

Sustainable Economic Financing Law in Indonesian Banking

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Abstract. One of the improvement support points expressed in the vision of reasonable improvement is a cognizant, arranged exertion that coordinates ecological, social, and monetary perspectives into an improvement procedure to guarantee natural honesty and the security, capacity, government assistance, and personal satisfaction of ages present and future. The dimensions of sustainable economic development include economic growth, social justice, and environmental sustainability. The dimensions of economic development are often the main factors that greatly influence banks in extending credit facilities.

Keywords: Economic Development; Social Justice; Environmental Sustainability.

1. Background

In this economic system, competition is fierce. Economic actors who first master science and technology can adapt to the movement of this system will continue to survive, and even develop rapidly. Meanwhile, those who cannot adjust themselves will be crushed and slumped.[1]

The market monetary framework is one of three creating financial frameworks on the planet. A market monetary framework is a financial framework that depends on private enterprise and radicalism to establish a climate where makers and purchasers are allowed to trade what they need (inside specific cutoff points). Accordingly, the merchandise delivered and the predominant not entirely set in stone by the component of organic market.[2]

In a market economic system, decisions that are centralized by the Government are replaced by decisions from millions of companies and households.[3] This system relies on an invisible hand (Laissez Faire principle) to control the economy. This system was developed by Adam Smith, in his book *The Wealth of Nations* which states that activities in the economy do not need to be regulated by the Government. If individuals in society are given freedom it will increase the efficiency of economic activity which in the end this freedom will create a steady economic growth.[4] The consequences of this market economic system are also felt by the state order. Mainly due to the reduced role of the Government. In the 1980s and 1990s; several developing countries, including Indonesia, started to move towards a market economy system, in which the public authority's dynamic job in the economy is diminished and the market is given more noteworthy adaptability for more proficient financial development.[5]

One of the functions of law is to provide pathways for community development (political, economic, legal, and socio-cultural). The ideal and constitutional basis for the national legal

development strategy is Pancasila and the 1945 Constitution. The focus of attention on the arrangement of these philosophical signs is, how far is the legal policy we have and how far is the national goal in the Preamble of the Act. The Constitution can be realized through the application of the law in the future. The demands of the times and society are increasing, both on a national, regional, and global scale. In contrast to other influential factors, the Pancasila factor and the rule of law idealism as the ideal and constitutional basis are factors that are considered constant in nature, with the understanding that the management of legal development will consequently be based on the basic values and mandates of Pancasila and the Constitution. As for the flexibility of Pancasila as an open ideology, it allows us to absorb the values that arise in the development of the nation's life, but still use basic values as a filter. In legal practice that is closely related to the protection of the interests of the community, various problems still arise. Legal renewal is still partial and has not yet touched the legal elements integrally. This situation is felt in the fields of civil affairs, trade, and the economy in general.

Regulation is a political item that sees regulation as the formalization of political wills that interface and rival one another. From this understanding it can be seen that the politics of banking law includes the process of making and implementing banking law which can indicate the nature and direction in which banking law will be developed and enforced through Law Number 7 of 1992 as amended by Law Number 10 of 1998 or abbreviated with the Banking Law. The matter of business banks is portrayed in Article 6 of the Law, specifically gathering assets from the general population as stores as request stores, stores, declarations, reserve funds, or potentially other comparable structures. This article likewise expresses that business banks purchase, sell, or assurance notwithstanding the obvious danger or to support and at the command of their client's different protections instruments with a term of as long as one year. The non-real sector or the monetary sector can be broadly divided into two categories, namely the money market. and capital market.

