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Green Credit on Gross Domestic Product in Turkey

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***Abstract**. This study aims to evaluate the impact of Green Credit on Gross Domestic Product (GDP) in Turkey. Green Credit refers to a financial tool focused on supporting sustainable and environmentally friendly projects. This research utilizes secondary data collection methods from various reliable sources and then applies statistical analysis, such as regression analysis, to assess the relationship between green credit provision and GDP growth in Turkey. The results concluded that Green Credit has a significant positive influence on Turkey's GDP. The findings provide important insights into the contribution of green credit policies in promoting sustainable economic growth and environmental preservation in Turkey. This study has relevance in planning and implementing economic policies that support sustainable development.*

***Keywords**: Green Credit, Gross Domestic Product (GDP), Sustainable Development*

INTRODUCTION

In the context of Indonesia's development, sustainable economic growth and environmental conservation are two issues of growing importance. Turkey, as a country rich in natural resources, faces great challenges in trying to combine strong economic growth with sustainable environmental preservation. In the midst of changing and increasingly complex global dynamics, it is important to find a balance between economic growth and environmental sustainability.

To achieve these goals, financial instruments such as Green Credit have emerged as one of the tools that can potentially support sustainable development. Green Credit is a financial mechanism specifically designed to support projects that focus on sustainability and environmental preservation. The aim is to encourage investment in environmentally friendly sectors, reduce negative impacts on ecosystems, and give special attention to projects that contribute to nature conservation (Dewi 2023).

In Turkey, the banking sector and financial institutions have been active in implementing Green Credit policies and products. However, the question that remains unanswered is to what extent Green Credit has had a noticeable impact on Turkey's Gross Domestic Product (GDP).

This study aims to answer this important question by conducting a thorough analysis of the effect of Green Credit on GDP in Turkey. The main focus of this research is to determine whether the provision of Green Credit has a significant impact on the country's economic growth. In the process, the study will seek to identify the relationship that exists between the use of Green Credit in sustainable projects and GDP growth.

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This research is expected to provide a deeper understanding of the contribution of Green Credit in promoting sustainable economic growth in Turkey. The findings will be a valuable source of information for policymakers, financial institutions, and businesses to design more effective strategies to support economic growth while keeping environmental sustainability in mind. This research aims to address the gap between economic growth and environmental sustainability through Green Credit analysis. With a better understanding of how this financial instrument can play a role in achieving these goals, it is hoped that it will drive positive change towards more sustainable development in Turkey (Arastika n.d.).

LITERATURE REVIEW

Green Credit

Green credit analysis is an evaluation conducted by financial institutions such as banks or financing institutions. The aim is to assess a project, business or borrower based on environmental and sustainability criteria. This green credit analysis aims to ensure that loans or investments provided by financial institutions support projects or activities that support the environment and are sustainable. In addition, this analysis also aims to reduce the environmental risks associated with the financial institution's credit portfolio.

Green credit is a strategy used by financial institutions to provide funds or loans to projects, companies or individuals that have a focus on environmental and sustainability issues. This approach involves an in-depth evaluation and analysis of the environmental and social consequences of the loan or investment (Rangkuty, Rusiadi, and Zuraidah 2023).

Green credit is a growing strategy in the financial sector that aims to promote sustainable economic growth while safeguarding the environment. This approach includes a thorough evaluation of the social, economic and environmental impacts associated with loans and investments, and requires cooperation between financial institutions, borrowers and various stakeholders. Experts continue to contribute to the development of guidelines and best practices in this area (Faiza and Shafiyatun 2018).

Some aspects that may be evaluated in green credit analysis include (Fajarwati 2010):

1. Environmental Compliance: Assess whether the borrower or project complies with applicable environmental laws and regulations.

2. Environmental Impacts: Analyzes the potential impacts of the project or activity on the environment, such as carbon footprint, natural resource use, and waste.
3. Sustainable Policies and Practices: Assess whether the borrower or project adopts sustainable policies and practices, such as the use of renewable energy, energy efficiency, waste management, and environmental protection.
4. Finance and Business Performance: Examine the financial aspects of the project or business to ensure long-term financial sustainability.
5. Social Impact: Takes into account the social impacts of the project or activity, such as job creation, benefits to local communities, and the extent to which the project supports sustainable development.

