

GREEN BANKING

ENHANCING BANKING ROLE TO SUPPORT SUSTAINABLE DEVELOPMENT



BANK INDONESIA
BANK SENTRAL REPUBLIK INDONESIA

Global issues:

1. Financial crisis
2. Energy Crisis
3. Food Crisis
4. Poverty
5. Global warming

- ✓ Global economic slowdown
- ✓ Increasing unemployment
- ✓ High cost financial crisis treatment
- ✓ Increasing global warming impact

- ✓ Threatening monetary stability
- ✓ Declining national economic growth → Threatening sustainable economic growth

National Issues:

Real sectors


1. Declining export growth
2. Food security: imports of basic foodstuffs
3. Energy security: net imported oil, oil and electricity subsidize, fossil fuel domination
4. Global warming → crops production, flood, healthcare, biodiversity

Monetary Issues

1. High interest rates
2. Consumer loans domination
3. Limited in financial access
4. Low concern/involvement of banking in climate change finance

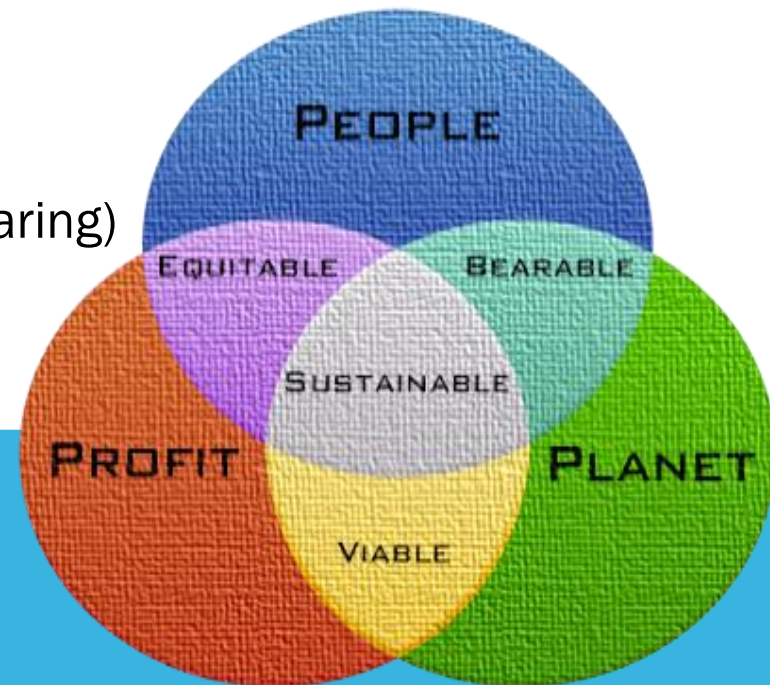
OLD PARADIGM (Greedy Economy)

- High economic growth but sacrifice natural resources and social responsibility
- Heavy debt economy → public and private