2. Method

The detail of this examination is logical clear, with a regularizing juridical methodology, to be specific exploration that plans to portray realities joined by an exact investigation of exploration regulations and guidelines that underscore conversation on optional information as lawful materials, both essential, auxiliary and tertiary which is upheld by essential information. Information assortment methods were helped out through library research, to be specific to get legitimate materials, both essential, auxiliary, and tertiary. Essential legitimate materials will be materials starting from authoritative guidelines, among others the 1945 Constitution, Regulation Number 7 of 1992 as corrected by Regulation Number 10 of 1998 or contracted as the Financial Regulation, Regulation No.8 of 1995 concerning Capital Business sectors. Optional legitimate materials connect with legitimate materials that make sense of legal guidelines, to be specific Draft Regulations, Tenet, and others, while the tertiary lawful materials are as works from diaries, magazines, virtual entertainment, and others.

3. Discussion

As per the financial regulation, a bank is a business substance that gathers assets from general society as investment funds and disseminates them to general society to work on the

way of life of the commoners. Hence the financial area has an essential situation as a go-between establishment and installment framework support is an exceptionally conclusive component. The foundation or legal political basis in Indonesian banking for the bank's function as a mutual fund agent in the capital market in the era of free trade is the Indonesian banking architecture which provides the basis for the development of the long-term banking industry. [6]

Therefore, the architecture of Indonesian banking must include the future direction of national banking which contains universal values and accommodates changes that occur in society. For example, other countries already have banking blueprints made by their respective central banks and governments. Some of these blueprints are even more comprehensive in the sense that they cover all financial aspects, not only banking but other financial institutions.

The effectiveness of the product of the law in question, namely, the banking law and the capital market law in its application requires attention to the institutions and procedures needed in its implementation. Hence, in accordance with Mochtar Kusumaatmaja's perspective, the idea of satisfactory regulation shouldn't just view the law as a bunch of decides and rules that oversee human existence in the public eye however should likewise incorporate the establishments and cycles should have tried to understand this regulation truly.[7]

Stability is a major concern in finance. It is the character of the financial sector that individual problems can cause harm to the entire financial system. The failure of a financial sector has far-reaching consequences, not only for one investor but can involve the failure of capital markets, banks, and other financial hazards that can endanger the entire economic system of a country's institutions that must be immediately followed up by the government. Globalization raises problems whose solutions are not easy to determine. To begin with, the developing reliance on global monetary business sectors, monetary issues experienced by one nation can undoubtedly spread to different nations. An economic crisis in a country due to the failure of the authorities to handle it can result in a global crisis. Second, regulations can be interpreted as taxes and influence the international competition of a financial institution. Differences in legal regimes can cause obstacles to companies that carry out cross-border activities in the financial sector. For example, differences in capital requirements lead to differences in business capabilities between financial institutions in different countries. Third, to avoid strict domestic regulations, domestic financial institutions may choose to conduct their business activities abroad. Rules regarding arbitration can lead to the ineffectiveness of the rule of law and the ability of different countries to maintain their legal frameworks.

In deciding legitimate governmental issues in the field of banking, consideration should be paid to the fundamental goals of directing financial establishments, namely creating a stable financial system, in terms of the competition supporting and regulating competition between financial institutions, in extending credit to those who need it most and ensuring honesty and fair treatment of customers. as well as financial policies that facilitate the enabling environment for implementing those policies. Legitimate legislative issues and regulation have a relationship that impacts one another, specifically the law of determinants of governmental issues as in political exercises are managed and should be dependent upon lawful principles, furthermore legislative issues is determinant of regulation since the consequence of political wills cooperate with one another and try and commonly contend, and the three governmental issues and regulation as a social framework are in a decent position since despite the fact that the law is a political item, when regulation exists, all political exercises should be dependent upon legitimate guidelines. The lawful governmental issues in the Indonesian financial area is related with the capability of banks as specialists of shared assets in the capital market in the deregulation period, which should have the option to oblige the primary goals of directing financial establishments, in particular the steadiness of banking organizations as portrayed

