
STRATEGIC STUDY ON BANKING CREDIT DISTRIBUTION POLICY TO SUPPORT THE SUSTAINABLE ENERGY SECTOR FOR ACHIEVING COMMUNITY WELFARE

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ABSTRACT

This research aims to analyze bank lending policy strategies that support the sustainable energy sector in Indonesia, with a focus on improving the effectiveness of public welfare. The research identifies the urgency of sustainable energy as a response to global environmental challenges and the need for sustainable development. With reference to Law No. 23/1999 on Bank Indonesia and Bank Indonesia Regulation No. 14/22/PBI/2012, the normative juridical method was used to analyze the relevant legal and policy frameworks, as well as lending practices by banks in Indonesia. The results revealed a gap between existing policies and the implementation of lending practices, especially in relation to sustainable energy projects. The analysis highlights the need for capacity building of banks in managing sustainable energy project risks, development of innovative financing products, and cross-sector collaboration. The research shows that transparency and adequate reporting standards can increase trust and attract more investment into sustainable energy projects. The results confirm that the suggested strategies can enhance the role of banks in supporting Indonesia's transition to sustainable energy and contribute to people's welfare. The implications of this research emphasize the importance of implementing the research recommendations to strengthen synergies between bank lending policies and sustainable energy initiatives in Indonesia.

Keywords: Sustainable Energy, Banking Policy, Lending, Banking Regulation, Normative Juridical.

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INTRODUCTION

Dependence on fossil energy sources worsens environmental conditions through greenhouse gas emissions and creates economic and social vulnerability due to price fluctuations and uncertain availability. (Setyono & Kiono, 2021). This calls for a transition to cleaner and more sustainable energy sources as a key to achieving sustainable and inclusive development.

The transition to sustainable energy is not an option but an urgent necessity to ensure people's well-being and the survival of the planet. The development and implementation of clean energy technologies such as solar, wind and hydroelectric power are vital steps in reducing the global carbon footprint. (Simarmata, 2017). However, the main challenge faced in the development of this sector is often related to financing. This is where the role of the banking sector becomes crucial through strategic lending to support sustainable energy projects.

In Indonesia, efforts to support sustainable finance have been regulated through several regulations, including Law No. 23/1999 on Bank Indonesia that sets the framework for banking operations (Law No. 23/1999 on Bank Indonesia, 1999), and Bank Indonesia Regulation No. 14/22/PBI/2012 that specifically regulates the provision of credit or financing by commercial banks

for the development of Micro, Small, and Medium Enterprises (MSMEs), including in the sustainable energy sector. This regulation reflects the commitment of the government and regulators to the development of a financial sector that supports sustainable initiatives (Bank Indonesia Regulation No. 14/22/PBI/2012 of 2012 on Lending or Financing by Commercial Banks and Technical Assistance for the Development of Micro, Small, and Medium Enterprises, 2012).

One important aspect of lending for sustainable energy is an in-depth understanding of the risks and opportunities associated with investing in the sector (Andoni et al., 2019). This requires the development of innovative financing instruments and mechanisms, as well as supportive policies from the government and regulatory agencies. Policies such as PBI No. 14/22/PBI/2012 should be continuously evaluated and adjusted to ensure their effectiveness in encouraging bank participation in sustainable energy financing.

On the other hand, the National Medium-Term Development Plan (RPJMN) 2020-2024 has set environmental development, increased disaster resilience, and climate change adaptation as one of the seven main development agendas. This is in line with Presidential Regulation No. 59/2017 on the Implementation of Achieving the Sustainable Development Goals, which affirms Indonesia's commitment to the global agenda on sustainable development and energy sustainability (Presidential Regulation (PERPRES) No. 59/2017 on the Implementation of Achieving the Sustainable Development Goals, 2017).

