

Challenges of Implementing Corporate Social Responsibility (CSR) and Sustainable Finance in Financing Companies

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ABSTRACT

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Sustainable Finance.

This study aims to thoroughly analyze the role of Corporate Social Responsibility (CSR) Regulations in Financing Companies and examine the Implementation of CSR Fund Allocation by these ventures. The exploration also aims to comprehensively investigate the Implementation of CSR and Sustainable Finance at PT BNI Finance in the Context of Sustainable Development Goals (SDGs). In order to achieve the stated objectives, a socio-legal study approach based on previous explorations on various disciplines such as tax, economics, and law was adopted. Accordingly, this investigation utilized primary data obtained through interviews and observations, and secondary data gathered from regulations, journals, and reports. The obtained results showed that CSR was an obligation regulated in the Law on Limited Liability Companies and Financial Services Authority Regulation (FSAR/POJK) on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. This obligation applies to PT BNI Finance due to the indirect environmental impact of the main business activity, namely vehicle financing. However, a significant discrepancy was found between the planned CSR fund allocation of IDR 65 million in the Sustainable Finance Action Plan and the actual realization of IDR 28.4 million in 2023. Based on the observations made, approximately 66.7% of the implemented programs were philanthropic and not optimally integrated with sustainable finance principles or SDGs. In essence, an inference was made that the implementation of CSR at PT BNI Finance was not optimal, particularly due to the general nature of existing regulations and the absence of specific technical guidelines.



Introduction

During the early 1970s, the Club of Rome was the first organization to draw attention to the fact that, despite modern technology, the Earth will no longer be able to sustain current rates of economic and population growth after 2100¹. In recent years, awareness of the importance of environmental sustainability has increased significantly across various sectors, including financial services sector. However, previous explorations have shown that the primary contributors to greenhouse gas pollution are, in fact, dominated by economic actors engaged in industrial activities². Environmental awareness is typically driven by the negative consequences of the growth of the industrialization process, which tends to exploit natural resources on a large scale.

Financial Services Authority (FSA/OJK), as the supervisor of Indonesia's financial industry, has taken strategic steps to ensure that economic development is not only financially profitable but also consistent with sustainability principles. A strategic step in this

¹ Ella Lesmanawaty Wargadinata, "Kompleksitas Hubungan Kependudukan Dan Lingkungan," *Jurnal Ilmu Pemerintahan Widya Praja* 47, no. 1 (2021): 1-23.

² Anistia Prafitri and Zulaikha Zulaikha, "Analisis Pengungkapan Emisi Gas Rumah Kaca," *Jurnal Akuntansi dan Auditing* 13, no. 2 (2016): 155-175.

regard is the concept of sustainable finance. Professor Bozena Liszawska from Wrocław University of Economics defined sustainable finance as finance that supports sustainable development by combining three dimensions, namely economic, environmental, and social dimensions³. Furthermore, Marco Migliorelli defined sustainable finance as a sector or a supporting activity that contributes to the achievement of at least one relevant aspect of sustainability⁴.

By implementing the concept of sustainable finance, FSA aims to balance economic, environmental, and social aspects and promote financing companies to implement environmentally friendly practices and contribute to the total welfare of society. This initiative not only aims to mitigate negative impacts on the environment but also to create financial ecosystem that supports sustainable development in Indonesia. As stated in a previous study, sustainable finance has the power to support economic growth while reducing pressure on the environment, reducing the level of greenhouse gas emissions, tackling pollution, minimizing waste, and increasing the efficiency of natural resource use⁵. As a commitment from the Indonesian government, FSA regulates sustainable economic growth through Financial Services Authority Regulation (FSAR/POJK) No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. FSAR No. 51/POJK 03/2017 prioritizes the harmonization of economic, social, and environmental aspects, which can maintain economic stability and promote an inclusive national economy. Furthermore, this regulation represents a significant milestone in the implementation of sustainable finance principles in Indonesia. FSAR No. 51/POJK.03/2017 serves as the legal basis for the obligations of financial services institutions to implement sustainable financial practices in respective operations. The regulation requires the institutions to consider environmental, social, and governance factors in all investment and business decisions. Therefore, with the implementation of FSAR No. 51/POJK.03/2017, financial services institutions are expected to focus not only on financial profit aspects, but also on the respective impacts of the institutions on society and the environment. This is invariably an essential step in integrating sustainability into financial system and ensuring that economic development is in correspondence with the principles of environmental protection and social responsibility.

