

Does The State Finance Cause The Green Finance Turbulence in Indonesia

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Abstract

This study aims to propose priority solution to improve of green finance for create a balance used the financial state through intermediairy fungtion of banking sector as a form of economic growth circulation activities. On the other hand, the State financial are a determining system to improving green finance in achieving finance stability and economic growth in Indonesia. This study uses the Ed Wave Index development model based on Bank Indonesia financial report data, from the balance theory, we rebuild new model with import of macroeconomic presssures as the finance circulation to analysis of green finance reaction for finance stability and economic growth in Indonesia. This study found that state financial have not been able to improve green finance in Indonesia, with conditions negative financial effectiveness, including periods 2, 4 and 5, on the other hand periods 1 and 3 where the opposite applies in Indonesian financial circulation. This study makes an important contribution to Bank Indonesia and the banking sector through the use of state finances to make green finance performance more effective, especially in achieving financial stability and economic growth in Indonesia.

Keywords: *green, financial state, circulation, stability, growth.*

Abstrak

Penelitian ini memberikan solusi prioritas untuk meningkatkan keuangan hijau guna menciptakan keseimbangan pemanfaatan keuangan negara melalui fungsi intermediasi sektor perbankan, sebagai salah satu bentuk kegiatan sirkulasi pertumbuhan ekonomi. Di sisi lain, keuangan negara merupakan sistem yang menentukan peningkatan keuangan hijau dalam mencapai stabilitas keuangan dan pertumbuhan ekonomi di Indonesia. Penelitian ini menggunakan model pengembangan Ed Wave Indeks melalui data laporan keuangan Bank Indonesia, dari teori keseimbangan, kami membangun kembali model baru dengan memasukkan tekanan ekonomi makro sebagai sirkulasi keuangan untuk analisis reaksi green finance bagi stabilitas keuangan dan pertumbuhan ekonomi di Indonesia. Penelitian ini menemukan bahwa keuangan negara belum mampu meningkatkan keuangan

hijau di Indonesia, dengan kondisi efektivitas keuangan negatif pada periode 2, 4 dan 5, di sisi lain periode 1 dan 3 yang berlaku sebaliknya dalam sirkulasi keuangan Indonesia. Penelitian ini memberikan kontribusi penting bagi Bank Indonesia dan sektor perbankan melalui penggunaan keuangan negara untuk membuat kinerja keuangan hijau lebih efektif, terutama dalam mencapai stabilitas keuangan dan pertumbuhan ekonomi di Indonesia.

Kata kunci: *green, keuangan negara, sirkulasi, stabilitas, pertumbuhan.*

A. Introduction

Green state finances are an indicator of financial activities through the implementation of fiscal and monetary policies on financial movements in the economic sector, which prioritizes a strong relationship with environmental activities as a determinant of increasing environmental sustainability (Wang et al., 2023). This measure is based on the country's ability to manage its financial revenues and expenditures to achieve environmental sustainability goals (UNEP, 2016). However, several previous studies have not found that state financial flows can increase the effectiveness of environmental globally (Dikau & Volz, 2021)

Warnings about environmental changes that have a negative impact on human life are an important issue in every country (Burke et al., 2022). This reaction has been discussed in international meetings globally regarding the state role in distributing its financial flows to anticipate environmental damage which has a negative impact on human survival (Baharudin & Arifin, 2023).

Starting from the high risks experienced by each country, with this change several countries have increased their financial budgets for handling environmental damage, either to anticipate or improve and develop technology in the future datang (Mir & Bhat, 2022) .

Several countries set aside budgets for efficient use of natural resources to prevent environmental damage (Ye et al., 2022). This activity can then increase financial stability and economic growth both globally and nationally (Islam et al., 2014).

The American Congress discussed the financial budget used to save climate change in the world, the proposed budget amount to using state finances process was USD 11 trillion, but then finally the congress approved a state financial budget of USD 11.4 billion to be used annually from 2021 to 2024 (Shakil et al., 2014). Efforts to save the environment using state finances show the governments seriousness, both developed and developing countries, as an important basis for helping each other in saving the earth to prevent damage as best as possible (Chen et al., 2022).

