

Bankaltimtara's Green Transformation: A Sustainability Strategy to Increase Company Value

Rahiim Soetjipto, Set Asmapane, Muhammad Ikbil

*Master of Accounting, Faculty of Economics and Business, Mulawarman University
Jl. Tanah Grogot Gunung Kelua Campus Samarinda City East Kalimantan, Indonesia 75119*

ABSTRACT: Green transformation in the banking sector has become a top priority amidst increasing global awareness of sustainability. This research focuses on the implementation of green banking strategies at PT BPD Kaltim Kaltara (Bankaltimtara) as an effort to support environmental sustainability while improving the company's financial performance. Using a descriptive qualitative approach, this research examines various sustainability programmes that have been implemented by Bankaltimtara, such as energy efficiency, waste management, and financial literacy promotion. The results show that the implementation of green banking principles not only helps reduce environmental impacts but also improves the bank's profitability and competitiveness. In addition, this strategy strengthens relationships with stakeholders, including customers, communities, and regulators. However, challenges remain, such as high implementation costs and a gap in awareness of green banking products. This research recommends strengthening regulations, improving customer education, and green product innovation as strategic steps to optimise green banking implementation. The findings support the importance of green transformation as a long-term investment for the sustainability of the banking business.

KEYWORDS: Bankaltimtara, Green Banking, Sustainability, Financial Performance.

I. INTRODUCTION

In the era of growing globalisation, the challenges in managing a company are increasingly complex. One aspect that is increasingly important to consider is sustainability, both in the environmental, social and economic contexts. In every industry around the world, not only in the global industry, but also in certain industries, the environment is an important part of life (Al-Kubaisi & Khalaf, 2023). Banks, as a financial services industry that plays an important role in a country's economy, must also face pressure to integrate sustainability principles in their operations. Therefore, it is important for banks to pay attention to environmentally friendly business practices. The emergence of various environmental problems is of particular concern to various parties including economic activity actors so that every organisation is required to behave ethically as an effort to be able to meet pressure from external parties such as the environment and society (Anggraini et al, 2020). This demand is clear evidence of public awareness of the importance of environmental issues (Asfahaliza & Anggraeni, 2022). Therefore, the economic sector also plays a role in environmental issues and the impacts resulting from its daily operational activities (Chen, J et al, 2022).

Along with the increasing pressures and regulations that drive global awareness of sustainability, the banking sector in Indonesia, including Bankaltimtara, also faces similar demands. In addition, there are challenges in determining whether green banking should be viewed as an additional cost burden or as a strategic investment that provides long-term benefits (Birzhanova & Nurgaliyeva, 2023). Green banking is a practice that incorporates social and environmental factors into banking activities and services with the aim of promoting sustainable development and mitigating climate change (Budiarto et al, 2023), in line with the opinion expressed by (Gbanador & Okeke, 2023) that green banking is a banking approach that aims to reduce the carbon footprint of its operational activities through the implementation of practices that are in line with environmentally friendly principles.

The concept of green banking comes as a strategic step for banks to reduce the impact of environmental damage by prioritising practices that are oriented towards sustainability and environmental sustainability (Chen Tia et al, 2023), the banking sector plays a role in negative impacts on the environment. Banking operations require increased energy consumption, such as for lighting, air conditioning, and electricity use, in addition to high paper consumption (Farida & Purwanto, 2021). However, technological advances also have a role to play in reducing negative impacts on the environment. (Sandeep, 2016 in Kweeswara and Irawan 2023) in his study

explained that the application of green banking that suppresses negative impacts on the environment is carried out by inviting customers to transact via internet banking to reduce logging in the forest - paperless banking. In addition, internet banking, as one of the key practices in green banking, has been described by (Roy et al, 2015; Lalon, 2015 in Pasha and Elbage, 2022) as an innovation that supports the reduction of banks' carbon footprint. This is achieved through the saving of energy typically required for conventional branch operations and the reduction of waste generated from traditional banking processes. Therefore, in addition to the need for adequate awareness and understanding on the part of banks, there is a need for a specific regulatory foundation to comprehensively regulate this matter. The institution in charge of supervising banks is the Financial Services Authority, which has issued POJK No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers and Public Companies.