In the international context, bank lending to the sustainable energy sector is not only in the national interest but also part of global efforts to reduce greenhouse gas emissions and achieve sustainable development goals (SDGs) (Statistics, 2014). The implementation of sustainable finance, as stipulated in Financial Services Authority Regulation No. 51/POJK.03/2017 represents Indonesia's strategic step in ensuring the financial sector supports sustainable economic activities (Financial et al. No. 51/POJK.03/2017 of 2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies, 2017).

In the current era of sustainable development, bank lending policies play an important role, especially in supporting sustainable energy sector initiatives. Lending regulations and policies have undergone significant evolution in line with the increasing global awareness of the importance of sustainable development practices (Fallah Shayan et al., 2022).. Law No. 23/1999 on Bank Indonesia, as well as Bank Indonesia Regulation No. 14/22/PBI/2012, mark important milestones in the regulatory framework supporting lending to the sustainable energy sector (HERWIYANTI & PUSPASARI, 2021).

This research highlights how these policies have been implemented in banking practice, with a particular focus on the sustainable energy sector. This study of implementation is important given the strategic role of the sustainable energy sector in achieving sustainable development goals and broader community welfare (Makmun, 2011). However, while these policies have been designed to encourage lending to the sustainable energy sector, there are still various barriers and challenges in their implementation.

One of the main barriers identified is the insufficient incentives for banks to increase lending to the sustainable energy sector. Although Bank Indonesia Regulation No. 14/22/PBI/2012 stipulates an obligation for commercial banks to channel a certain portion of their funds to MSMEs, including in the sustainable energy sector, in practice, this target is often difficult to meet.

In addition, there are challenges in the form of a mismatch between the financing needs of sustainable energy projects and the credit criteria set by banks. These criteria are often not fully adapted to the specifications and risks associated with sustainable energy projects, which in turn can hinder lending to the sector (POJK Number 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies, 2017).

Furthermore, this study reveals that despite efforts to expand the forms and recipients of technical assistance in supporting MSMEs in the sustainable energy sector, as stipulated in the Bank Indonesia Regulation, there is still a need to improve the capacity and competence of banking human resources in financing this sector.

This research emphasizes the need to strengthen inter-agency coordination and cooperation, including between banks and MSME financing institutions, to improve the effectiveness of lending to the sustainable energy sector. This is crucial given the complexity and multidisciplinary aspects involved in sustainable energy projects, which require cross-sector collaboration to succeed.

Despite supportive policies and regulations, various barriers and challenges remain that need to be addressed to improve the effectiveness of bank lending to the sustainable energy sector. This research contributes to the literature by providing an in-depth analysis of current policies and their implementation and offering recommendations to address the challenges identified.

In a dynamic global context, the role of the banking sector in supporting the transition to sustainable energy has received significant attention. The distribution of credit by financial institutions is one of the important catalysts in encouraging investment in sustainable energy projects (Fauzela, 2023). Policies and regulations related to this lending are designed to direct the flow of funds to initiatives that are not only economically profitable but also environmentally friendly and can support long-term sustainability.

Relevant regulations, such as Law No. 23/1999 on Bank Indonesia, have established a framework that allows banks to actively participate in the financing of sustainable projects (Law No. 23/1999 on Bank Indonesia, 1999). Bank Indonesia Regulation No. 14/22/PBI/2012 further clarifies the role of banks in lending or financing, especially to Micro, Small and Medium Enterprises (MSMEs), which often pioneer innovations in the sustainable energy sector.

Such arrangements create an environment where financial institutions can act as more than just providers of funds but as strategic partners in the development of a greener economy. By allocating funds to sustainable energy projects, banks are investing in environmental sustainability, social welfare, and long-term economic progress (Isiwibowo et al., 2024).

This approach is in line with the global agenda for sustainable development, which requires the integration of economic growth, social justice and environmental preservation (Ferawati, 2018). Lending in the sustainable energy sector demonstrates how financial institutions can contribute directly to these goals through financing initiatives that support the use of renewable energy and energy efficiency (OECD, 2021).