Through FSAR No. 51/POJK.03/2017, there are several obligations that must be complied with by financial services institutions, namely the implementation of sustainability principles, the preparation of sustainable financial action plans and sustainability reports, as well as the implementation of Corporate Social Responsibility (CSR). Based on Article 2, Paragraph 2 of FSAR No. 51/POJK.03/2017, there are eight principles of sustainable finance, including the principle of responsible investment, sustainable business strategy and practices, social and environmental risk management, governance, informative communication, inclusiveness, developing priority leading sectors, as well as the principle of coordination and collaboration. These eight sustainability principles must be incorporated by financial services

³ Bożena Ryszawska, "Sustainability Transition Needs Sustainable Finance," *Copernican Journal of Finance & Accounting* 5, no. 1 (2016): 185–194.

⁴ Reni Ria Armayani, Hilma Kholilah Lubis, and Novita Sari, "Relationship Between the Economy and The Environment: A Study of Literature," *Sinomika Journal: Publikasi Ilmiah Bidang Ekonomi dan Akuntansi* 1, no. 2 (2022): 175–182.

⁵ Lastuti Abubakar and Tri Handayani, "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)," *Varia Justicia* 14, no. 2 (2018): 61–73.

institutions into all respective business activities. Each principle was designed to ensure that the institution's operations not only pay attention to financial profit aspects, but also comply with sustainability standards including environmental, social, and governance considerations⁶. In addition, financial services institutions are required to prepare a sustainable financial action plan as a document describing the business activity plan and work program of financial services institution in the short term of 1 year and the long term of 5 years, as stated in Article 4 of FSAR No. 51/POJK.03/2017. These institutions are also required to prepare and submit sustainability reports as a form of accountability for respective economic, environmental, and social performance. This report serves as a means to inform stakeholders about the impact of respective business activities and the efforts made by the institutions to implement sustainable finance. In addition to the three obligations stated, it was stated in Article 8 of FSAR No. 51/POJK.03/2017 that financial services institutions are required to implement CSR, as stipulated in laws and regulations, by allocating funds to support the implementation of sustainable finance⁷.

The obligations outlined in FSAR No. 51/POJK.03/2017 serves as the regulatory basis for financial services institutions. Essentially, banking and non-banking financial services institutions play a very important role in financial system of the country, namely, maintaining financial stability of the national economy. According to a previous study, non-bank financial institutions also play an essential role in implementing sustainable finance principles, including financing companies. Dissimilar to banks, these financial institutions typically raise funds only indirectly through the public⁸. A financing company is a venture that focuses its business on financing functions, such as providing funds and capital goods, without directly raising funds from the public. As part of the broader financial services sector, these companies are required to integrate sustainable finance into every aspect of respective financing distribution and business activities. This covers all four obligations stipulated in FSAR No. 51/POJK.03/2017. By implementing sustainable finance, financing companies not only comply with applicable regulations but also contribute to the achievement of sustainable development goals, optimize benefits for society, and manage risks that may arise from the financing activities engaged in by each company.

