also consider the social and environmental impacts they produce on surrounding communities and ecosystems. The growing awareness of these impacts has encouraged corporations to adopt a more responsible and sustainable business philosophy, commonly referred to as the Triple Bottom Line (TBL). This concept emphasizes the importance of

balancing three interrelated dimensions: profit (economic performance), people (social responsibility), and planet (environmental sustainability).

In this context, the concept of green banking has emerged as a strategic initiative within the financial services sector, gaining increasing attention from various economic stakeholders due to the worsening environmental issues faced globally. As noted

by Sudhalakshmi and Chinnadorai (2014), green banking involves the promotion of environmentally friendly practices and efforts to reduce the carbon footprint resulting from banking operations. The adoption of green banking practices offers dual benefits: it not only contributes to environmental preservation but also enhances the efficiency and sustainability of banking activities (Yadav & Viswanadham, 2016).

Economic growth can only be realized if the surrounding natural resources are preserved and sustainably managed, ensuring their availability for future generations. As noted by Burhanuddin (2016), sustainable economic growth must be accompanied by improvements in environmental quality, meaning that economic development should carefully consider its impact on environmental degradation to prevent the destruction of life itself. This principle is aligned with the concept of sustainable development, in which the utilization of natural resources must take into account the needs of future generations. Consequently, environmental conservation is an essential prerequisite for achieving sustainable economic growth.

In Indonesia, green banking practices are not merely a response to emerging trends but are also firmly grounded in a regulatory framework that actively promotes the implementation of environmentally conscious banking operations. Bank Indonesia Regulation (PBI) No. 14/15/PBI/2012 incorporates environmental management assessments of debtors as a prerequisite for credit disbursement. Furthermore, Bank Indonesia (BI), in collaboration with the Ministry of Environment, has established environmental analyst training programs designed to assess the environmental feasibility of credit applications, including through Environmental Impact Analysis (AMDAL). In addition, provisions related to green banking initiatives are regulated under Financial Services Authority (OJK) Regulation

No. 51/POJK.03/2017, concerning the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies. This regulatory framework reflects the Indonesian government's commitment to integrating environmental sustainability within the country's financial sector.

One of the key efforts that can be undertaken by the banking sector to mitigate the environmental impact of its business activities is the implementation of green banking practices. The focus of this study is PT Bank Negara Indonesia (BNI), which actively supports the Indonesian government's initiative to achieve zero carbon emissions through the application of green banking strategies. PT Bank Negara Indonesia (BNI) had already adopted green banking practices prior to 2022; however, starting from 2022, the bank has significantly strengthened its commitment by introducing programs such as sustainable transportation, green building development, investment in renewable energy, waste-to-energy initiatives, and comprehensive waste management systems. In addition to these operational activities, BNI has also engaged in various social and environmental responsibility programs, including coastal area rehabilitation projects and collaboration with PLN (Indonesia's state electricity company) in the development of public electric vehicle charging station infrastructure (SPKLU).

According to the findings of Diah, Dwi, and Irawan (2020), green banking policies implemented by banks have a positive effect on their profitability. Building on this premise, the present study seeks to examine the impact of green banking initiatives on the profitability of Bank BNI during the specified research period. In addition, this study will specifically analyze the influence of green banking on the Return on Equity (ROE) ratio, which serves as a key financial indicator for measuring the efficiency of capital utilization

in generating profits for the bank. The variables used in this research consist of an independent variable (green banking) and a dependent variable (profitability). Green banking is represented by a set of indicators applied within Bank BNI, while profitability is assessed through the Return on Equity (ROE) ratio.

Literature Review

Stakeholder Theory

Freeman (2010) introduced the concept that companies should create value not only for shareholders, but also for all stakeholders involved or affected by the company's activities, such as employees, customers, suppliers, communities, and governments. This approach emphasizes the importance of considering the interests of various parties in the company's strategic decision-making.

Green Banking

Green banking is a public financing institution that provides low-cost, long-term, and supportive financing of clean, low-carbon projects through the use of various financial mechanisms for sustainable development according to Fajar et al. (2022). Green banking indirectly makes the surrounding environment more secure, especially for the damaged environment due to a business that has been carried out. according to Prayoga & Fasa (2023) Green banking consists of four elements, namely nature, well-being, economy and society.

Bank Profitability

According to (Suyitno & Djawoto, 2017), profitability can be used as a benchmark or an overview of the effectiveness of the company's management performance as seen from the profits earned compared to the company's sales and investment results. Profitability is very important for a company, because from this profitability it can be concluded how successfully the business is run to achieve profits for company goals. Profitability can be measured by various formulas such as Return on Equity, Return on Investment, Earning per share, and Profit Margin.

Method

In this study, researchers used a qualitative approach with descriptive

analysis. The descriptive method is used to systematically describe the facts and characteristics of the object or phenomenon of the topic (Sugiyono, 2019)

The data in this study were obtained by collecting and analyzing secondary data derived from annual reports through the official website of PT Bank Negara Indonesia.

Results and Discussion

BNI Green Banking Implementation Program

PT Bank Negara Indonesia (Persero) is a state-owned bank that is one of the national banking pioneers committed to supporting the development of a green economy in Indonesia. Bank BNI not only makes the economy more sustainable, but also participates in supporting the development of Indonesia's business economy. Bank BNI's green economy support can be seen from the distribution of green financing which reached RP 60.6 trillion, or 9.1% of total loans.