However, there are various challenges in implementing sustainability principles in banking practices, including risk assessment, availability of viable projects, and the need for an effective incentive framework. To address this, coordination and collaboration among stakeholders, including regulators, financial institutions and project developers, is crucial.

Regulations and policies that have been implemented, such as the Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 on the Implementation of Sustainable Finance for

Financial Services Institutions, Issuers, and Public Companies, demonstrate the regulator's commitment to encouraging the financial sector to support sustainable development (Chandra & Sacipto, 2022). The implementation of this policy requires close cooperation between banks and businesses to ensure that sustainable energy projects can be accessed and financed effectively.

The transformation to a sustainable energy sector is an important agenda for many countries, including Indonesia, as part of global efforts to address climate change and ensure energy security (Resosudarmo et al., 2023). Financing, particularly through the banking sector, plays a vital role in mobilizing the resources required for this energy transition. Bank Indonesia Regulation No. 14/22/PBI/2012 explicitly supports the development of Micro, Small and Medium Enterprises (MSMEs) through lending, which can indirectly contribute to the sustainable energy sector through MSME initiatives in this area.

However, there is a significant gap between policy aspirations and implementation realities. Despite the clear mandate in Law No. 23/1999 on Bank Indonesia and other relevant regulations, banks often face challenges in meeting the target of lending to the sustainable energy sector. These obstacles are not only financial but also technical, covering aspects such as risk assessment, lack of understanding of sustainable energy projects, and lack of capacity among MSMEs to develop adequate project proposals.

On the other hand, policies and regulations that support lending for sustainable energy require more detailed formulation and stronger implementation. For example, although Financial Services Authority Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies has been established, its practical application in supporting sustainable energy projects is still limited.

The research identified that one of the main challenges is the mismatch between bank financing criteria and the specific needs of sustainable energy projects. Such projects often require large initial investments with longer payback periods. At the same time, banks tend to seek investments with lower risk and faster returns, creating a significant funding gap for sustainable energy initiatives.

In addition, there is a need to increase capacity and understanding among banking stakeholders on the value and potential of sustainable energy projects. While there have been training and technical assistance efforts, as mandated by Bank Indonesia Regulation No. 14/22/PBI/2012, these initiatives need to be expanded and deepened to cover specific aspects related to sustainable energy.

Addressing these gaps and challenges requires a comprehensive approach that focuses not only on policy and regulatory adjustments but also on collaborative efforts between banks, governments, project developers, and MSMEs. This calls for a more innovative and flexible framework for bank lending, which can accommodate the unique and specialized needs of sustainable energy projects.

Sustainability issues have become a major focus in global development, especially in the energy sector. Transformation towards sustainable energy is seen as one of the main solutions to overcoming the problems of climate change and energy instability. In the midst of this challenge, the banking sector plays a key role through lending oriented towards sustainable energy projects. This study aims to deeply analyze the banking lending policy that supports the development of the

sustainable energy sector in Indonesia, which directly contributes to the achievement of public welfare.

Law No. 23/1999 on Bank Indonesia, particularly Article 7, provides a framework for the functions and duties of Bank Indonesia in regulating and maintaining a smooth payment system. Meanwhile, Bank Indonesia Regulation No. 14/22/PBI/2012 specifically regulates the provision of credit or financing by commercial banks, especially for Micro, Small and Medium Enterprises (MSMEs), which is one of the pillars of sustainable energy development. This policy supports the acceleration of sustainable energy sector development through increasing MSME access to financial institutions.

This research proposes that increased bank lending to sustainable energy projects can accelerate the realization of Indonesia's sustainable energy targets. By analyzing existing policies and evaluating their implementation, this research aims to provide strategic recommendations for Indonesian banks to increase their support for the sustainable energy sector.

The significance of this research lies in its contribution to the banking law and public policy literature, particularly in the context of lending for sustainable energy. By focusing on the sustainable energy sector, this research offers a new perspective on the development of a financing model that is not only economically profitable but also environmentally friendly and able to support the welfare of the wider community.