The implementation of green banking in Indonesia was also promoted with the issuance of PBI (Bank Indonesia Regulation) No. 14/15/PBI/2012 to encourage environmentally friendly banking practices, by analysing the environmental management of prospective debtors when applying for credit to banks (Hastuti & Kusumadewi, 2023). This policy aims not only to support environmental sustainability, but also to increase the awareness of the banking sector in playing an active role in reducing negative impacts on the ecosystem. Through this regulation, banks are expected to be more selective in providing financing to industries or projects that have a commitment to sustainability, so as to minimise the potential environmental damage caused by business activities. This is in line with Bank Indonesia's goal of realising a sustainable and socially and environmentally responsible banking sector. The implementation of green banking is a manifestation of the company's concern for all stakeholders including the community (Lugina Kurniawan, 2021), because it not only has a positive impact on environmental sustainability, the implementation of green banking also brings significant benefits to the bank itself. Increasing bank competitiveness, long-term cost efficiency, providing online banking services, strengthening customer goodwill, and reducing carbon footprints are the main benefits of developing green banking (Zhang et al, 2022).

Various studies related to the implementation of green banking have been conducted by a number of previous researchers, including (Enjen, 2023) which suggests that the implementation of green banking can strengthen the image and reputation of banks, (Jain & Sharma, 2023) also explains a significant positive correlation between the bank's environmental performance and its profitability level. In line with research conducted by (Mustika et al, 2023) which also found a positive relationship between the implementation of green banking and financial performance. Some green banking programmes that have been well implemented include: green financing, water usage, paper, and waste treatment (Khodijah et al., 2023). In line with the results of research (Ria et al, 2023) which suggests several green banking programmes at Muamalat bank which include the distribution of environmentally friendly financing and environmentally friendly operational activities.

Research on the implementation of green banking is important to do because of regulatory demands that emphasise banks as parties involved in business activities, especially in terms of capital financing. In addition, banks also contribute to environmental sustainability by increasing awareness and social responsibility and as a means to support financial inclusion programmes, especially through innovations such as: green bonds, renewable energy financing, or environmentally based financial products.

Bankaltimara (PT BPD Kaltim Kaltara) has not fully implemented the green banking programme, some of its products and services are still commercial. However, in its business processes Bankaltimara contributes to reducing negative impacts on the environment, such as: minimising the use of paper, maximising lighting, and using interior products that support sustainability. This is interesting to study, because in the midst of the ongoing sustainability issue there are many bank financial institutions that care about sustainability. This study aims to introduce the concept of green banking comprehensively to the management and its effect on financial performance if all are implemented properly.

II. LITERATURE REVIEW

2.1. Legitimacy Theory

This theory states that companies need to adjust their operations to social values and norms to maintain legitimacy. (Dowling and Pfeffer, 1975 in Ria et al, 2023) emphasises that legitimacy is important for organisations to maintain alignment with the limits imposed by social norms and values. Green banking helps banks to strengthen reputation and public trust. Legitimacy theory focuses on the company's obligation to ensure that it operates within the framework and norms that are appropriate in the community where the company stands, where the company ensures that its activities are accepted as legitimate (Hanif et al, 2020). This theory explains the existence of a social contract between the company and society, where the existence and operational rights of the company depend on its ability to fulfil the expectations of society. Thus, the sustainability of the company can only be guaranteed if the actions taken are in line with the values and norms adopted by society (Wongso, 2023).

2.2. The Concept of Green Banking and Green Transformation.

Green banking refers to banking activities in which financial institutions strive to carry out their daily operations with consideration for environmental sustainability, both internally and externally. Banks that adopt this approach are known as green banks or sustainable banks (Hossain; Rahman; Hossain, & Karim, 2020). Meanwhile, (Choudhury, Salim, Bashir, and Saha, 2013 in Mir & Bhat 2022) emphasize that in today's competitive banking industry, every bank needs to innovate by introducing new green products, accompanied by more intensive stakeholder engagement and a focus on sustainable development. Green transformation in banking encompasses various initiatives, including: Development of sustainable financial products (green bonds, eco-loans), digitization of services to reduce the use of physical resources, funding of renewable energy projects, and implementation of environmentally friendly policies in operational activities.

2.3. Company Value.

According to (Alifah, 2014 in Siahaan et al, 2021), profitability is a company's ability to generate profits from its business activities within a certain period of time. In the context of banking, profitability reflects the profits obtained through various activities, such as investments, lending, and other operations. Profitability plays a crucial role as it is an indicator of the growth and value of an institution, including banks. The higher the level of profitability, the greater the value of the bank, which ultimately affects the price of its shares or bonds. (Hasanah and Hariyono, 2022 in Ramdani, 2023) define profitability as a company's ability to generate profits through optimal and efficient resource management. This ability not only accelerates the achievement of desired profit targets but also supports the achievement of the level of efficiency that the company expects.