previously. The law should be an aide in the connection between banking establishments and society. The state must make policies that can build and develop banking. The arguments for or against universal banks or specialized banks (specializing in certain types of services) can be viewed from several factors. First, an estimate of the benefits and profits obtained by universal banks arising from the scale and scope of the economy. Second, the ability to attract and add customers by offering a variety of financial products (the advantages of a universal bank) or professional skills in certain types of financial services. This second factor also provides a possible advantage that will be obtained by the bank to compete more effectively in the market, with different products or sell different products with the same customer base. Third, there is a risk of replacing banks with other financial institutions. Expansion of banking business activities towards the capital market can result in benefits in the form of an economic scope, namely verified business activities that generate fee-based income and can be obtained from the same customers, in addition to income derived from the credit sector which has a risk to the health of the bank if it is not carried out based on prudential principle Indonesia's economic crisis was largely caused by the provision of high-risk credit.

The concept of a banking agency as a means for the public to invest in financial markets, especially sustainable economic development in Indonesian banking institutions, has become increasingly well-known and entrenched and is increasingly being marketed more widely and reaching all levels of society. However, it is necessary to pay attention that banks are institutions of public trust that involve themselves in risky investments, meaning that banks must understand the risks they face. The dangers looked by banks are credit risk, market risk, liquidity risk, functional gamble, lawful gamble, notoriety risk, key gamble, and consistence risk. Banks likewise have wide dangers to other monetary areas and the macroeconomy. Given these characteristics, the banking sector is a "highly regulated" sector. In this connection: 1. Banking has the authority that specifically performs banking supervision. In Indonesia until recently the function of the bank was carried out by the Central Bank, but in other countries recently there has been a trend to form a special institution. For Indonesia in the process of establishing the OJK; 2. There is an international institution that continuously reviews the prudential principle and banking supervision system. The institution is the Bank for International Settlements which forms a committee known as the Based Committee on Banking Supervision [9]. The committee issues general guidelines known as the Based Accord. Currently, Based Accord II is being refined which recommends a new framework in the form of three pillars, namely:

- a. Capital ampleness for credit risk, market risk and functional gamble
- b. Bank supervision and development activities to assess the quality of risk management implementation at the bank;
- c. The principle of transparency regarding the implementation of risk management.

Related to the explanation above, banks can carry out business activities as financial institutions in sustainable economic financing that are credible and qualified while still paying attention to the provisions of Good Corporate Governance, the prudential principle, and the banking supervision system based on the Banking Law, the Bank Law. Indonesia, Capital Market Law and Limited Liability Company Law, and other related regulations. In addition, it is proposed that coordination between Bank Indonesia and the Financial Services Authority (OJK) be necessary to oversee banking practices that expand their business activities in the capital market which is mutual funds.

The felicific calculus theory developed by Jeremy Bentham is used to predict people's level of satisfaction and emphasize the misery resulting from the enactment of a legal provision. The consequence of the enactment of a legal provision has caused a widespread reaction which

could be seen so that it could be found that the results of the enactment of the legal provision impact the improvement (good/pleasure) or even misery. [10] Bentham includes important elements such as purity, extent, duration, intensity, certainty, fecundity, and familiarity which are believed to reach the level of The Greatest Happiness of The Greatest Number. According to him, a new law can be recognized as law if it can provide maximum benefit to the most people. For Bentham, the purpose of a rule of law must be able to achieve: 1. To provide subsistence, 2. To provide abundant needs, 3. To provide protection (To provide security), 4. To achieve equality (To attain equity). [11] Bentham's benchmark for the parameter of satisfaction or disappointment is that it is the instinct and ability of every individual as a human being to feel pain/sadness/misery or happiness/satisfaction. But John Stuart Mill added that apart from the conscience of human feelings, a level of intelligence is also needed as an important characteristic that needs to be grown in every human being. With a sufficient level of intelligence, it can be easier to help increase the value of happiness qualitatively.