America's efforts to protect the environment have produced significant results (Mikael Backman, 2011).. Measurements using macroeconomic indicators show that an increase in America's GDP contributes from 40% to 47% to climate change, based on a state financial budget of USD 11 billion. This indicates that seriousness and cooperation will have a positive effect on the environment based on state financial budgeting (Rasoulinezhad & Taghizadeh-Hesary, 2022).

This concept has not received a good response from several countries including Indonesia, and is a measure of a country's effectiveness in paying attention to improving the environment quality in the next few years, by adopting programs run by developed and developing countries in improving environmental balance (Dörry & Schulz, 2018).

On the other hand, the state's financial performance in Indonesia has decreased by 6.14% to 2.84% from 2020 to 2023 based on calculations by the Financial Services Authority (OJK). This condition shows that there has been a significant change in the state's financial performance, resulting in financial flows also experiencing adjustments due to these changes. (Sachs et al., 2019).

This adjustment results in a decrease in performance in achieving environmental balance, measurement by the global Green Finance Index show that Indonesia have a low level of rating implementation of green finance from 481 to 485 comparing with other country in Asia Pacific (Markard & Rosenbloom, 2020).

Meanwhile, measuring state financial flows using People's Business Credit in fiscal policy in the allocation form of National Economic Recovery (PEN) funds shows a positive relationship in supporting increased green growth in state finances (Barrot, 2016). Increasing aggregate credit distribution will leverage the national economy towards green finance, through the banking sector such as conventional banking performance of 9.06% and sharia banking of 14.52% in 2023 (Hossain, 2020).

The state finances use in banking performance shows that the financial system resilience has increased significantly based on the capital adequacy ratio (Capital Adequacy Ratio) of 27.44% in 2023 (Basmar, Campbell III, et al., 2021).. On the other hand, the level of Non Performing Loans is well controlled with a ratio of 0.08% (Masukujjaman & Aktar, 2014). These two measurements show that the green finance effectiveness in state finances leads to a strong level of financial circulation.

Overall, state finances in Indonesia illustrate the relationship between expenditure and financial revenues through the performance relationship between fiscal policy and monetary policy (Borio et al., 2001). Some budgets are run based on predetermined budgets, where budgets related to environmental preservation have not received priority from the government in Indonesia (Jermann & Quadrini, 2012).

This effort is seen through government financial movements in the banking sector to distribute credit to the industrial sector which has performance-oriented goals towards environmental sustainability (Park, 2018). For this reason, the synchronization of financial flows and the effectiveness of government and banking work are closely related to a country's financial flows (Mostaghimi, 2004).

The relationship between government and banking synergizes the country's ability to maintain financial stability and economic growth, in improving government performance through improving facilities and infrastructure for social interests (McCallum, 2001). This direct relationship is in line with banking sector activities in social interaction through the banking intermediary function (Basmar, Salim, et al., 2023).

Conformity of functions and duties can make it easier for the government sector to improve the performance of the real sector, through banking performance efforts towards achieving green finance (industrial sector) in preserving the environment, therefore financial activities degradation can increase financial stability and economic growth in both developing and developed countries.

B. Research Methodology

Theoretical Framework

Green state finance is a financial flow of government funds allocated to improve environmental sustainability (Rochon, 2020). This concept is a new model in preserving the country's environment which is experiencing an increase, due to the high level of environmental damage by the climate change in all countries (Samad & Manzoor, 2015).

The high level of engagement makes the state finances function a financial alternative that can help climate change in environmental conservation efforts and can be implemented well.

This state of the art was developed through financial flow patterns which illustrate the relationship between state financial relations and financial performance in financial circulation. The measurement aspect is based on the state financial flows objectives in achieving the environmental sustainability concept, this connection is shown in Figure 1.