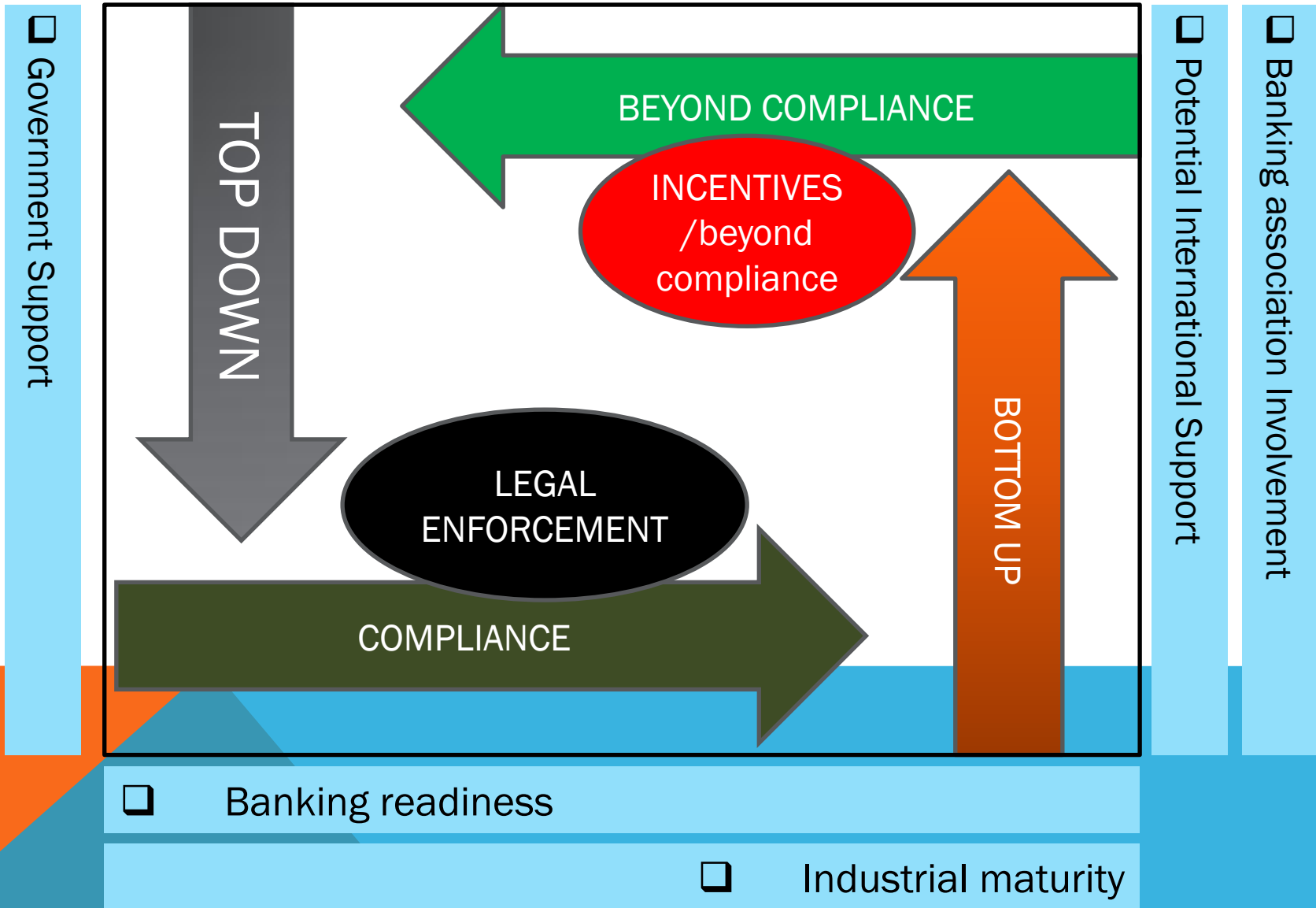


NEW PARADIGM (Green Economy)

- Balance of 3 P (People-Profit-Planet)
- Economic participation (profit/loss sharing)



