

## Original Article

# Reconstruction of Standard Agreement Ethics in Bank Credit Agreements: Integration of Human Rights and Local Wisdom of Bali

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## Abstract

*Standard agreements in the banking world often create an imbalance in the position between banks and customers, thereby potentially ignoring the values of justice and humanity. This research aims to analyze the application of standard agreements in bank credit agreements from a Human Rights (HAM) perspective, as well as offering a reconstruction of the ethics of standard agreements by integrating local Balinese wisdom values. The method used is a juridical-normative approach with a conceptual and reflective character. The results of the study show that standard agreement practices that are too rigid can lead to violations of human rights principles, especially the right to equality and justice in contracts. Balinese local wisdom values such as Tri Hita Karana, Tat Twam Asi, Segilik-Seguluk, and Paras-Paros Sarpanaya can be the basis for reconstructing banking ethics that are humanist, inclusive, and socially just.*

**Keywords:** Balinese; Banking Ethics; Human Rights, Local Wisdom;

## Introduction

Banks have 2 important roles in developing the community economy, namely as distributors of funds and recipients of funds from community members in the form of savings/deposits. As a fund distributor, one of the banking products is providing credit to community members who need it. The role of banks as agent of trust means that banks must continue to maintain public trust, must work professionally, be able to read risks and analyze all activities that arise in the national economy.<sup>1</sup>

To realize credit to the community, the bank makes a credit agreement (PK) between the bank as the creditor and the customer as the debtor. Financial Services Authority (OJK) Regulation no. 18/POJK.03/2016 concerning the Implementation of Risk Management for Commercial Banks emphasizes the importance of making credit agreements that contain the rights and obligations of the parties, in accordance with the principles of legal certainty. The form of a credit agreement is usually made in the form of a standard agreement (standart contract) which often causes the debtor's position to be unequal to that of the creditor, the debtor's position becomes weak, because there is no opportunity to bargain, so it is not in accordance with the concept of an open agreement and is more directed towards a form of contract called adhesion contract, namely an agreement that must be accepted in full by the weaker party or not served.<sup>2</sup>

In Credit Agreements with standard contract forms, the principle of agreement as Regulated in Article 1320 is often ignored, because customers do not really understand the contents of the agreement, or fee l they have no other choice but to agree to the clauses set by the bank, due to an

<sup>1</sup> Cok Istri Ratna Sari Dewi and others, 'Local Wisdom in Corporate Social Responsibility: Tri Parartha-Based Practices at the Village Credit Institution of Gelgel Customary Village, East Bali', *Jurnal Kajian Bali (Journal of Bali Studies)*, 15.2 (2025), 742–69 <<https://doi.org/10.24843/JKB.2025.v15.i02.p12>>.

<sup>2</sup> Richard Buttny, 'Is Shale Gas Development Sustainable? Competing Discourses on Fracking in the United States', *The Sustainability Communication Reader: A Reflective Compendium*, 2021, 361–77 <[https://doi.org/10.1007/978-3-658-31883-3\\_20](https://doi.org/10.1007/978-3-658-31883-3_20)>.



imbalance of information (asymmetric information). Customers are in a vulnerable position to be exploited legally. According to recent research, more than 70% of customers do not fully understand the content and legal implications of the credit agreements they sign. This condition opens up space for the emergence of excessive and disproportionate standard clauses, which often hold customers' legal rights hostage in the dispute resolution process.<sup>3</sup>

The Consumer Protection Law and Financial Services Authority Regulations (POJK) have provided a legal basis, but implementation is still weak, so regulatory updates, strengthening legal education and fairer contract supervision are needed to create a just and inclusive financial ecosystem. [4]. The lack of legal audits of standard banking clauses shows the need to strengthen the capacity of supervisory institutions to act proactively, not just wait for complaints from customers. If the state only acts passively, the potential losses experienced by customers will continue to recur and weaken their position as consumers of financial services.