2.4. The Challenges of Green Transformation.

Green banking (GB) refers to financial products and services related to the use of information technology to protect the environment and improve social welfare by providing alternative financial facilities that are more efficient with long-lasting protection at a lower cost compared to conventional banking services. Environmental sustainability remains a major issue in many developing countries, requiring the use of appropriate strategies to reduce the impact of banking activities on the environment (Bouteraa et al., 2021). In addition, there is a striking gap in the level of awareness of green banking products. Most customers are more familiar with electronic banking services, such as ATMs, online banking, and mobile banking, than with other environmentally friendly products, such as green deposits or solar-powered ATMs (Chandran, 2024).

III. RESEARCH METHOD

This research uses qualitative research with a descriptive approach. Qualitative research is a method of research and understanding based on a methodology that studies social phenomena and human issues. With this approach, researchers create complex descriptions, examine vocabulary, provide detailed reports of respondents' views, and conduct research in natural environments (Creswell, 1998 in Khodijah et al, 2023). The data collection method used is documentation of secondary data in the form of annual reports for the last year published on the official website www.bankaltimtara.co.id and literature that supports this research. The object of this research is a banking company in East Kalimantan, namely PT BPD Kaltim Kaltara

IV. DISCUSSION

The implementation of sustainability strategies and programs to support sustainable financial performance has become a major concern for many companies, including banking companies such as PT BPD Kaltim Kaltara.

4.1. PT BPD Kaltim Kaltara's Sustainability Strategy

PT BPD Kaltim Kaltara has adopted various sustainability strategies to support sustainable financial performance. For example, the company has committed to reducing its environmental impact by adopting environmentally friendly waste management practices and promoting energy efficiency. In addition, PT BPD Kaltim Kaltara also implements financial inclusion strategies to encourage sustainable economic growth in its region. In order to properly implement its sustainability strategy, Bankaltimtara has a vision and mission to support the realization of this strategy, as follows:

Vision: *"To become the True Regional Champion that is strong, competitive, and contributive in supporting quality and sustainable regional economic growth".*

Mission:

1. Developing solution-oriented and technology-based banking businesses and services.
2. To be the main supporter of economic development programs and to support the empowerment of the people's economy.
3. Cultivating a performance-oriented work philosophy.
4. Maintaining and enhancing the Bank's reputation.

5. Strengthening institutional resilience through the implementation of quality compliance and risk management.
6. Promoting the application of sustainable finance principles in the Bank's activities and business.
7. Increasing social awareness for the community and the surrounding environment.

In line with the principle of sustainability, Bankaltimtara aims to become the leading regional bank in East Kalimantan and North Kalimantan with the resilience and competitiveness to improve company performance through the development of human resource capabilities, organizational adjustments, social and environmental risk management, and the improvement of products and portfolios in accordance with the principles of sustainable finance.

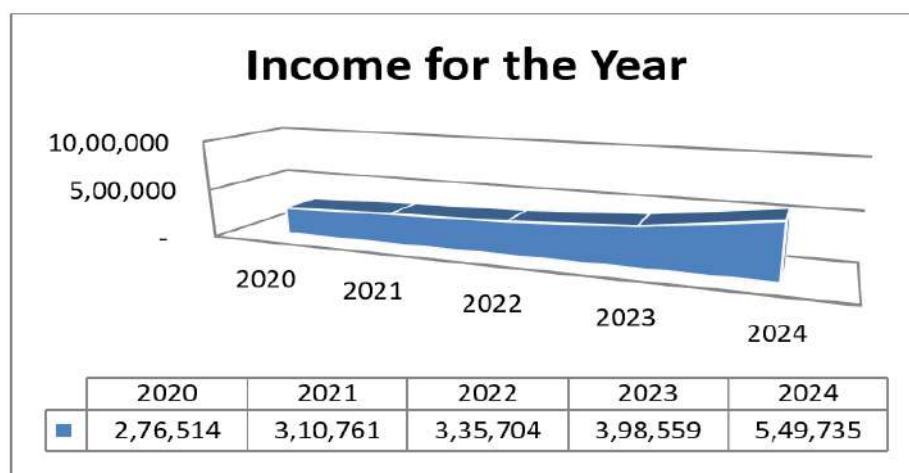
4.2. Sustainability Programs of PT BPD Kaltim Kaltara