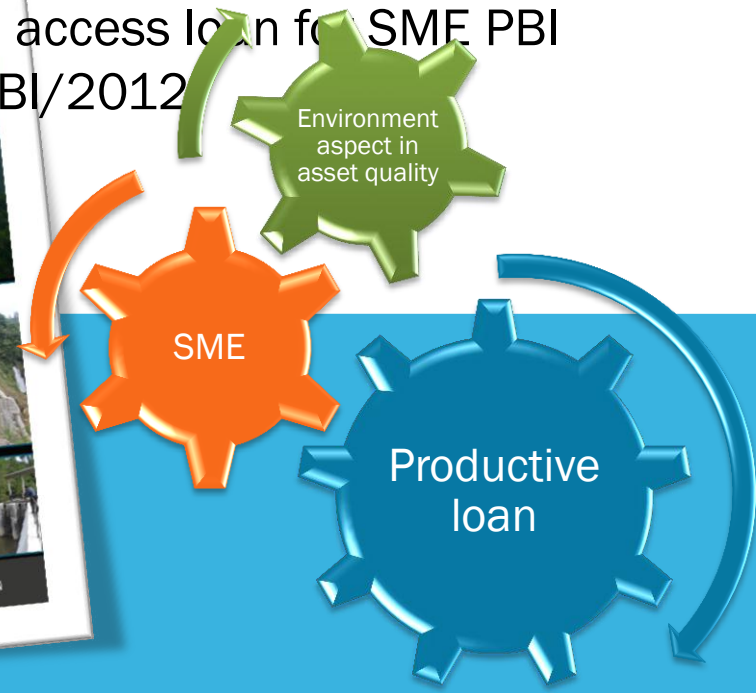
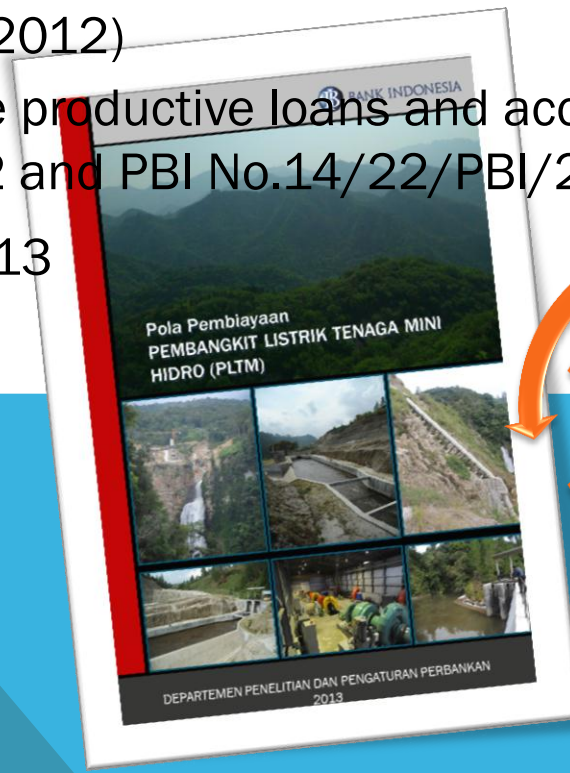
CENTRAL BANK STRATEGY OPTION



- The role of bank as a financial intermediary is still very large and has potential important role to change economic development becomes more green and responsible.
- Elements of green banking: green in finance and its operation, comply with regulation and implement prudential banking principles.
- Bank Indonesia focus on increasing green finance portfolio



- BI Mission: To achieve and maintain rupiah stability by maintaining monetary stability and financial stability for supporting sustainable economic development
- Sustainable economic development : *pro growth, pro job, pro poor, pro environment.*
- Bank Indonesia regulations:
 1. Bank should consider environment protection in assessing asset quality (PBI No. 14/15/PBI/2012)
 2. Bank should increase productive loans and access loan for SME PBI (No.14/26/PBI/2012 and PBI No.14/22/PBI/2012)
- Green Lending Model, 2013



MOU Bank Indonesia – Ministry of Environment

Capacity Building for banks and bank supervisor

Development *Green Lending Model*

Actively in coordination forum with ministries, *green banking working group, international org/initiatives*

Preparing *Green Banking Regulation*

Bazaar Intermediation *Green Financing**

*Green Banking Information Hub**

*Green Banking Awards**

WHAT NEXT

- **Latest green finance research (BI-DIE Germany) 2013**
 - Green Finance is regarded as a promising business area
 - Need for regulation to have equal of playing field in green financing
 - Need for capacity building and public awareness
 - Need for government incentives (e.g. taxes, soft loan and credit guarantee scheme)
 - Steps by steps green banking implementation
- **Handover green banking regulation from BI to OJK (Indonesia Financial Supervisory Authority)**
- **Continue to enhance bank capacity on environmental risk management and increase green financing portfolio.**

THANK YOU

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ASSET /LOAN QUALITY

1. BUSINESS PROSPECT

1. Business growth;
2. Market competition;
3. Management quality and human resources;
4. Group support;
5. Efforts to protect environment

2. FINANCIAL PERFORMANCE

1. Profitability;
2. Capital structure;
3. Cash flow;
4. Sensitivity to market risk

3. PAYMENT ABILITY

1. The timely payment of principal and interest;
2. Availability and accuracy of the debtor's financial information;
3. Completeness of loan documentation;
4. Compliance to credit agreement;
5. Suitability of the use of funds,
6. Fairness source of payment obligations.

Consideration in the determination of credit quality include the significance and materiality of any assessment factors and components, as well as the relevance of the assessment and the components of the debtor.