From a Human Rights (HAM) perspective, this unequal legal relationship can be seen as a violation of the rights to justice, equality and humane treatment in economic activities. Human rights are rights that humans have because of their nature as humans. This means that even though they have a different skin color, gender, language, culture or nationality, a human being still has these rights. On the other hand, banking as a pillar of the national economy should operate not only based on the principle of legality, but also the principle of morality. By standardizing the terms of the agreement, the entrepreneur's economic interests become more secure because the consumer's position here is only to accept. There is no provision in a law that states that human rights can be deviated from in a standard agreement to achieve the goals as stated in Article 28J. This means that restrictions on human rights in standard agreements are not exceptions regulated by law.<sup>4</sup>

In the Indonesian context, especially in Bali, local wisdom values rooted in the Tri Hita Karana philosophy offer an ethical paradigm that is balanced between spiritual, social and ecological aspects. Values such as Tat Twam Asi ("I am you"), Segilik-Seguluk (togetherness), and Paras-Paros Sarpanaya (cooperation in diversity).

This concept has strong relevance in building a humanist banking system, so that it can provide a more humane bargaining position in the implementation of providing credit to the public. The problem raised is how to implement standard agreements in bank credit agreements from a human rights perspective and ethical reconstruction of standard agreements that integrate human rights principles and Balinese local wisdom values?

## Method

The type of research for the topic "Reconstructing Standard Agreement Ethics in Bank Credit Agreements: Integration of Human Rights and Balinese Local Wisdom" is normative juridical research (legal research) which is doctrinal in nature. This research focuses on a literature review of positive legal norms that regulate the legal relationship between banks and customers in credit agreements in the form of standard agreements. Normative research is used because the issues raised are closely related to the application of civil law principles, consumer protection, financial services sector regulations. The type of approach used is conceptual and cultural. A conceptual approach is used to examine the relationship between banking law, contractual ethics, and human rights values. Meanwhile, a cultural approach is applied to examine the relevance of local Balinese wisdom in strengthening the morality of contract law in the financial sector. The analysis was carried out qualitatively through interpretation of legal and ethical values, resulting in a synthesis between human rights principles and local wisdom within the framework of reconstructing standard treaty ethics.

<sup>3</sup> Subhabrata Bobby Banerjee, 'Corporate Social Responsibility: The Good, the Bad and the Ugly', *Critical Sociology*, 34.1 (2008), 51–79 <<https://doi.org/10.1177/0896920507084623>>.

<sup>4</sup> K. L. Sandoval and others, 'Local Wisdom: Values and Perspectives', *Progress on Ecosystem Restoration of Tropical Inland Waters: On the Path of the UN Decade on Ecosystem Restoration*, 2025, 347–74 <[https://doi.org/10.1007/978-981-96-2284-9\\_13](https://doi.org/10.1007/978-981-96-2284-9_13)>.



## Results and Discussions

### *Application of The Standard Agreement in Human Rights Perspective age*

One of the bank's efforts in carrying out business as a financial institution in Indonesia is to provide credit to community members who need it. One of the roles of banks in society is primarily to provide credit funds to the community. Credit is based on trust. Credit is given to customers who need it, meaning that the customer can return the credit according to the time and conditions that have been determined.<sup>5</sup> Once the bank is sure of the situation and conditions of the debtor, the credit application process will proceed to the next stage, namely making a credit agreement between the bank and the customer/debtor.

In making a bank credit agreement, referring to the provisions regulated in Book III of the Civil Code, Article 1313 states that an agreement is an act in which one or more people bind themselves to one or more other people. Abdulkadir Muhamad stated that a credit agreement is an agreement between a bank as a creditor and a customer as a debtor, which contains an agreement regarding the provision of credit with certain conditions.<sup>6</sup> The Civil Code regulates the conditions for the validity of an agreement, in accordance with the provisions of Article 1320 of the Civil Code which states that the conditions for the validity of an agreement are: 1. the agreement of those who bind themselves; 2. the ability to make an agreement; 3. a certain thing; 4 a lawful cause. Conditions 1 and 2 are called subjective conditions because they regulate the subject matter of the parties entering into the agreement, which can be individuals or legal bodies, while conditions 3 and 4 are called objective conditions because they relate to the object of the agreement. The impact that arises if the subjective conditions are not fulfilled is that the agreement can be cancelled, while the objective conditions are not fulfilled then the agreement is null and void.<sup>7</sup>