The company has also implemented various sustainability programs to support sustainable financial performance. For example, PT BPD Kaltim Kaltara has launched a community empowerment program to improve access to financial services for underprivileged communities, and the company has also implemented a financial education program to improve financial literacy in its operating areas. In addition, PT BPD Kaltim Kaltara has also implemented *green office* programs such as:

1. Use of *solar cells* for street lighting.
2. Use of LED lights for night lighting.
3. Use of solar panels to reduce heat entering the room while still allowing light to enter.
4. Replacing the central AC system from *cooling towers* to split roof AC units.
5. Use of ground tanks to reduce water usage from the municipal water supply, which impacts electricity consumption.
6. Use of *aluminum composite* material on building exteriors to reduce solar heat entering the room.
7. Reducing electricity and lighting usage, as well as elevator use, outside of operational hours.
8. Using vegetation in the office environment area.

4.3. Impact on Financial Performance

The implementation of these sustainability strategies and programs has had a positive impact on the financial performance of PT BPD Kaltim Kaltara. Through more efficient and responsible management of resources, the company has been able to reduce operating costs and increase profitability. In addition, by actively involving the community through sustainability programs, PT BPD Kaltim Kaltara has been able to expand its customer base and increase long-term revenue. The following shows the profit growth trend of PT BPD Kaltim Kaltara over the last 5 years: in billions of rupiah



Based on the above report, PT BPD Kaltim Kaltara's performance over the three years from 2020 to 2024 has continued to grow. One of the strategies implemented by the Bank to achieve this performance is to apply a sustainability strategy, which is clear evidence that the sustainability strategies and programs created can have an impact on sustainable financial performance.

Legitimacy Theory is an approach in management that considers the interests and needs of various stakeholders involved in a company or organization. Based on this explanation, an analysis can be made of how legitimacy theory can explain that the implementation of existing sustainability strategies and programs at PT BPD Kaltim Kaltara can have an impact on sustainable financial performance, as follows:

1. Interests of External Stakeholders:

- Environment: PT BPD Kaltim Kaltara has adopted various environmentally friendly practices, such as the use of solar cells, LED lights, and building materials that reduce environmental impact. This demonstrates a concern for environmental sustainability and efforts to reduce its carbon footprint.
- Community: The community empowerment and financial education programs implemented by the company demonstrate a commitment to supporting sustainable economic growth in its operating areas. By providing access to financial services and improving financial literacy, the company contributes to inclusive economic development.

2. Internal Stakeholder Interests:

- Employees: The company's mission, which includes human resource development and a performance-oriented work culture, reflects its concern for its employees. This demonstrates the company's commitment to strengthening employee capabilities and creating a motivating work environment.
- Shareholders: Sustainability strategies that include the application of sustainable finance principles and improving company performance are also related to the interests of shareholders. By paying attention to sustainable finance aspects, the company can increase long-term value for its shareholders.

3. Interests of Specific Stakeholders:

- Financial Institutions: In the context of PT BPD Kaltim Kaltara, financial institutions play an important role in supporting the company's sustainability programs and strategies. By adopting financial inclusion practices and implementing sustainable finance principles, the company strives to strengthen its position as a sustainable and competitive regional bank.

By taking into account the interests and needs of these various stakeholders, PT BPD Kaltim Kaltara has developed a holistic and sustainable strategy and program. Through this approach, the company not only achieves sustainable financial performance but also strengthens its relationships with the various parties involved in its operations. This reflects the application of stakeholder theory principles in the practical context of the company.

4.4. Challenges and Opportunities

However, the implementation of sustainability strategies and programs also faces challenges. Some of these include the high initial costs of adopting sustainable technologies and practices, as well as the challenge of changing corporate and community culture. However, there are also significant opportunities, such as enhanced brand image and reputation, greater access to markets and capital, and meeting the growing market demand for socially and environmentally responsible products and services.

V. CONCLUSION

The implementation of sustainability strategies and programs can make a significant contribution to the sustainable financial performance of PT BPD Kaltim Kaltara. By adopting socially and environmentally responsible practices, the company can create long-term value for all stakeholders, while maintaining a balance between economic growth, environmental protection, and social welfare in its operating areas.

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