BNI's green portfolio is channeled in several sectors such as sustainable transportation, green building, renewable energy, waste to energy and waste management, and sustainable natural resources. BNI also carried out several activities such as rehabilitating the coastal areas of Anyer Beach and the upper reaches of the Das River with a nursery development program and planting and maintaining trees in the area. In addition, BNI has also collaborated with PLN in the infrastructure development of the first partnership scheme public electric vehicle charging station (SPKLU) in Indonesia.

As one of the pioneers of green banking in Indonesia, Bank BNI is also committed to internalizing sustainable finance principles in its values, work culture, strategies, operational policies, and operational systems and procedures. Bank BNI has implemented a strategy that is integrated with all aspects of Environmental, Social and Governance (ESG) performance, and provides a good impact on stakeholders and the environment in achieving sustainable commitments.

BNI Green Banking Model
Table 1. BNI Green Banking Mode

Green Coin Rating	Yes	No
<i>Carbon Emissions</i>	✓	
<i>Green Rewards</i>	✓	
<i>Green Building</i>	✓	
<i>Refurbish</i>	✓	
<i>Paperless</i>	✓	
<i>Green Investment</i>	✓	

Impact of Green Banking on Profitability

From 2021 to 2023, Bank BNI has shown a steady increase in profitability through an increase in the bank only Return On Equity (ROE) ratio from 9.4% in 2021 to 15.2% in 2023. Based on BNI's 2023 annual report, ROE increased by 0.3% from the previous year, while net profit grew by 14.2% to reach IDR 20.9 trillion from IDR 18.3 trillion in 2022. Data from this annual financial report shows that BNI is increasingly effective in utilizing its own capital to generate more profit.

The green banking program implemented by BNI during the 2021-2023 period also contributed to this increase in profitability value. With a commitment to green financing and environmental risk management, BNI has succeeded in enhancing its good reputation and attracting markets that support sustainable development. The increase in Green Credit Ratio (GCR) encourages quality credit growth which contributes to reducing non-performing loan risk and improving the bank's operational efficiency. This can be seen from a slight decrease in the operating cost to income (BOPO) ratio from 68.6% to 68.4% in 2023. This efficiency has contributed to strengthening the bank's overall ROE and profitability.

In addition, business changes and digitalization supported by good risk management further strengthen BNI's financial performance. The core capital (Tier-1 CAR) which increased to 21.95% by 2023 and the decline in non-performing loan ratio

(NPL) to 2.1% made the bank's financial position even stronger. Thus, the implementation of green banking into BNI's business strategy not only provides benefits to the environment, but also plays an important role in significantly improving financial performance during the 2021-2023 period. This shows that green banking can be a driving factor for sustainable profitability in the Indonesian banking.

The implementation of green banking at BNI during the 2021-2023 period has proven to have a positive impact on the bank's profitability, which can be seen in the increase in operational efficiency and good risk management. With an increase in the green financing portfolio, BNI not only supports sustainable development but also reduces the risk of non-performing loans which can be seen through a decrease in BOPO and NPL ratios. This is supported by previous research conducted by Diah, Dwi, and Irawan (2020) with results showing that green banking has a significant positive effect on profitability in banks in Indonesia. Thus, green banking is a potential factor in encouraging sustainable profitability at BNI.

BNI Sustainability Framework and Strategy

Bank Negara Indonesia (BNI) has designed a comprehensive and equitable sustainability framework as the main basis for implementing a green banking program. Based on BNI's 2023 annual report, the bank places a major focus on the environmental, social and governance (ESG) aspects of its business operations. BNI has set a long-term target of achieving Net Zero Emission (NZE) by 2060 with a target of reducing carbon emissions by 29% by 2030 as the first step. In an effort to support this achievement, BNI integrates climate change risk management into the credit and investment evaluation process, including establishing strict Risk Acceptance Criteria (RAC), especially in sectors that have a high risk of climate change. This is done to ensure that every financing decision must consider the environmental impact as well as the financial risks that may arise.

BNI is also strengthening its sustainability strategy through effective governance and involving various important parties. The Board of Commissioners and Board of Directors must actively oversee the implementation of sustainable policies and business units are responsible for implementing green banking programs in accordance with applicable standards. The Bank also improves the quality of its human resources by providing training and education related to ESG and green banking principles. In terms of reporting, BNI routinely publishes annual financial reports and complies with applicable international standards such as the Global Reporting Initiative (GRI) and Task Force on Climate-related Financial Disclosures (TCFD). With a structured framework and strategy, BNI is committed to aligning business objectives with social and environmental responsibility in a sustainable manner.

Conclusion

After conducting a thorough examination and detailed analysis of this study, the researcher draws the following conclusions:

(1) Bank BNI actively supports the development of a green economy in Indonesia by implementing green banking practices and integrating sustainability principles into its operational activities, (2) The implementation of green banking initiatives at Bank BNI during the 2021–2023 period has contributed positively to the bank's financial performance, particularly by improving Return on Equity (ROE) and enhancing operational efficiency, (3) Bank BNI consistently integrates sustainability principles and climate risk management into its strategic operations as part of its long-term commitment to achieving Net Zero Emissions by 2060.

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