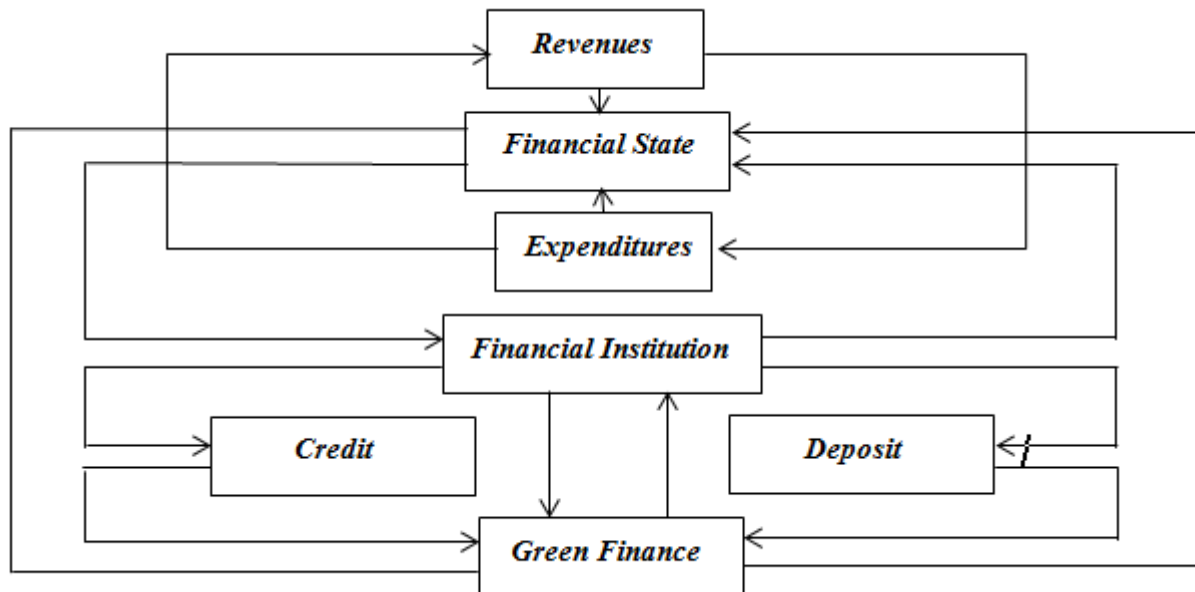


Figure 1. Finance State Flows

Based on the balanced financial concept flows in the government and banking sectors in Figure 1, the financial interaction model found that state finances synergize well when the finances contained in the financial budget are allocated to the banking sector, both state financial revenues and expenditures (Zhang et al., 2022).

Indirectly, finance in the banking sector allocates state finances using an intermediary function, therefore the equal distribution aspect of financial use can be aspired directly to society, through increasing public advice and infrastructure which can contribute to increasing green finance in a country (Lindenberg & Volz, 2016).

Another aspect in the State of the Art thinking of this study also looks at the banking sector relationship in stimulating state finances based on the ultimate goal of financial circulation which functions as a green finance process through the state finances interaction with the banking sector.

This reaction has an effect on financial circulation, indicating that financial interactions have a strong influence on the financial waves movement as an indication of reactions to economic growth and financial stability (Issing, 2011). The policy effect of achieving the final target of measuring Green Finance through state finances will appear in the financial wave reaction based on financial activities through using facilities and infrastructure function based on the state financial budget.

Data Collection Procedures

This study uses time series secondary data through Bank Indonesia financial reports which depict state financial flows in the state financial revenues and expenditures form, as well as banking sector financial activities in determining the green finance size.

Financial data is grouped based on a framework (Figure 1), then the data management process is by calculating wave pressure based on the Ed Waves Index development model.