In addition, the research results are expected to provide input for policymakers in designing more effective policies to encourage banking sector participation in financing sustainable energy projects. Through a comprehensive analysis, this research aims to identify the barriers and challenges faced by banks in lending to the sector and offer practical solutions.

This research is relevant not only to the national sustainable development agenda but also to the global goal of reducing carbon emissions and achieving sustainable development. By analyzing and evaluating bank lending policies and strategies, this research seeks to make a significant contribution to the collective effort of achieving societal welfare through sustainable energy development.

Based on the above background, the purpose of this research is to analyze and review the strategy of bank lending policies to support the sustainable energy sector in Indonesia, in order to achieve increased effectiveness of public welfare. The benefit of this research is that it can be the basis for decision-making and strategy formulation by banks in Indonesia in supporting the sustainable energy sector. As such, this research is not only academically important, but also has significant practical implications for achieving sustainable development in Indonesia.

METHOD

In order to examine bank lending policies to support the sustainable energy sector, this research uses the normative juridical method (Maiyestati, 2022). This approach focuses on reviewing and analyzing laws and regulations, policy documents, and legal literature relevant to the research topic. The normative juridical approach was chosen because of its ability to examine legal principles and norms that apply, as well as their implications for the practice of lending by banking institutions, especially in supporting sustainable energy projects.

Sources of legal materials in this research include legislation, such as the Law on Bank Indonesia and Bank Indonesia Regulations related to lending, as well as government policy

documents related to sustainable energy and sustainable finance (Solikin, 2021). Researchers also consulted reputable law journals and other scholarly publications to gain an in-depth understanding of the applicable legal and policy context. In addition, opinions from banking and sustainable energy law experts were obtained through interviews, which provided practical perspectives on policy implementation and challenges faced in lending to the sustainable energy sector.

The technical retrieval and analysis of legal sources was conducted through a systematic literature study, in which the researcher collected, reviewed, and analyzed legal sources relevant to the research topic. This process involves identifying, reviewing, and synthesizing various sources of information to build arguments and research findings. The analysis is carried out by comparing, interpreting and evaluating data and information from these legal sources on the issues being researched, with the aim of producing conclusions based on applicable legal and policy principles. Through this normative juridical method, the research aims to provide evidence-based and legal recommendations related to bank lending in supporting the sustainable energy sector.

RESULTS AND DISCUSSION

Banking Lending Policy

In analyzing bank lending policies, especially in supporting the sustainable energy sector, Law No. 23/1999 on Bank Indonesia provides a legal basis for the role of Bank Indonesia as the main regulator in the Indonesian banking system. Article 7 of the Law explicitly states the role of Bank Indonesia in creating conducive financial system stability, which indirectly affects bank lending, including for sustainable energy projects.

Bank Indonesia Regulation No. 14/22/PBI/2012 on Lending or Financing by Commercial Banks and Technical Assistance for the Development of Micro, Small and Medium Enterprises (MSMEs) complements the law by regulating more specifically on lending. This regulation specifically creates a framework for increased access of MSMEs, including those engaged in the sustainable energy sector, to financial services.

The analysis also considers an important aspect of this policy, namely the obligation of commercial banks to channel a portion of their funds to MSMEs. This arrangement is considered a positive step towards wider support for sustainable energy projects, given the role of MSMEs in the national economy and their potential in the sustainable energy sector.

However, in practice, there are challenges in the implementation of this policy, particularly related to banks' understanding and interpretation of the definition of 'sustainable energy' and the criteria for projects eligible for financing. This raises the need for further clarification and guidance from regulators to ensure that funds are effectively allocated to projects that contribute to sustainability goals.

Similar policies have been successfully implemented internationally in several countries by integrating incentives for banks and MSMEs involved in sustainable energy. Researchers found that these models can provide valuable insights to improve policy effectiveness in Indonesia.