BNI Finance is one of Indonesia's leading financing companies and a part of BNI Group which is, one of the country's largest banks. It was founded with the goal of providing flexible as well as innovative financing solutions, and operates various financing businesses, including investment financing, working capital financing, multipurpose financing, and operating leases⁹. As a non-bank financial services institution, the financing company is obligated to implement sustainable finance principles as mandated by FSAR No. 51/POJK.03/2017. By 2023, the company had submitted a sustainability performance report published on its official website. The report includes an in-depth evaluation of the economic, environmental, and

⁶ Reka Dewantara and Bimarceline Agatha, "Concretisation of the Principle of Sustainable Finance in the Banking Sector Legislation in Indonesia: Lon Fuller Eight Desiderata Approach," *Veritas et Justitia* 5, no. 2 (2019): 421-446.

⁷ Haqqi Lailatul Qudriyah et al., "An Analysis of Sustainable Finance Disclosure at Indonesian Sharia Commercial Banks Using POJK 51/POJK.03/2017 Its Determinants and Influence on the Profitability," *Advances in Engineering Research* 207, no. Issat (2021): 544-551.

⁸ Aden Apandi et al., "Edukasi Lembaga Keuangan Bank Dan Non-Bank," *Journal of Entrepreneurship and Community Innovations (JECI)* 3, no. 1 (2024): 1-9.

⁹ Heri Susanto and Bambang Santoso, "Strategi Pemasaran Digital Dalam Meningkatkan Penyaluran Pembiayaan BFI Finance Cabang Sintang," *Jurnal Ekonomi Bisnis, Manajemen dan Akuntansi (JEBMAK)* 3, no. 3 (2024): 907-924.

social impacts of the financing activities carried out, as well as efforts taken to meet sustainability standards.

The allocation of CSR funds is an essential component in implementing sustainable finance practices as stipulated in FSAR No. 51/POJK.03/2017¹⁰. This is because CSR funds, which include contributions to social and environmental initiatives, serve as a tangible manifestation of the commitment of financial services institutions to sustainability and social responsibility. By allocating funds to activities that have a positive impact on society and the environment, financial services institutions not only fulfill respective regulatory obligations, but also strengthen acquired reputation as business actors who care about social and environmental welfare. Accordingly, the allocation of CSR funds invariably helps in supporting sustainable development, such as environmental conservation, education, and community development, which can create long-term positive impacts and improve relationships with stakeholders.

The allocation of CSR funds in financing companies is a form of CSR towards the environment and society. However, in practice, the implementation of this component often faces various challenges, such as transparency, effectiveness, and program sustainability. Based on the insights, this present study aims to identify and analyze problems arising in the process of allocating CSR funds at BNI Finance in order to provide recommendations for improvements that is capable of increasing the positive impact of CSR programs being implemented. In BNI Finance case study, challenges in allocating CSR funds can vary from selecting the right program, distributing funds effectively, to evaluating the program's impact on the community. Furthermore, there is often a gap between company policy and its implementation, which could hinder the main objective of CSR. Through an in-depth analysis of CSR practices carried out at BNI Finance, this study is expected to provide a clearer picture of the factors influencing the success of CSR programs and propose comprehensive solutions to address existing problems.

Research Methods

This present investigation adopted the use of a socio-legal approach based on the study of various disciplines, such as tax, economics, and law, and used primary data obtained from interviews and observations, and secondary data consisting of regulations, journals, and reports. Additionally, the legal rules applied in society were also identified. This implies that the present exploration adopted a legislative approach. The approach was carried out by studying laws and regulations that were relevant to the legal problems being resolved. An analytical descriptive approach was also used, in which data and samples were collected systematically to provide a detailed and comprehensive picture of the subject being investigated.