Based on the Ed Waves Index development model, it shows the significance level of state financial linkages based on banking activities through the financial waves movement which influence the green finance function. Green Finance is an output that indicates the effectiveness and efficiency of using state finances in financial circulation, the government sector and the banking sector synergy will show green finance as the basis for determining financial stability policies and economic growth in a country.

Measurement Instruments

The balance relationship functions as a synergy of financial flows based on the basic model, the government sector finances with the banking sector interaction is the basis for measuring green finance in financial circulation (Volz, 2018). This model can be described in the following equation:

$$\alpha = \mu + \eta \quad (1)$$

In equation 1, the focus is on the state finances movement (α) due to the relationship between revenues (μ) and expenditures (η) of state finances. This reaction is a financial downstream process in a financial cycle. The financial reactions results will have an impact on the form of fluctuating financial flows. Equation 1 describes the state finances fluctuation with $\alpha^+ = \mu \geq \eta$ and $\alpha^- = \mu \leq \eta$ parameters.

Equation 1 is the financial flows movement which shows positive and negative relationships in the state finances circulation which are channeled to the banking sector. Financial changes are measured through financial activities as a form of state financial involvement in improving environmental sustainability. Separately, this relationship can be calculated based on the following equation:

$$\beta = ((\xi + \zeta + \varsigma) = (\delta + \vartheta + \sigma)) \quad (2)$$

Equation 2 represents the financial activities influence on financial market pressure as the state finances use, through the deposit and credit amounts reaction measured based on the intermediary function. This extended measurement model from Equation 2 forms reactions $\beta^+ = ((\xi + \zeta + \varsigma) \leq (\delta + \vartheta + \sigma))$ and $\beta^- = ((\xi + \zeta + \varsigma) \geq (\delta + \vartheta + \sigma))$ explains the financial flows reaction based on state financial pressure.

The next measurement development process is the state finances interaction with the banking activities influence with the following equation model:

$$\alpha = \beta \quad (3)$$

Equation 3 is used as the basis for determining a country's financial size flow through pressure, duration and area of financial waves movement, which shows the pressure effect magnitude. The equation for determining financial stress is shown in the following equation:

$$\lambda = \sum \mu + \eta = \sum ((\xi + \zeta + \varsigma) + (\delta + \vartheta + \sigma)) \quad (4)$$

Equation 4 is the state finances balance in banking activities, and in determining the financial flows size for each wave using the parameter $\lambda^+ = \sum \mu + \eta^+ = \sum ((\xi + \zeta + \varsigma) + (\delta + \vartheta + \sigma))^+$ which measures state financial pressure which has a positive impact, while the other parameter uses $\lambda^- = \sum \mu + \eta^- = \sum ((\xi + \zeta + \varsigma) + (\delta + \vartheta + \sigma))^-$ for pressure which has a negative impact on the state's financial path towards financial stability and economic growth.

The balance point of Equation 4 is used to measure pressure which influences the effectiveness and efficiency of state financial pressure based on the banking international

function, therefore the equation for measuring financial pressure in the economy is described as follows:

$$\lambda \left(\sum (\mu + \eta)_{1>0>-1} = \sum ((\xi + \zeta + \varsigma)_{1>0>-1} + (\delta + \vartheta + \sigma)_{1>0>-1}) \right) \quad (5)$$

Equation 5 clearly shows that the country's financial pressure is moving steadily through the financial intermediary of the banking sector, there is a balance between intermediary functions in the financial waves flow. Therefore, to measure state financial pressure on the economy, positive pressure can use the parameter $\lambda^+ \left(\sum (\mu + \eta)_{1<\infty} = \sum ((\xi + \zeta + \varsigma)_{1<\infty} + (\delta + \vartheta + \sigma)_{1<\infty}) \right)$, while for negative measurement can use the parameter $\lambda^- \left(\sum (\mu + \eta)_{-1<\infty} = \sum ((\xi + \zeta + \varsigma)_{-1<\infty} + (\delta + \vartheta + \sigma)_{-1<\infty}) \right)$ to determine the pressure amount in the state's financial flow.