The process of making an agreement will begin with preparation and negotiation. The initial stages are preparation and negotiation. The interested parties conduct negotiations to reach an agreement regarding (i) the goals and needs of each party (ii) the rights and obligations of the parties; (iii) Objects or achievements agreed upon, (iv) time period and exchange rate (price), (v) implementation mechanism and sanctions if violations occur. Open and honest negotiations reflect the principle of good faith (good faith) which is the basis of every agreement. The second stage is to ensure that the conditions for the validity of the agreement (Article 1320 of the Civil Code) will begin with an agreement which is a meeting of wills (meeting of minds), namely what is desired by one party is also desired by the other party, thereby producing a consensus between the parties. The third stage is carrying out the formulation and writing of the agreement. After there is an agreement in principle, a written agreement is drafted and written in order to have it strong evidence at a later date. Then the Closing section and signature, shows the final agreement of the parties. The language of the agreement must be clear, straightforward, and not subject to multiple interpretations.<sup>8</sup>

In each stage of making an agreement, the principles that need to be used as guidelines include: the principle of freedom of contract, the parties are free to determine the content and form of the agreement as long as it does not conflict with the law (Article 1338 of the Civil Code), then the principle of consensualism which emphasizes that an agreement is born from the moment an agreement is reached, the principle of good faith (Good Faith) agreements must be made and implemented with honesty, the principle of Legal Certainty which states that the contents of the agreement must be clear and enforceable and finally the principle of Justice and Balance, that in making

<sup>5</sup> Adelina C. Santos-Borja and others, 'Progress on Ecosystem Restoration of Tropical Inland Waters: On the Path of the UN Decade on Ecosystem Restoration', *Progress on Ecosystem Restoration of Tropical Inland Waters: On the Path of the UN Decade on Ecosystem Restoration*, 2025, 1–374 <<https://doi.org/10.1007/978-981-96-2284-9>>.

<sup>6</sup> Takamasa Osawa, 'Rethinking the Local Wisdom Approach in Peatland Restoration through the Case of Rantau Baru: A Critical Inquiry to the Present-Day Concept of Kearifan Lokal', 2023, 119–45 <[https://doi.org/10.1007/978-981-99-0902-5\\_6](https://doi.org/10.1007/978-981-99-0902-5_6)>.

<sup>7</sup> Krizler Cejuela Tanalgo and others, 'Ecological Indicators of Water Quality and Marshland Impact Area (MARia) Index of Ligawasan Marsh: A Critically Important Wetland in the Southern Mindanao, Philippines', *Discover Environment*, 2.1 (2024) <<https://doi.org/10.1007/s44274-024-00142-1>>.

<sup>8</sup> N Agus and others, 'Reconstruction of Business Legal Ethics from the Perspective of the Principles of Good Faith and Contractual Fairness', *Pena Justisia: Media Komunikasi Dan Kajian Hukum*, 24.1 (2025), 7788–7804 <<https://doi.org/10.31941/pj.v24i2.6888>>.



an agreement no party must be disproportionately disadvantaged. In realizing credit in the community, banks often apply standard agreements.

A standard agreement is also called a standard agreement, in English it is called standard contract, in Dutch it is known as standard voorwaarden, standard agreement. What is standardized in the standard agreement includes models, formulations and measurements. Sutan Remy Sjahdeini defines a standard agreement as an agreement in which almost all of the clauses have been standardized by the party making the clause, so that the other party basically has no opportunity to negotiate or request changes. There are only a few things that have not been standardized, for example regarding the type, price, quantity, color, place, time and several other things that are specific to the object being agreed upon. In other words, what is standardized is not the agreement form but the clauses.<sup>9</sup>

A standard agreement is an agreement whose various provisions are made unilaterally by a certain party, which he will use to transact with many other parties who are interested in the same subject matter of the agreement that the particular party is offering, while "the other party has little or no ability to negotiate more favorable terms and is thus placed in a "take it or leave it" position.