Results and Discussion

1. *Corporate Social Responsibility Regulations in Financing Companies*

CSR is an organizational concept representing a corporation's responsibility towards the environment and all stakeholders, namely employees, consumers, shareholders, and the

¹⁰ Eka Mulia Nurul Al Amin and Iza Hanifudin, "Implementation of Financial Services Authority Regulation №35/POJK.05/2015 Article 35 by Indonesian Venture Capital Companies in 2015," *Journal of World Economy: Transformations dan Transitions* 1, no. 02 (2021): 1–12.

environment, in the operational aspects of an organization's business¹¹. The implementation of CSR in financing companies, as non-bank financial services institutions, is governed by various regulations aimed at ensuring that these companies play an active role in supporting sustainable development. Within this context, companies must harmonize external interests with investors' interests to create a balance between internal and external stakeholders. Generally, legislation requires financing companies to allocate a portion of their respective generated funds to social activities that benefit society and the environment. The implementation of sustainable finance is closely related to the implementation of CSR in a company, particularly in efforts to create sustainable long-term value for all stakeholders. Sustainable finance emphasizes the importance of integrating environmental and social factors into financial and operational decisions of a company. In this context, CSR serves as a key tool for companies to implement sustainable finance principles by allocating funds to support social and environmental projects.

The implementation of CSR and sustainable finance at BNI Finance is not only a form of corporate responsibility towards the environment and society, but also a form of its contribution in supporting the achievement of the 2030 Sustainable Development Goals (2030 SDGs). Accordingly, in the context of financing companies as non-bank financial services institutions, the implementation of CSR is not only regulated by regulations, but also becomes a strategic instrument for integrating sustainability principles into business models. This is in line with the 2030 SDGs, which emphasize multi-stakeholder collaboration, including corporations, in achieving 17 interrelated global goals. SDGs are designed as a comprehensive agenda to address global challenges, such as poverty, inequality, climate change, and environmental degradation, while also serving as an ideal framework for companies to design measurable and impactful CSR programs¹². Through the 2023 sustainability report, BNI Finance's CSR activities and sustainable fund allocation can be holistically related to several global SDGs, especially SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 11 (Sustainable Cities and Communities), SDG 13 (Addressing Climate Change), and SDG 17 (Partnerships to Achieve the Goals). For example, the battery-powered electric vehicle financing development program not only supports the clean energy transition (SDG 7) but also reduces carbon emissions (SDG 13), as well as reflects the company's commitment to implementing the principles of sustainable finance mandated by regulations¹³. Based on these insights, it can be inferred that the integration of CSR and sustainable finance at BNI Finance not only fulfills legal obligations but also strengthens the company's role as a sustainable development actor corresponding with the global agenda.

As stated in Article 8 of FSAR No. 51/POJK.03/2017, certain financial services institutions are required to implement CSR. However, the regulation did not specifically specify which financial institutions are required to implement the concept. This led to the enactment of the regulation referred to as Law No. 40 of 2007 on Limited Liability Companies, as amended by Government Regulation in Lieu of Law No. 2 of 2022 and partially

¹¹ Kadek Ary Purnama Dewi, "Regulasi Corporate Social Responsibility (CSR) Terhadap Lingkungan Hidup Dalam Hukum Indonesia," *Yustitia* 12, no. 2 (2018): 67-75.

¹² Niloufar Fallah Shayan et al., "Sustainable Development Goals (SDGs) as a Framework for Corporate Social Responsibility (CSR)," *Sustainability (Switzerland)* 14, no. 3 (2022): 1-27.

¹³ Dimitrios Kalfas et al., "Urbanization and Land Use Planning for Achieving the Sustainable Development Goals (SDGs): A Case Study of Greece," *Urban Science* 7, no. 2 (2023): 1-23.

revoked by Law No. 24 of 2011. Financial services institutions, including financing companies that are part of limited liability companies, are required to comply with the provisions stipulated in Law No. 40 of 2007 on Limited Liability Companies¹⁴. This law establishes the legal framework governing corporate governance, including the company's obligation to implement social and environmental responsibilities.