Green credit analysis helps financial institutions to make wiser decisions in providing loans or investments to entities that meet environmental and sustainability standards. In addition, this analysis also encourages sustainable business practices and contributes to the overall preservation of the environment(Saputri and Oktaviana 2023).

Gross Domestic Product

Gross Domestic Product (Maulita 2019) National income has two meanings, namely in a narrow sense and in a broad sense. In a narrow sense, national income refers to the value of goods and services produced in a country. While in a broad sense, national income represents Gross Domestic Product (GDP), which is the total value of products in the form of goods and services produced by units of production within the borders of a country (domestic) for one year. GDP can also be explained as the market value of all final goods and services produced in a country during a certain period (Wardah and Nur 2023).

In the calculation of GDP, it includes the output of goods and services from foreign companies or individuals operating in the territory of the country. Goods and services that have no market value, such as unpaid wages, are not included in the GDP calculation. All types of goods produced, including capital goods that have not taken into account their depreciation, are considered gross GDP (Sukmono, Kuncara, and Ayanto 2023). GDP can be calculated through three approaches, one of which is the production approach. According to the production approach, GDP is the total value of final goods and services produced by various units of production within the territory of a country during one year.

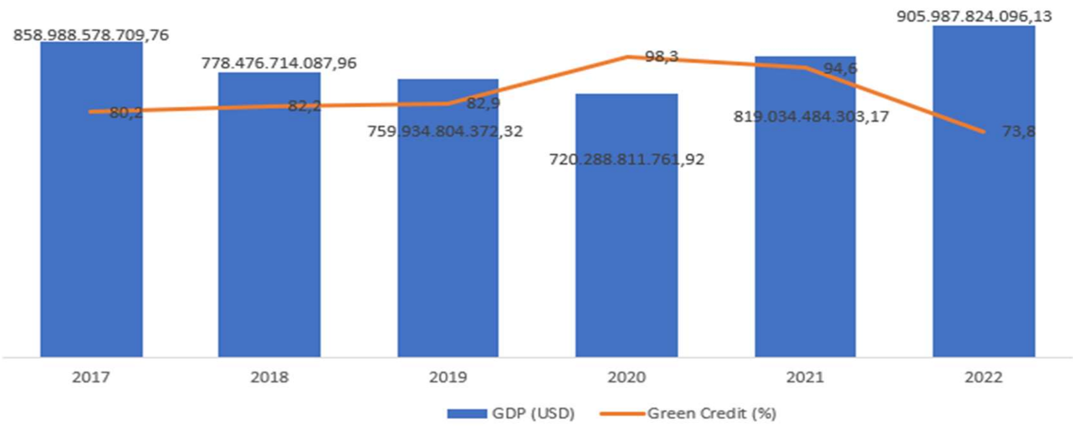
Gross Domestic Product (GDP) refers to the total value of goods and services produced within the territory of a country in one year. This is in line with the explanation (Apriadi 2022) It is stated that Gross Domestic Product (GDP) refers to the total value of final goods and services produced in an economy during a certain period, measured at market prices and using production factors contained in the economy (Agustina and Nur 2022).

This opinion is by Case and Fair (Dabukke and Iqbal 2014), which states: "The total market value of all final goods and services produced within a given period, by factors of production located within a country". The above definition includes three things, namely: 1. Final products and services, in the sense that the goods and services calculated in GDP are goods and services used by end-users (for consumption). 2. Market prices, which indicate that the value of national output is calculated based on the price level prevailing in the period in question. 3. Factors of production located in the country concerned, in the sense that the calculation of GDP does not take into account the origin of the factors of production (economic or foreign-owned) used in producing output (Fahyanti 2020). However, in an economy, in developed countries as well as in developing countries, goods and services are produced not only by companies owned by residents of the country but by residents of other countries (Hakim 2013). That is, it is always found that national production is created by factors of production that come from abroad so that the national production is not only produced by the country's residents but also by residents of other countries (Hakim 2013) (Darmawan, Wibowo, and Surachman 2021) Gross Domestic Product (GDP) is the total value of goods and services produced in a country by factors of production owned by domestic and foreign citizens. However, to avoid double counting that can arise in the calculation of GDP, the Central Bureau of Statistics (BPS) has defined GDP as the sum of value added produced by all business units in the country, or as the accumulated value of final goods and services produced by all economic units.GDP at current prices reflects the value added of goods and services calculated based on prices prevailing in a particular year, while GDP at constant prices reflects the value added of goods and services calculated based on prices prevailing in a particular base year. GDP at current prices is used to analyze changes in economic structure, while constant prices are used to evaluate economic growth from year to year.