The state's financial waves movement in equation 6 will measure the duration characteristics of the wave's journey. Through this measure, it can be seen how long the potential damage to state financial flows will last and also the potential for growth that can occur, therefore the parameters can be calculated using the following measurement model:

$$\gamma \left(\sum (\mu + \eta)_{t=0} = \sum ((\xi + \zeta + \varsigma)_{t=0} + (\delta + \vartheta + \sigma)_{t=0}) \right) \quad (6)$$

The financial activity flow in Equation 6 is entered using the basic measurement classification of the state finances balance duration, this is to emphasize the state financial stimulation length in the financial cycle, the measure is shown based on the equation $\gamma^+ = \left(\sum (\mu + \eta)_{t+1} = \sum ((\xi + \zeta + \varsigma)_{t+1} + (\delta + \vartheta + \sigma)_{t+1}) \right)$ and also the equation $\gamma^- = \left(\sum (\mu + \eta)_{t-1} = \sum ((\xi + \zeta + \varsigma)_{t-1} + (\delta + \vartheta + \sigma)_{t-1}) \right)$ to obtain an effective and efficient measure.

The effectiveness and efficiency value of financial circulation in the state finances movement identifies changes in financial activity in the wave area. This area shows the pressure effect magnitude that is influenced by macroeconomic changes. To measure the reaction, it is shown based on the following equation:

$$(\alpha^+ + \beta^+) - (\alpha^- + \beta^-) = ((\mu \geq \eta)^+ + ((\xi + \zeta + \varsigma)^+ \leq (\delta + \vartheta + \sigma)^+)) - ((\mu \geq \eta)^- + ((\xi + \zeta + \varsigma)^- \leq (\delta + \vartheta + \sigma)^-)) \quad (7)$$

In general, the measurement development in Equation 7 can be identified specifically, by controlling the pressure rate of the country's financial waves on the effectiveness of banking performance, therefore the financial cycle waves movement area will indicate the effectiveness of financial pressure, the pressure area size is measured by the parameters $\alpha^+ + \beta^+ = (\mu \geq \eta)^+ + ((\xi + \zeta + \varsigma)^+ \leq (\delta + \vartheta + \sigma)^+)$ and $\alpha^- + \beta^- = (\mu \geq \eta)^- + ((\xi + \zeta + \varsigma)^- \leq (\delta + \vartheta + \sigma)^-)$

The state financial pressures movement in the increasing green finance performance is measured through previously established equations, therefore financial synergy through movements in state finances and macroeconomic pressures can describe financial effects as a basis for determining policies to achieve financial stability and economic growth.

C. Discussion and Findings

The state financial activities and green finance show significant changes in pressure in a fluctuating manner. Changes in state financial activities occurred because comprehensive measurements were taken of the pressure, duration, area and reaction of state finances. The interaction between state financial activities and green finance is presented in Figure 2 (base on Figure 1) and Table 1.