Article 74 of Limited Liability Companies Law stipulates that CSR is an obligation for companies operating in or related to natural resources. Meanwhile, according to a previous study, the implementation of CSR for companies whose business activities are related to natural resources possesses certain limitations¹⁵. This limitation is associated with the fact that the regulation does not specifically state the limits of a company's relationship with natural resources. In addition to the provisions in Limited Liability Companies Law, CSR is regulated in Law No. 8 of 1995 on Capital Markets, as amended by Law No. 4 of 2023 and partially revoked by Government Regulation in Lieu of Law No. 1 of 2017¹⁶. Article 16, letter d, of the Investment Law states that every investor is responsible for environmental sustainability. This regulation invariably emphasizes the obligation as an investment company's effort to create harmony with the environment in which it operates. It is also important to state that although there are two CSR regulations, financial services institutions remain subject to both regulations if the institutions have the status of a limited liability company or investment company. This implies that financial services institutions in the form of limited liability companies must comply with the provisions of CSR stipulated in Limited Liability Companies Law, while those in the form of investment companies are also required to comply with CSR regulations applicable to companies with capital investment.

Financing companies are not direct participants in the exploitation or management of natural resources. However, the financing these companies provide has the potential to indirectly impact the environment. For instance, the financing distribution of BNI Finance, which is a financing institution owned by an Indonesian company, shows how the company indirectly contributes to environmental degradation, as presented in Table 1.

Table 1. Financing Distribution by BNI Finance

Distributed Financing	Financing Contract Amount
New Car	11.403
Used Car	128
Motorcycle	38
Others (including electronics and heavy equipment)	201
Total	11.770

Based on the financing distribution table provided by BNI Finance, vehicle financing continues to dominate the financing sector. This shows that vehicles remain the primary financing option, accounting for 98,3% of all financing. However, it should be observed that

¹⁴ Hendrik Saputra, "The Company's Legal Compliance Is Limited To The Principles Of Good Corporate Governance In Running A Business," *Journal of Law, Politic and Humanities* 5, no. 6 (2025): 4262-4270.

¹⁵ Nanda Melinia Safitri, Surya Anoraga, and Fitria Esfandiari, "Sinkronisasi Pengawasan CSR Dalam Hukum Positif Indonesia," *Indonesia Law Reform Journal* 2, no. 3 (2022): 288-301.

¹⁶ Bunga Agnita, "Kajian Hukum Penanaman Modal Asing Dalam Usaha Perkebunan Kelapa Sawit Di Indonesia," *Jurnal Ilmu Hukum, Humaniora dan Politik* 4, no. 4 (2024): 579-589.

vehicles are closely related to natural resources, as the use of the technology produces air pollution. As stated in a previous study, vehicle population is essentially the main cause of environmental pollution, particularly air pollution resulting from exhaust gases produced by combustion engines, such as carbon monoxide, hydrocarbons, nitrogen oxides, sulfur oxides, and particulate matter¹⁷. Although BNI Finance is not directly engaged in the exploitation of natural resources, the significant contribution of the company to vehicle financing indirectly obligates it to engage in CSR, as every vehicle financed by BNI Finance contributes significantly to air pollution.

Considering these insights, an inference can be made that financing companies distributing financing for goods or services capable of impacting the environment have an obligation to implement CSR. BNI Finance, a financing company, implemented CSR in 2023, as disclosed in BNI Finance Sustainability Report, with the activity details presented in Table 2.

Table 2. CSR Activities of BNI Finance

Activity Aspects	Activity Date	Activity
Environment	July 11, 2023	BNI Finance participated in the tree planting activity of 7,700 trees, which took place at Gunung Emas, Puncak Bogor.
Social	June 27, 2023	BNI Finance distributes sacrificial animals through the MNC Peduli community.
Social	August 29, 2023	BNI Finance collaborates with the Indonesian Red Cross Society of Bekasi City, involving employees and leaders of BNI Finance.
Total	CSR Activities for the Environmental Aspect: 1 (33.3%) CSR Activities for the Social Aspect: 2 (66.7%)	

BNI Finance has essentially fulfilled its CSR obligations as mandated by law. However, it remains unclear whether CSR programs implemented by the institution or other companies have been effective. As stated in a previous exploration, this is caused by the absence of regulations capable of completely and consistently regulating the implementation of the concept, which results in various conceptual differences in its application¹⁸. Without a structured assessment mechanism, it is difficult to measure the effectiveness and the positive impact of CSR initiatives organized by BNI Finance. However, it is important to comprehend that FSAR No. 51/POJK.03/2017 is considered too general to be applied to financial services institutions, including financing companies, due to its general nature and the lack of concrete rules for targeted implementation¹⁹.