In this context, it is also important to consider the impact of these policies on the financial sustainability of banks. While banks must comply with regulatory obligations, they must also ensure that lending is done in a way that appropriately manages risk and maintains the bank's operational sustainability (Yushita, 2008).

Overall, this analysis of bank lending policies shows that, while existing policies have laid a good foundation to support sustainable energy, there is still room for improvement in terms of policy implementation and clarification. This is important to ensure that the banking sector can fully and effectively contribute to Indonesia's sustainable energy transition.

This analysis highlights the importance of collaboration between regulators, banks, and MSME players in the sustainable energy sector to achieve optimal results from this policy. Through close cooperation, various parties can overcome challenges and take advantage of opportunities to encourage the development of the sustainable energy sector more broadly.

Lending Dynamics for Sustainable Energy

The dynamics of lending for sustainable energy in Indonesia show a growing trend, which is in line with the increasing awareness of environmental and sustainability issues (Radyati, 2014). Bank Indonesia, Regulation No. 14/22/PBI/2012 on Lending or Financing by Commercial Banks and Technical Assistance for the Development of Micro, Small and Medium Enterprises, is one of the legal bases that encourage banks to be more active in supporting this sector. This regulation establishes a framework for commercial banks to channel a portion of their loan portfolio to MSMEs, including those in the sustainable energy sector.

The observed lending patterns show variations in the approaches adopted by Indonesian banks. Some banks have established specialized units or divisions that focus on financing sustainable projects, including clean and renewable energy (Djamhari et al., 2023).. This approach allows banks to develop specialized expertise and provide financing products tailored to the needs of the sustainable energy sector.

Factors influencing lending in the context of sustainable energy are complex. On the one hand, there is a growing need for investment in sustainable energy projects in response to climate change and Indonesia's commitment to reduce greenhouse gas emissions. On the other hand, banks face challenges in assessing the risks associated with these projects, mainly due to a lack of historical data on the performance and financial viability of sustainable energy projects.

In addition, the regulatory framework and government policies play a significant role in influencing the dynamics of lending. Law Number 23 Year 1999 on Bank Indonesia mandates Bank Indonesia to regulate and maintain a smooth payment system and financial system stability, which includes aspects of sustainable project financing.

Government policies in support of sustainable energy development also have an impact on banks' lending decisions. For example, government incentives in the form of taxes or subsidies for renewable energy projects can increase the attractiveness of financing such projects for banks. (NATIONAL, 2023).

This analysis of lending trends also shows the importance of partnerships between banks and other parties, such as government agencies, project developers and international financial institutions. Such partnerships often provide additional collateral or funding for sustainable energy projects, which in turn increases banks' confidence in lending.

Technological developments and innovations in the sustainable energy sector are also influential factors. Banks are more open to financing projects that utilize new and innovative technologies, which promise higher efficiency and lower environmental impact (EBTKE, 2019).

Public and business sector awareness and demand for clean and sustainable energy continue to grow, prompting banks to be more responsive and proactive in offering financing solutions for

these projects (BTN, 2023). This dynamic reflects a paradigm shift in the banking sector, where sustainability aspects are becoming an integral part of business strategy and lending.

Obstacles in Lending

Banks face significant barriers and challenges when lending for sustainable energy projects. These barriers relate not only to internal but also external aspects of the bank, including financial risks, lack of information, and existing regulatory barriers. The following analysis outlines these challenges based on a review of literature, relevant regulations, and prevailing banking practices.

Financial risk is one of the main barriers to lending for sustainable energy projects. These projects often require large initial investments with long payback periods, which increases their risk profile (Febriana & Rachmawati, 2024). Uncertainties in energy policy and changes in fossil fuel prices exacerbate this risk. Banking regulations, including provisions in Law No. 10 of 1998 on the Amendment to Law No. 7 of 1992 on Banking, require banks to manage credit risk prudently, which may make banks hesitant to finance sustainable energy projects.

