ABSTRACT

This study aims to examine effect of the economic sector to credit interest rates by linking it to sustainability finance issues. The objective of this study is to examine whether Indonesian banks offer different credit interest rates to sectors supporting the environment (green) and those posing a threat to the environment (red).

The study utilized bank data samples from Indonesia spanning from 2016 to 2021. Credit data is mapped to green and red economic sectors based on the criteria according to the Indonesian Green Taxonomy. The data was processed through panel regression, utilizing a fixed effect model.

As per the study findings, there exists a distinct negative relationship between green credit and credit-related interest rates. Even though red credit has a positive correlation, it is not statistically significant. This study was conducted in Indonesia, where such studies are still rare. This is also among the earliest ones to utilize criteria from the Indonesian Green Taxonomy.

Keywords: Banking; Credit; Interest Rate; Green credit, Red credit, Sustainability Finance, Indonesian Green Taxonomy.