¹⁷ Reza Zulfikar Akbar, "Air Pollution Levels of Motorized Vehicles in the South Parking Area of Yogyakarta Muhammadiyah University," *Media Ilmiah Teknik Lingkungan* 8, no. 1 (2023): 25-33.

¹⁸ Ashar Maulana Religia, "Permasalahan HUKUM Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility) Di Indonesia," *University of Bengkulu Law Journal* 4, no. 2 (2019): 183-197.

¹⁹ Elfady Krisna Bayu and Nova Novita, "Analisis Pengungkapan Sustainable Finance Dan Green Financing Perbankan Di Indonesia," *Jurnal Keuangan dan Perbankan* 18, no. 2 (2023): 57-66.

2. *The Implementation of Corporate Social Responsibility Fund Allocation for Financing Companies*

As financial services institution, financing companies are obligated to prepare a budget plan for funds allocated for CSR activities. This budget must be integrated and clearly outlined in the company's sustainable finance action plan. Therefore, companies can ensure that respective CSR fund allocation is strategically planned and harmonized with sustainability goals. This plan also allows for more effective monitoring and evaluation of CSR implementation, which enables companies to contribute positively to society and the environment. Article 8, Paragraph 1 of FSAR No. 51/POJK.03/2017 stipulates that financial services institutions implementing CSR are obligated to allocate a portion of respective CSR funds to support the implementation of sustainable finance²⁰. Essentially, the appropriate allocation of CSR funds is very important to support sustainable finance. Article 8, Paragraph 1 of the regulation further emphasizes the criteria introduced by FSA to ensure that CSR fund allocation effectively supports sustainable finance implementation activities. These criteria include the fact that 1) financing be distributed to viable micro-enterprises that is yet to have access to funding in financial service institutions directed at sustainable business development, 2) training be made available for prospective customers on sustainable business, 3) campaigns on sustainable production and consumption patterns be implemented, and 4) insurance premium subsidies for farmers, fishermen and poor or low-income communities who are vulnerable to disasters be distributed effectively.

Although regulations do not stipulate a minimum limit for fund allocation for CSR, financing companies are still required to consistently implement these contributions. This obligation aims to ensure that companies play an active role in promoting sustainable financial practices and positively impacting society as well as the environment. By fulfilling the obligation, financing companies not only comply with regulations but also contribute to sustainable development and provide added value for all stakeholders. Regarding the budget that BNI Finance has planned in its sustainable finance action plan, the company has allocated a budget of IDR 65,000,000 (sixty-five million) for the implementation of CSR in 2023. The institution explained that the budget was allocated to four planned programs, namely developing financing for battery-powered electric motor vehicles, developing the company's internal capacity to introduce or socialize sustainable finance action plans, developing social activities for the environment and community, as well as developing sustainable finance guidelines. Table 3 presents a sustainability report from BNI Finance on the results of the implementation of CSR by the company in 2023, with the following details.

Table 3. Implementation Budget of BNI Finance's CSR in 2023

Activity Name	Cost (IDR)
Blood donors	IDR 3,362.400
Offering of Sacrificial Animals	IDR 25,100.000
Total	IDR 28,462.400

A striking difference was observed between the budget for the sustainable finance action plan initiated by BNI Finance and the results of the implementation of CSR carried out

²⁰ Sheila Noor Baity, "Green Bonds Investors Protection Against the Risk of Greenwashing Based on POJK Number 60 of 2017," *Journal of Private and Commercial Law* 1, no. 2 (2024): 187-213.