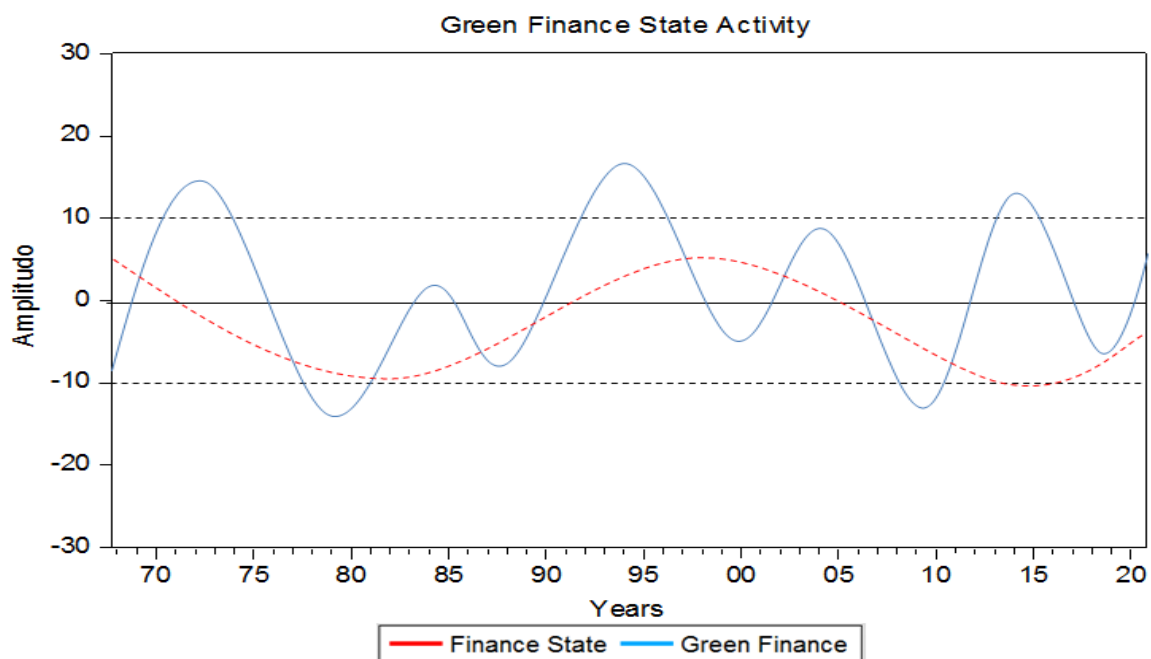


Figure 2. Finance State and Green Finance In Indonesia

The State financial activities result in pressure waves on green finance that tend to be stable, with varying degrees of flexibility in wave movements. This movement shows that state financial activities have a very slow effect in increasing the green finance program in Indonesia. This delay is a measure in determining the green finance effectiveness for the long period. This effect means that banking sector activities also experience delays in responding to state financial movements as an increase in Green Finance in Indonesia. Fluctuations in green finance pressure over a long duration are measured based on the pressure rhythm on state financial activity which is part of maintaining the financial circulation flow over a long period of time as explained in Table 1.

Table 1: Measurement Green Financial State Circulation in Indonesia

Period	Pressures			γ	λ	Reaction
	$\Sigma\alpha$	$\Sigma\beta$	GF			
I	15	-13	1	5	Positif	Effective
II	2	-8	-3	6	Negatif	Ineffective
III	17	-5	6	8	Positif	Effective
IV	9	-13	-2	7	Negatif	Ineffective
V	12	-16	-2	7	Negatif	Ineffective

Sumber: Calculated by Running Data, 2025

Pressure on state financial activity on green finance occurs due to contraction between waves in each measurement period. In the first period, the wave size is through pressure on state financial activity at a fairly high level of 15 Amplitude, this pressure is responded to by the banking sector of -13 Amplitude, therefore the green wave finance is formed at 1 Amplitude and the pressure wave duration for 5 years is in the positive area, which indicates that financial activities are effective in maintaining financial stability and economic growth.

In the second period, the pressure on state financial activity was at a quite worrying level of 2 Amplitude, and the response from the banking sector was -8 Amplitude. The green finance wave is formed of -3 Amplitude, and the pressure wave duration for 6 years is in the negative area, which indicates that financial activities have not been effective in maintaining financial stability and economic growth.

The third period shows that state financial activity is at a very high level of 17 Amplitude, and the response from the banking sector of -5 Amplitude. The green finance wave was formed with an amplitude of 6 Amplitude and the pressure wave duration for 8 years was

in the positive area, indicating that financial activity was quite effective in maintaining financial stability and economic growth.

In the fourth period, the state financial development activity increased to level of 9 Amplitude, with a banking sector response of -13 Amplitude. The green finance wave was formed of -2 Amplitude and pressure wave duration was 7 years, which was in the negative area, indicating that there was financial activity saturation and therefore it was not effective in maintaining financial stability and economic growth.

