

Innovation In The Application Of ESG Principles In Business Law For The Sustainability Of The Fishing Industry In Bangka Belitung

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Abstract

Although Bangka Belitung's fisheries industry has enormous potential to boost the local economy, there are still a number of issues that prevent it from adopting environmental, social, and governance (ESG) principles. The purpose of this research is to see how ESG is applied in business law in Bangka Belitung's fisheries sector and find innovative strategies to overcome the existing challenges. Regulatory analysis, interviews with stakeholders, and case studies of fisheries companies implementing ESG were used as the research methodology. The results show that ESG implementation in the fisheries industry is still limited due to the lack of strict regulations, low awareness of business actors, and limited access to sustainable technology. Strategies that can be implemented include strengthening legal policies, incentives for companies that implement ESG, and increased education for fishermen and companies regarding the importance of ESG. With a more optimal implementation of ESG, the fishing industry in Bangka Belitung can develop sustainably without compromising the environment and the welfare of coastal communities.

Keywords: ESG, business law, fishing industry, sustainability, Bangka Belitung

1. INTRODUCTION

The fisheries industry plays an important role in the world economy, especially in archipelagic countries like Indonesia.¹ However, as a country with great marine potential, Indonesia faces challenges in maintaining a balance between exploitation of fisheries resources and environmental extinction.² One example of this rapid growth of the fishing industry is in the Bangka Belitung Islands, both on a small and large scale. However, business practices in this field do not match those in other countries.

The company's commitment to environmental, social responsibility, and good corporate governance is demonstrated by ESG principles. In the fisheries industry, the application of ESG includes the welfare of fishermen, protection of marine ecosystems, and compliance with applicable fisheries regulations. It is expected that the implementation of ESG in the fisheries business will improve the competitiveness of the industry, build fair collaboration between companies and small-scale fishers, and ensure that fisheries practices do not negatively impact the environment.³

Nonetheless, the fisheries industry still faces many challenges to implement ESG principles, including regulatory issues, business awareness, and infrastructure readiness. The absence of capable supervision of sustainable business practices is a major obstacle in the implementation of ESG in the Bangka Belitung fisheries sector. Many fisheries companies still ignore environmental and social factors in their operations, such as the use of fishing gear that damages marine ecosystems and the exploitation of small-scale fishers' labor without capable legal protection.

In addition, there are no strict regulations that encourage companies to adopt ESG principles into business law.⁴ In addition, businesses' awareness and understanding of ESG is an

¹ Mochammad, Fattah, and Pudji Purwanti. Fisheries Industry Management. Brawijaya University Press, 2017.

² Untung Adi Nugroho, Untung. "Exploitation and Conservation Perspectives in the Management of Indonesian Fisheries Resources." Planner Media Magazine 2.1 (2021), p 51-67.

³ Alfa, Vivianita, Anantya Roestanto, and Dian Indudewi. "Determinants of Environmental, Social, And Governance (ESG) (Empirical Study of Companies in Indonesia Listed on IDX 2018-2021)." Journal of Economic and Business Dynamics 21.1 (2024).

⁴ Bunga Quratul, Aini. "Analysis of Environmental, Social and Governance (ESG) Principles on the Operations of BSI Stabat Kh Zainul Arifin." Scientific Journal of Islamic Economics 10.2 (2024). p 1455-1465

obstacle to the implementation of more wish-oriented policies. In the partnership system with fisheries companies, small-scale Bangka Belitung fishermen are often at a social disadvantage. They have difficulties in obtaining capital, technology, and wider markets.

It is also worse because there is no legal protection in the partnership agreement. Small-scale fishers do not always have a strong bargaining position and are at the mercy of large companies. This shows that business law in the fisheries sector still lacks ESG social elements, which should protect the rights of coastal communities and workers. Governance, transparency, and accountability of Bangka Belitung fisheries companies are still major issues.

Many businesses do not communicate the environmental and social impacts of their activities or do not report on their intentions. However, the existence of a governance system that ensures that business policies focus on economic returns while considering long-term impacts on society and the environment is an important part of ESG. The sustainability of Bangka Belitung's fisheries industry will be difficult to achieve if there is no good governance policy.

Various challenges in implementing ESG in Bangka Belitung's fisheries sector indicate the need for innovative strategies that can overcome these obstacles. One solution that can be implemented is to push for stricter regulations regarding ESG in fisheries business law. Local governments can take a more active role in monitoring and incentivizing companies that implement sustainable business practices. In addition, education and training are needed for fisheries business actors on the benefits of ESG, both in economic and social aspects.