In addition to financial risks, the lack of information on sustainable energy projects is also an important barrier. Many banks do not have access to sufficient information on sustainable energy technologies, market potential, and financial performance of such projects. This leads to difficulties in assessing project feasibility and quantifying the associated risks. This uncertainty can hinder lending decisions, regardless of the project's long-term potential.

Regulatory barriers are also a significant factor affecting lending for sustainable energy. While regulations such as Bank Indonesia Regulation No. 14/22/PBI/2012 support increased access of MSMEs to financial institutions, including those in the sustainable energy sector, there is still a need for a clearer and more consistent framework that specifically supports sustainable energy project financing.

Further, a lack of clarity in regulations related to sustainable energy projects can make it difficult for banks to identify viable investment opportunities. Changing or inconsistent regulations can increase legal and compliance risks for banks, which in turn adds to hesitation in lending.

In addition, there is a lack of incentives for banks to engage in sustainable energy financing. The existing incentive system is not yet attractive enough for banks to shift part of their loan portfolio to sustainable energy projects, which are often considered riskier than conventional investments. (Octavio et al., 2022).

The shortage of labour skilled in assessing and managing sustainable energy projects is also a challenge. Banks need staff with specialized expertise in sustainable energy to conduct accurate evaluations of the potential risks and benefits of such projects.

The absence of clear standards in assessing the viability of sustainable energy projects adds complexity to the credit decision-making process. Research shows that the development of clear and unified standards and evaluation criteria will assist banks in identifying and assessing potential sustainable energy projects.

The above suggests that the barriers and challenges in lending for sustainable energy projects are multidimensional, involving financial risk factors, lack of information, and regulatory barriers. An in-depth understanding of these challenges is important for banks and relevant stakeholders in formulating effective strategies to overcome these barriers.

MSME Contribution to Sustainable Energy

Micro, Small, and Medium Enterprises (MSMEs) have an important role in the Indonesian economy, not only as the backbone of the economy but also as agents of change towards sustainable business practices (Lathifah Hanim et al., 2023). MSMEs' contribution to the sustainable energy sector can be seen from their adaptability and innovation in utilizing environmentally friendly technologies and renewable energy. This is in line with Law No. 20/2008 on Micro, Small, and Medium Enterprises, which defines MSMEs as important economic pillars that support sustainability and innovation.

The role of MSMEs in sustainable energy is strengthened by Bank Indonesia Regulation No. 14/22/PBI/2012, which requires commercial banks to lend to MSMEs with a minimum share of 20%. This policy has the potential to increase MSMEs' access to funding, especially in sustainable energy-related projects. Adequate funding enables MSMEs to adopt clean energy technologies, which not only improves energy efficiency but also reduces the environmental impact of their business operations.

Lending to MSMEs in the context of sustainable energy demands a deep understanding of the sector's specific challenges and needs. Capital requirements for sustainable energy initiatives are often greater than for conventional business operations, given the initial investment in clean energy technologies and longer payback periods. This puts banks in a strategic position to facilitate the transition of MSMEs to more sustainable practices through tailored credit product offerings.

In addition, increasing MSMEs' access to bank credit for sustainable energy projects can accelerate the adoption of green technologies. This is in line with the National Medium-Term Development Plan that targets increased use of renewable energy. As such, banks have a vital role to play in mobilizing financial resources to support MSMEs in undertaking sustainable energy initiatives.

However, lending to MSMEs faces challenges, particularly with regard to risk assessment and the capacity of MSMEs to meet credit requirements. Accurate and fair risk assessment is crucial in ensuring that potential and sustainability-oriented MSMEs can access the funding they need. Therefore, the development of a risk assessment framework that takes into account sustainability factors and the long-term growth potential of sustainable energy initiatives is necessary.

In this context, banks can work with government and non-government agencies to build MSMEs' capacity to manage sustainable energy projects. Technical assistance and training can improve MSMEs' understanding of the economic and environmental benefits of sustainable energy while strengthening their business proposals for credit.