in 2023. The differences in the concept of sustainable finance among stakeholders can be attributed to the lack of socialization, education, and training related to the topic of sustainable finance²¹. As a result of these deficiencies, various interpretations and implementations of sustainable finance have been developed. The sustainable finance action plan that was developed should have included various initiatives and strategies to support the company's long-term sustainability, but the realization of CSR in 2023 showed different results. This difference is evident in the budget allocation, which focused on social activities for the environment and community. In BNI Finance's budget plan, detailed specifications have been provided regarding the allocation of funds to support sustainable finance, covering various initiatives and programs designed to achieve sustainability goals. However, in its implementation, the company failed to provide an adequate explanation of the reasons behind the discrepancy between the budget plan and the actual implementation. This lack of explanation does not provide clarity as to why the planned funds allocation was not fully implemented.

FSA has stated that violations of provisions regarding the allocation of CSR funds by a company may be subject to administrative sanctions if the company does not comply with applicable provisions. However, the lack of specific limits in the regulations regarding the allocation of the funds creates challenges in conducting a rigorous assessment. The lack of clarity regarding the calculation of CSR budget is also a major concern in the regulations regarding the implementation of sustainable finance²². This is primarily because without clear and detailed guidelines, it is difficult to evaluate compliance and effectiveness of CSR fund use, hence, enforcement of administrative sanctions cannot be carried out consistently and fairly.

3. The Implementation of Corporate Social Responsibility and Sustainable Finance at BNI Finance in the Context of SDGs

The battery-powered electric vehicle financing development program, budgeted at IDR 65,000,000 in 2023, was a strategic step in supporting the clean energy transition (SDG 7). This program has significant potential to reduce dependence on fossil fuels and lower carbon emissions (SDG 13). However, the budget realization of IDR 28,462,400 shows a gap between the strategic plan and its implementation, reflecting the need for a stronger commitment to allocating CSR funds proportionally. It is also important to state that approximately 98.3% of BNI Finance's financing portfolio is still dominated by conventional vehicles, which contribute to air pollution.

In addition to energy transition efforts, BNI Finance carried out social activities, such as distributing sacrificial animals worth IDR 25,100,000 and donating blood worth IDR 3,362,400, to improve community welfare (SDG 8). However, these activities are still philanthropic in nature and have not yet been integrated with sustainable economic empowerment programs. In comparison, the Micro Waqf Bank (BWM) in Kediri runs CSR program with a micro-financing scheme based on *qardhul hasan*, namely interest-free loans

²¹ Lydia Ivana Kumajas et al., "Kontradiksi Sustainable Finance: Sebuah Literatur Review," *Jurnal EMBA* 10, no. 2 (2022): 1034-1041.

²² Sefriani Sefriani and Sri Wartini, "Model Kebijakan Hukum Tanggung Jawab Sosial Perusahaan Di Indonesia," *Jurnal Hukum IUS QUIA IUSTUM* 24, no. 1 (2017): 1-28.

for those in need²³. This scheme has proven effective in increasing Micro, Small, and Medium Enterprises (MSMEs) revenue through ongoing mentoring and training. By adopting a similar approach, BNI Finance can strengthen its CSR program, which currently focuses more on developing the capacity of MSMEs or priority leading sectors, as mandated by FSAR No. 51/POJK.03/2017.

On the flip side, a program to plant 7,700 trees on Mount Emas, Puncak, Bogor, contributes to ecosystem restoration in order to achieve SDG 11 (Sustainable Cities). However, the program's success cannot be measured quantitatively due to the lack of impact indicators, such as percentage reduction in CO₂ emissions or increase in green cover, making its long-term effectiveness difficult to determine. BNI Finance's collaboration with Indonesian Red Cross Society (PMI) and MNC Peduli reflects the company's efforts to achieve SDG 17 (Global Partnership), but this partnership still needs to be expanded to include local institutions or communities in program planning and implementation to ensure greater accountability and sustainability. An inclusive partnership model, such as the model implemented by BWM, Kediri, in collaboration with the Community Business Groups around Islamic Boarding Schools (KUMPI), can adequately increase the effectiveness of CSR programs.