In the fifth period, state financial activity experienced an increase at the medium level of 12 Amplitude, which the banking sector responded of -16 Amplitude, this pressure depth was due to the previous high pressure effect, therefore that a green finance wave was formed of -2 Amplitude and the pressure wave duration was 7 years in negative area, indicating that financial activities are ineffective in maintaining financial stability and economic growth.

Overall, Figure 1 and Table 1 show that the state financial activities picture in improving green finance in Indonesia still requires special attention, because there were two periods that were quite effective and the other 3 periods did not have a positive impact on financial stability and economic growth in Indonesia.

The main basis for creating financial stability and economic growth is state financial activities, which have an effect on green finance. The use of state finance and green finance as a whole shows an opposite relationship, in line with the banking intermediary function (Wilson, 2015). This study has explored that, firstly, there is a correlation between state finances and green finance by including the banking sector role (financial circulation), therefore the assumptions in this research can be accepted. In addition, this study also shows the state finances influence on the banking sector (Kamran et al., 2020). State financial circulation has an influence on the banking intermediary function, banking activities both savings and loans, are affected by the revenues and expenditures in the state financial budget, therefore this synergy will form financial stability and economic growth, financial movement is needed as part of the providing resilience finances process in the various pressures face that can have a negative effect on financial circulation and impact other financial performance, on the other hand, the sensitivity value of state and banking finances is very high due to macroeconomic pressures, therefore it can have an effect on the financial circulation movement, and will then reduce the banking sector performance in increasing the resilience of its financial capital, thus having an impact on the potential for a financial crisis because the banking soundness level

becomes weakened. The weakening of the banking sector's ability to function as an intermediary will gradually have a negative effect on the country's financial performance. The same pressure occurrence in both sectors then stimulates a weakening of financial stability. Weaknesses in two important sectors in financial flows have a high level of sensitivity with the potential for a financial crisis to become increasingly stronger.

A high level of sensitivity to financial circulation will have a multiplier effect on macroeconomic variables, along with the financial turnover rate in increasing economic growth in Indonesia. Even though the financial turnover rate is getting higher along with the demand level for finance which is quite large, banks will be careful in providing credit to the industrial sector, due to the anticipatory process of banking soundness declining levels and also to maintain the Non-Performing Loans level which tends to increase, when there is an increase in macroeconomic variables, resulting in obstacles to financial flows between the distribution of state finances and the ability of banks to distribute credit. To anticipate increasing financial pressures, banks in using state finances will use policies based on the macroeconomic pressures effects. The close relationship between state finances and banking in macroeconomic variables must receive attention through the monetary policy implementation, especially when there is a negative response to macroeconomic variables, this aims to ensure financial stability and maximum economic growth.

Secondly, the changes level in state finances has an indirect impact on green finance in the industrial sector, because the pressure influence through macroeconomic effects stimulates the industrial sector in resolving banking sector loans, therefore, financial stimulus experienced a slowdown and resulted in green financial decline sharply affecting financial circulation and financial stability. The decline impact creates high risks for the banking sector because long-term credit transactions have a negative response to the banking health level. This behavior then causes financial instability and economic growth slowly and over a long period of time, and gives rise to a multiplier effect as a risk of changes in macroeconomic pressures, indirectly has an impact on the Bank Indonesia policies implementation in controlling macroeconomic pressures which impact the state's financial performance and overall banking performance.

The reaction to changes in financial performance in maintaining financial stability and economic growth can be controlled through monetary policy (Dubey, 2022). Especially regarding the intermediary function in lending to the industrial sector which carries out green finance in financial circulation. In line with Bank Indonesia's aims and objectives in achieving

a level of financial balance and increasing economic flows, it will be difficult to achieve this if it is not controlled, through policies implemented in the economy, On the other hand, this relationship provides maximum results when the effectiveness of monetary policy implementation which has an impact on banking financial performance on the state financial basis management becomes an inseparable part as a financial element in dealing with movements in macroeconomic variables such as loan interest rates, inflation and exchange rates.