RESEARCH METHOD(S)

This research is a qualitative analysis with a descriptive approach, which relies on the literature study method using sources derived from various previous research journals, such as those found in research conducted by Kurniawan in 2014. Data sources were also obtained through access to information published on various websites. This qualitative descriptive analysis approach refers to the role of the researcher as the main instrument in collecting data, with the data then processed inductively to provide in-depth descriptions, including the results of interviews and observations.

FINDINGS AND DUSCUSSION



Sumber: (World Bank 2023)

Figure 1. Development of Green Credit and Gross Domestic Product in Turkey from 2017 to 2022

An analysis of the impact of green credit on Gross Domestic Product (GDP) in Turkey reveals that sustainable finance approaches contribute positively to economic growth and environmental preservation in the country. Investments in projects and businesses that meet certain environmental and social criteria, supported by financial institutions through green credit, have created jobs, increased productivity and stimulated economic growth. In addition, green credit helps reduce environmental risks that could be detrimental to long-term economic growth. Sustainability principles applied in financing also encourage innovation in environmentally and socially supportive sectors, such as renewable energy, waste management, and sustainable agriculture (Oladigbolu et al. 2023). This has encouraged the growth of new sectors that have strong economic growth potential. Furthermore, green credit has had a positive impact on environmental awareness among businesses and the public, spurring behavioral changes towards more sustainable business practices. Therefore, the green credit analysis confirms that a sustainable finance approach can support sustainable economic growth, protect the environment, and improve the quality of life of people in Turkey.

The approach of analyzing green credit on Gross Domestic Product (GDP) in Turkey is a highly relevant approach in the country's sustainable finance framework. The findings of this analysis indicate that efforts to promote sustainability and environmental protection principles in the financial system have a significant positive impact on economic growth and environmental quality (Darmawan et al. 2021).

By implementing green credit, financial institutions in Turkey have taken an active role in supporting projects and businesses that adhere to very strict environmental and sustainability standards. This includes investments in sectors such as renewable energy, waste management, sustainable agriculture and green infrastructure. The impact of these measures is to achieve more balanced economic growth, create new job opportunities, and stimulate innovation in sustainable technologies (Iqbal 2020)

These positive impacts not only impact economic growth, but also help mitigate environmental risks that could damage future sectors of the economy. Green credit analysis has helped prevent investments in projects that have adverse environmental impacts and that may be at risk of facing strict regulatory sanctions. Therefore, the contribution of green credit to GDP is not only short-term, but also impacts the sustainability of economic growth in the long ru (Diaz et al. 2023).

Moreover, green credit has also opened up opportunities for innovation in sustainable technologies and business practices. Sectors such as renewable energy and waste management have grown rapidly thanks to investments provided through green credit. This creates new opportunities for sustainable economic growth and contributes to the achievement of sustainability goals.

More than just the economic aspect, green credit has influenced environmental awareness among businesses and society more broadly. This has resulted in changes in behavior and improvements in business practices that are more environmentally focused. Therefore, the analysis of green credit in Turkey shows that a sustainable finance approach has the potential to achieve sustainable economic growth, protect the environment, and improve the overall quality of life of society.

CONCLUSION AND RECOMMENDATION

An analysis of green credit on Gross Domestic Product (GDP) in Turkey reveals that sustainability- and environment-focused financial approaches have a significant impact on economic and environmental growth in the country. The utilization of green credit as a financing tool has made a positive contribution to Turkey's GDP. Investments in sustainable projects, such as renewable energy, sustainable agriculture, and waste management, have created new jobs and increased productivity. Thus, sustainable economic growth can be achieved through the application of green credit.

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