In this manner, banking organizations are the center of the monetary arrangement of each and every country. Bank is a financial foundation that is a spot for people, personal business elements, state-claimed undertakings, and even government establishments that keep their assets. Through loaning exercises and different administrations gave, banks serve supporting necessities and send off an installment framework instrument for all areas of the economy. And given the magnitude of the risks that can occur if public trust in banks declines, it is not an exaggeration to say that efforts to protect the public or bank customers need attention. Implied store assurance, specifically insurance coming about because of viable bank oversight and improvement, can forestall bank chapter 11. This security is acquired through (1) regulations and guidelines in the financial area, (2) assurance coming about because of viable oversight and direction, completed by Bank Indonesia, (3) endeavors to keep up with the congruity of the bank's business as a foundation specifically and insurance of the financial framework by and large, (4) keeping up with the adequacy level of the bank, (5) leading business by the rule of reasonability, (6) approaches to broadening credit that isn't unfavorable to the bank and the interests of clients, and (7) giving gamble data to clients. Express store security, specifically insurance through the foundation of an organization that ensures public stores, so that assuming a bank comes up short, the establishment will supplant public finances kept in the bombed bank. This security is acquired through the foundation of an organization that ensures public stores, as specified in RI Official Pronouncement Number 26 of 1998 concerning Ensures Against Business Bank Commitments and in Regulation Number 24 of 2004 concerning Store Protection Enterprise (LPS). As per Hermansyah, legitimate security for Asset investors is basically safeguarding the interests of contributors whose assets are kept at a specific bank against a gamble of misfortune. This lawful assurance is additionally a work to guard and keep up with public trust, particularly clients, it is fitting that the financial world necessities to give such legitimate insurance. Hermansyah isolates legitimate security for clients saving assets, into 2 kinds, in particular: 291. Backhanded lawful assurance.

Therefore, Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking is intended to become a strong legal basis for the government and society to carry out efforts to finance an endurable economy by consumers or customers in the community. The job of Bank Indonesia as the national bank is profoundly expected for the outcome of client security endeavors. The presence of legitimate security for clients as purchasers in the financial area is critical, on the grounds that the situation between the gatherings is frequently inconsistent.

Therefore, the basic concept of legal economic analysis is that the principle of efficiency in banking law on sustainable economic financing by the community is associated with the aim

that the bank concerned can run more optimally in serving and protecting its customers without causing harm to other parties. For example, in a case when a deposit insurance institution (LPS) experiences unhealthy finances in a company or is said to be bankrupt. So the deposit insurance agency must adopt a policy by first protecting the customer by returning the amount saved by the customer or saving the customer's savings and also being able to save the loan from the customer, for example when the LPS goes bankrupt, the customer does not need to worry about the loan because it will pay installments from loans as usual. Then secondly, the task of the deposit insurance agency itself is to save as many assets as possible, this is done for the benefit of the bank and the customer himself. So by carrying out an economic analysis of regulations that protect customers, the laws and regulations that aim to protect customers need to be considered by regulators.

4. Closing

Legitimate advancement in the field of banking in Indonesia is related with the capability of banks as practical monetary supporting organizations in the period of deregulation, which should have the option to oblige the fundamental goals of directing financial foundations, to be specific the strength of banking establishments. The contribution of banks as specialists of supportable monetary supporting should focus on risk the executives in light of the fact that common assets are venture items that have gambles and can influence the connection among banks and their clients and essentially affect public confidence in banks. The concept of a banking agency as sustainable economic financing is a means for the public to invest in sustainable economic financing in Indonesian banking which will continue to grow and become entrenched, sustainable economic financing can be marketed more broadly and reach all levels of business (small, medium and large businesses). However, it is necessary to pay attention that banks are institutions of public trust that involve themselves in risky investments, meaning that banks must understand the risks they face. The dangers looked by banks are credit risk, market risk, liquidity risk, functional gamble, lawful gamble, notoriety risk, key gamble, and consistence risk. Banks also have broad risks to other economic sectors and the macroeconomy.

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