The performance imbalance risk between state finances and green finance will indirectly cause a snowball effect in the long term, therefore efforts to maintain financial stability and optimal economic growth, Bank Indonesia through the banking sector is implementing a policy of lowering interest rates to increase performance activities in the industrial sector, through careful consideration of the credit granting process as an effort to prevent an increase in Non-Performing Loans which results in a decline in banking health. In addition, acceleration of Non-Performing Loans settlement is carried out which incurs high costs which reduce banking capital (Hafstead & Smith, 2012; Basmar, III, et al., 2021; Claessens et al., 2011),, in some cases, to create a balance in the state finances use with green finance activities by providing relief in loan repayment for the industrial sector, with the aim of increasing financial stability and economic growth.

In addition, Bank Indonesia is restructuring the industrial sector's financial portfolio in order to maintain banking health, in line with Bank Indonesia's efforts to maintain stable financial circulation as part of increasing financial pressure due to macroeconomic effects that are difficult to predict, another effort is to implement monetary policy to ensure stability. finance, because macroeconomic variables are also an indicator in measuring financial stability and economic growth.

Thirdly, due to fluctuating state financial pressure, it has an impact on the implementation of green finance and financial performance is not optimal, therefore the financial stability and economic growth is difficult level to achieve (Md. Shafiqul Islam, 2013). The achieving green finance process provides a positive and significant response through the state finances circulation with different amounts in each period (identified through the two periods correlation which have a positive relationship). The results of this study confirm previous study conducted by Edwin Basmar et al., (2021), that the movement of state financial waves improves the performance of the banking sector through the intermediary function,

Therefore, by improving performance, banks can provide credit to the industrial sector to improve green finance. The upward reaction has a positive impact on economic growth (financial circulation), the more credit, the greater the industrial sector's profit shown in financial reports. In line with Bank Indonesia regulations, banks must maintain financial balance through lending to the industrial sector. This is because a high state financial budget will have a positive impact on banking and financial stability (Basmar, III, et al., 2021).

State financial stress resulted in banks experiencing a decline in financial performance. Borio et al., (2018) explained that financial circulation is very dependent on state financial activities. Financial depression stimulates the macroeconomic variables behavior, then has a negative and significant impact on Non-Performing Loans (Ahmed, 2012). Multipressures of macroeconomic variables cause the country's finances to move negatively, because financial circulation is unbalanced in the banking sector which experiences delays due to increasing Non-Performing Loans due to the debtor's limitations in paying the loan, On the other hand, high Non-Performing Loans have resulted in the state finances circulation also decreasing, in line with the decreasing ability of the industrial sector to control financial flows based on the green finance use.

State financial circulation in this study is an important part of Bank Indonesia's policy in maintaining financial stability and economic growth. When state finances are channeled to the banking sector, it will support the balance creation in the banking intermediary function, therefore the industrial sector can increase the green finance volume, financial stability and economic growth (financial circulation), but on the other hand, banks will experience obstacles in distributing credit when macroeconomic variable stress occurs, this is to maintain banking health, but the green finance concept will be difficult to achieve because it has not received support from the state's financial performance. This is confirmed by Basmar, Takhim, et al., (2023) that the relationship between state finances and the banking soundness level has a significant positive effect on financial circulation in developing countries like Indonesia.

D. Conclusion

Positive state green financial circulation occurs in periods 1 and 3, which is in line with the law of financial flows. In linear state financial pressure towards green finance can lead to maximum financial stability and economic growth. In connection with this, Bank Indonesia has established a monetary policy that can anticipate pressures from macroeconomic variables

which result in financial circulation experiencing an increased multiplier effect. By using the Ed Waves Index development model, this study describes the problems in improving green finance through state financial performance. The study findings illustrate the very strong connection between state financial performance and green finance through banking effectiveness in maintaining financial stability and economic growth in Indonesia

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