With the increasing awareness of ESG, it is expected that more companies will voluntarily implement these principles in their operations. This research will investigate how ESG principles are implemented in business law in Bangka Belitung's current fishing industry. The study will include an examination of existing regulations, the level of compliance of fishing companies to ESG principles, and how this impacts the poverty of the country's fisheries sector.

In addition, this research will investigate creative approaches that can be used to overcome barriers to ESG implementation. Policy approaches, fairer business partnership models, and the use of technology to support sustainable fisheries practices are some examples of approaches that will be investigated. The results of this research are expected to contribute to the development of more sustainability-oriented business law policies.

With an empirical study on the challenges and strategies of ESG implementation in the Bangka Belitung fisheries industry, this research can also serve as a reference for stakeholders in designing more effective regulations. Ultimately, better ESG implementation in fisheries business law will not only improve the welfare of small-scale fishers, but also ensure that marine resources remain sustainable for future generations.

2. METHOD

This research is a qualitative study that uses a descriptive approach. This type of research is designed to provide a systematic and factual description of the application of Environmental, Social, and Governance (ESG) principles in business law as well as innovative strategies that can be used to support the Bangka Belitung fishing industry. Primary and secondary data were used in this research. However, due to limited time and technical conditions, primary data was obtained through literature studies on the results of interviews, news, and statements of related parties that can be accessed online. Secondary data was obtained from laws and regulations, scientific articles, legal journals, government policy documents, and certifications. Data collection was conducted through desk study and documentation; this meant reviewing various academic publications, regulations, and legal documents relating to ESG principles and the desirability of the fishing industry. In addition, researchers used data accessed from official websites of government agencies and non-governmental organizations to study local policies and practices applicable in Bangka Belitung. In this research, qualitative descriptive analysis was used, which included three main stages: data reduction, data presentation, and conclusion drawing. The data was studied to understand how ESG principles are applied in business law factually, find barriers, and develop innovative strategies to address the issue in Bangka Belitung locally.

3. RESULTS AND DISCUSSION

A. IMPLEMENTATION OF ESG PRINCIPLES IN BUSINESS LAW in the BANGKA BELITUNG FISHING INDUSTRY

Around the world, ESG (Environmental, Social, and Governance) principles have become a standard in sustainable business management, including in the fisheries sector. However, in Bangka Belitung, the application of ESG principles in the fisheries industry is still very early, as shown by the many fisheries companies that explicitly apply ESG standards in their business practices. In addition, ESG principles have not been specifically regulated in the laws governing the fisheries industry.

However, laws such as Law No. 32 of 2009 on Environmental Protection and Management (UU PPLH), Law No. 31 of 2004 on Fisheries (as amended by Law No. 45 of 2009), and Minister

of Marine Affairs and Fisheries Regulation No. 12 of 2020 on Capture Fisheries Business in the Fisheries Management Area of the Republic of Indonesia are examples of laws with substantial ESG principles.⁵

Most of the large fishermen and fisheries businesses in Bangka Belitung still use conventional methods without considering the benefits of marine ecosystems.⁶ Fishing can damage the environment for several reasons, such as the use of fishing gear that is not environmentally friendly or overexploitation in certain areas. In addition, domestic waste and tin mining endanger aquatic ecosystems.⁷

Most fisheries companies in Bangka Belitung do not yet have a corporate social responsibility (CSR) program organized in terms of social aspects. In addition, the existing relationship between companies and small-scale fishers is still lacking. Many fishers are bound to vague partnership agreements without clear legal protection of their rights and welfare. In addition, the involvement of local communities in business decision-making is still low, which means that the element of inclusiveness that is part of the ESG principle has not been well fulfilled.

Transparency and accountability are still issues in the area of governance. It is difficult to assess the extent to which fisheries businesses comply with ESG standards because some of them are not accustomed to reporting their wishes (wish reports). The local government through the Maritime Affairs and Fisheries Office has sought guidance for business actors, but due to limited budget and human resources, supervision is still not optimal.

Therefore, ESG principles have not been fully applied in the legal practice of fisheries sector business in Bangka Belitung, although they have been widely recognized. To ensure that ESG principles are applied and have a sustainable impact, it is necessary to strengthen regulations, increase awareness of business actors, and collaborative strategies between the private sector, community, and government.