The active involvement of MSMEs in the sustainable energy sector not only has a positive impact on the environment but also opens up new market opportunities and strengthens business resilience in the long run. This creates a healthy business ecosystem where economic growth and environmental sustainability can thrive simultaneously.

Collaboration between banks, MSMEs, government and other stakeholders is key to creating a conducive environment for sustainable energy growth. By strengthening this synergy, lending to MSMEs can be an effective catalyst in driving the adoption of sustainable energy in Indonesia, contributing to inclusive and sustainable economic development.

Strategies and Recommendations for Increasing Lending and Implications for Policy and Practice

Indonesian banks face challenges in encouraging lending for sustainable energy projects that require innovative strategies and approaches. An analysis of lending policies and practices shows that despite significant efforts, there is still room for improvement. This study suggests several strategies that banks and relevant stakeholders

- a. Can adopt to improve the effectiveness of lending in supporting sustainable energy.
- b. Banks must better understand the risks and opportunities in financing sustainable energy projects. This knowledge can be strengthened through training and capacity building for bank staff, particularly in the aspect of risk assessment of sustainable energy projects. Bank Indonesia, Regulation No. 14/22/PBI/2012 on Lending or Financing by Commercial Banks, provides a foundation for this capacity building, emphasizing the importance of training and knowledge for bank staff in lending.
- c. Collaboration between banks and other financial institutions, the government, and the private sector is needed to create a financing ecosystem conducive to sustainable energy. This could include the development of co-financing schemes, tax incentives for sustainable energy projects, and guarantee mechanisms to reduce banks' risks. Law No. 23/1999 on Bank Indonesia, specifically Article 7, states that BI has a role in regulating and maintaining a smooth payment system, which can support the facilitation of this collaboration.
- d. The development of innovative financing products, such as green bonds and green credits, can be an alternative to support sustainable energy projects. These products can be designed to attract investment from sustainability-focused investors and provide incentives for borrowers to adopt more sustainable practices.
- e. Transparency and reporting are key aspects that can increase investor confidence and interest in financing sustainable energy projects. Banks can adopt international sustainability reporting standards, which allow stakeholders to assess the environmental and social impacts of their investments.
- f. Strengthening legal and policy frameworks that support sustainable energy can increase banks' confidence in lending to the sector. This research recommends harmonization between sustainable energy policies and banking regulations so that the two sectors can operate synergistically to support the sustainable energy transition.
- g. Improving access to information related to sustainable energy projects and their market potential is an important step in attracting bank interest in lending. Bank Indonesia can provide a database of potential sustainable energy projects as a reference for banks.
- h. Technical assistance and mentoring programs can enhance MSMEs' capacity development in the sustainable energy sector in accordance with the provisions of Bank Indonesia Regulation No. 14/22/PBI/2012. These programs can assist MSMEs in preparing better credit proposals and more financially viable projects.
- i. Continuous evaluation and monitoring of sustainable energy lending policies and practices is important to ensure that the strategies adopted are effective and adaptable to changing market dynamics. The overall strategy and recommendations are expected to provide direction for banks and relevant stakeholders in increasing lending to support Indonesia's transition to sustainable energy.

CONCLUSION

This study concludes that the implementation of the suggested strategies can enhance the role of banks in supporting Indonesia's transition to sustainable energy, which in turn will contribute to the welfare of society. The implications of the results of this study suggest that there is great potential for the banking sector to be a significant agent of change in efforts to achieve sustainable energy goals in Indonesia. The importance of implementing the recommendations of this study highlights the need for collaboration between the government, financial institutions and the energy sector to create a framework that supports and encourages investment in sustainable energy. It also emphasizes the importance of synergies between bank lending policies and sustainable energy initiatives to achieve optimal results in driving the transition to clean and sustainable energy in Indonesia. By implementing the recommendations of this study, it is expected that a more supportive ecosystem will be created for the development of sustainable energy projects, which will ultimately provide significant benefits to the environment and the socio-economic welfare of the Indonesian people.

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