Unclear regulations regarding CSR and sustainable finance are a major challenge in measuring the contribution of BNI Finance to SDGs. Furthermore, the absence of technical guidelines harmonizing CSR fund allocations to SDG indicators makes impact evaluation subjective. A study by Arifianti and Widianingsih (2022) on mining companies in Indonesia showed that the unmeasured quality of SDGs report had a minimal impact on financial performance. Based on this insight, FSA needs to formulate more specific SDG-based indicators, such as the percentage of emission reduction from electric vehicle financing (SDG 13), the number of MSMEs experiencing capacity building through training (SDG 8), and the increasing access to education and health for affected communities (SDG 4 and SDG 3). By implementing clear and comprehensive indicators, BNI Finance can be more effective in harmonizing its CSR and sustainable finance policies with SDGs targets, which would then provide a more significant impact on society and the environment.

Conclusion

In conclusion, regulations of CSR and sustainable finance in financing companies in Indonesia, specifically BNI Finance, including Law No. 8 of 1995 on Capital Markets, Law No. 40 of 2007 on Limited Liability Companies, FSAR No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies, showed that CSR is an obligation for financial services institutions related to natural resources or those giving indirect impacts on the environment. Despite this understanding, the implementation of these regulations still faces various challenges, such as the mismatch between the sustainable finance action plan and the realization of CSR fund allocation of IDR 65 million vs. IDR 28.4 million, the dominance of philanthropic programs of 66.7% social vs. 33.3% environmental which have not been integrated with SDGs, as well as the weaknesses in regulations that were too general and not specific. At BNI Finance, it was observed that 98.3% of the company's financial distribution is directed towards the financing of conventional

²³ Ririn Tri Puspita Ningrum and Faridatul Fitriyah, "Implementasi Manajemen Keuangan Inklusif Bank Wakaf Mikro Dalam Mencapai Sustainable Development Goals (SDGs) Di Kediri; Studi Komparasi Antara BWM Berkah Rizki Lirboyo Dan BWM Amanah Makmur Sejahtera," *El-Wasathiya: Jurnal Studi Agama* 12, no. 1 (2024): 1-17.

vehicles, and this invariably contributes significantly to pollution, contradicting clean energy transition efforts. Meanwhile, environmental activities, such as tree planting, have minimal measurable impact indicators. The lack of clarity in the technical guidelines for allocating CSR funds based on SDGs indicators, namely emission reduction, MSMEs empowerment, and ESG governance, is a major obstacle. To address this challenge, more detailed regulatory revisions, increased internal corporate capacity in designing holistic programs, and harmonization between policies, business practices, as well as the global agenda are required to promote sustainable economic growth.

Suggestion

Based on the results, strategic steps are needed to optimize the implementation of CSR and sustainable finance. First, FSA needs to revise FSAR No. 51/POJK.03/2017 by developing specific technical guidelines, including minimum allocation limits for CSR funds (e.g., 2-5% of net profit), SDG-based performance indicators (emission reduction, increased access for MSMEs), and an integrated monitoring mechanism. Second, financing companies, such as BNI Finance, must increase internal capacity through ESG (Environmental, Social, Governance) training to design holistic CSR programs, such as allocating funds to green financing (electric vehicles, renewable energy) and empowering MSMEs based on sustainable mentoring. Third, the government needs to develop an incentive system (tax deductions, green certification) for companies that consistently integrate SDGs into respectively organized CSR programs. Fourth, multi-stakeholder collaboration with research institutions, NGOs, and local communities must be strengthened to ensure programs are targeted, transparent, and have a measurable impact. These are particularly important because regulatory harmonization, institutional capacity, and stakeholder synergy will invariably accelerate the achievement of sustainable development in financial services sector.

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