B. INNOVATIVE STRATEGIES FOR OVERCOMING THE BARRIERS TO ESG IMPLEMENTATION IN THE BANGKA BELITUNG FISHING SECTOR

Innovative strategies that are adaptive, participatory and locally-based are needed to overcome the challenges that hinder ESG implementation.⁸ Integrating ESG into licensing policies and business incentives is one strategic approach that can be used. As part of the licensing process, local governments can require fishing businesses to develop and report on poverty plans. This is in line with ESG due diligence principles, which encourage companies from the outset to assess and mitigate the social and environmental impacts of their actions.

The establishment of multi-stakeholder discussion platforms is also needed to enhance cooperation between government, academia, NGOs and businesses. This strategy has proven successful in several Indonesian coastal areas that have implemented a co-management approach in marine resource management; this type of forum can also be a space for sharing best practices, strengthening the capacity of small businesses, and establishing a joint monitoring system for ESG implementation.⁹

Training and education are also very important. Both fishing entrepreneurs and fishing communities can obtain ESG training from local governments, universities, and training institutions. Marine environmental management, ethical business governance, and data-driven displacement strategies are all training materials. These methods are crucial to ensure that all stakeholders have the same understanding of the importance of ESG and can implement it independently.

In terms of technology, digitalization can also be used to support ESG implementation.¹⁰ This includes creating a transparent and easily accessible online reporting system, as well as monitoring illegal fishing activities through drone or satellite-based surveillance technology. On the social side, strengthening the rights and bargaining position of fishers in the fisheries supply

⁵ Hakim, Fadhillah et al. "Implementation of Law Number 32 of 2009 concerning Environmental Protection and Management towards Community Environmental Hygiene." *Cross-border* 5.2 (2022). p 1190-1200.

⁶ Sahkholid, Nasution. "Conventional and unconventional methods in Arabic language learning." *DIDACTIC SCIENTIFIC JOURNAL: Scientific Media for Education and Teaching* 12.2 (2012).

⁷ Eko, Prianto, and Husnah Husnah. "Unconventional tin mining: its impact on the biodiversity of public waters in Bangka Island." *BAWAL Widya Riset Perikanan Tangkap* 2.5 (2017). p. 193-198.

⁸ Faisal, Kamal. "Innovative Strategy for Akidah Akhlak Learning at MAN Wonosobo, Central Java." *UNSIQ Journal of Research and Community Service* 4.1 (2017). p 45-55.

⁹ Paul, Nadasdy. "Adaptive Co-management and." *Adaptive co-management: Collaboration, learning, and multilevel governance* (2010). p. 208.

¹⁰ Budi, Harto, et al. "Sustainable business strategy through operational model innovation in the era of business digitalization." *ATRABIS Journal of Business Administration (e-Journal)* 9.2 (2023). p 243-251.

chain can be achieved through the implementation of an equitable contract-based partnership system between companies and small-scale fishers.

In addition, to support sustainable fisheries initiatives, inventive financing methods such as green financing or blue bonds can be used. To open up access to this financing to ESG-committed businesses, local governments can work with the banking sector and donor agencies.

Key barriers to ESG implementation, such as lack of understanding, lack of economic incentives, weak regulations, and technological limitations, can be gradually overcome by consistently applying these strategies. This will enable Bangka Belitung to have a more resilient, equitable, and sustainable fisheries industry.

4. CONCLUSION

Overall, this research shows that the application of ESG (Environmental, Social, and Governance) principles in business law relating to Bangka Belitung's fishing industry is still very early and faces many challenges. The main obstacles for the environment include damage to marine ecosystems and fishing actions that are not yet fully sustainable. Socially, effective implementation of ESG principles is hindered by the low understanding and engagement of small-scale fishers, as well as the absence of access to training and education on desirability. Within the existing business legal system, ESG implementation has not been well implemented due to governance issues, lack of regulation, and weak oversight and legal incentives.

However, this research also found that there is great potential to implement creative approaches that encourage cooperation between private organizations, governments, and local communities. To ensure that ESG principles can be implemented in practice and provide long-term benefits, adaptive and progressive business law policies are needed. This can be achieved through the application of environmentally friendly technologies, strengthening institutional capacity, developing more poverty-supportive regulations, and providing incentives for businesses that comply with ESG principles.

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NOVELTY

Different from previous studies that tend to emphasize the large industrial or financial sectors, this research emphasizes the importance of desirability in the local fisheries sector by combining ESG principles and ESG perspectives in the legal framework of the Bangka Belitung fisheries sector business, a region that has not been the object of much study in the ESG context. In addition, this research offers a creative regulation-based approach and cooperative working method between the local government, fisheries business actors, and fishing communities. Therefore, this research offers new thoughts on sustainable business law and can be a reference for ESG-based policy development in other coastal areas in Indonesia.

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