From this definition it can be seen that a standard agreement is an agreement that is, the contents are determined by the creditor unilaterally, namely that the creditor's position is relatively superior compared with the debtor's position; the contents cannot be determined by the debtor; forcing the debtor, driven by his needs, to accept the agreement; has written form; preparations are carried out in advance, en masse or individually.<sup>10</sup> The practice of standard agreements in the banking sector shows that there is an imbalance in the bargaining position between banks and customers. The bank as the powerful party determines all clauses, while the customer is in the position to accept or reject without negotiation. Standard agreements are made in form and contain standard provisions in them. The form is made in large quantities; some of the contents are long, some are short; and what is used as a measure of length or shortness is the number of folio paper pages.<sup>11</sup>

The customer as a potential debtor only has the choice between accepting all the contents of the agreement clause or not being willing to accept part or all of the standard contract. Prospective customers are not given the opportunity to discuss further the contents or clauses proposed by the bank, in order to get what they hope for, namely getting credit. This is because the bank as a creditor and the customer as a debtor in a standard credit agreement never have an equal position. The contents of the agreement between the bank and the debtor customer made by one party, namely the bank, do not constitute a mutual agreement. The agreement of one of the parties is marked by signing the contents of the agreement. In a bank credit agreement in the form of a standard contract, of course the legal understanding of both contracting parties will be very different because the bank, as the party that makes the standard credit agreement contract, has very carefully considered all the clauses in the credit agreement, whereas the debtor customer simply accepts the credit agreement in the form of a standard contract. However, this weak position tends to be ignored by the party signing the agreement due to certain reasons, such as pressing needs or economic pressures, so it can be said that he was forced to sign the agreement.<sup>12</sup>

Here it can be seen that the position of the bank is quite strong because all the conditions specified in the credit agreement are determined by the bank, on the other hand, the debtor customer is in a weak position in terms of understanding the law. Standard agreement, the agreement actually does not fulfill the elements required by article 1320 jo. 1338 Civil Code. This is due to the unequal position of the parties between debtors and entrepreneurs or creditors. They do not enter into "real bargaining",

<sup>9</sup> Deny Haspada, 'Legal Analysis of Abuse of Conditions in Banking Credit Agreements in Indonesia: Implications for International Consumer Protection', *Cogent Social Sciences*, 11.1 (2025), 2492837 <<https://doi.org/10.1080/23311886.2025.2492837>>.

<sup>10</sup> Us Us Surya Nopendi and Anta Rini Utami, 'Asset Seizure in Credit Sales from the Perspective of Sharia Business Ethics', *Journal of Mujaddid Nusantara*, 2.2 (2025), 114–27 <<https://doi.org/10.62568/jomn.v2i2.422>>.

<sup>11</sup> Roger Mac Ginty and Oliver P. Richmond, 'The Local Turn in Peace Building: A Critical Agenda for Peace', *Third World Quarterly*, 34.5 (2013), 763–83 <<https://doi.org/10.1080/01436597.2013.800750>>.

<sup>12</sup> Deni Yusup Permana and others, 'Integrating Indigenous Wisdom in Environmental Protection: Exploring Village Authority within the Framework of State Responsibility in Indonesia', *Jambura Law Review*, 7.2 (2025), 359–89 <<https://doi.org/10.33756/jlr.v7i2.29582>>.



because the debtor in this case does not have the power to express and explain what they wish to include in the agreement.<sup>13</sup>

From a human rights perspective, clauses that harm customers (for example, exemption from bank responsibility or the unilateral right to change interest rates) can be seen as violating the right to justice and equal legal protection, as guaranteed in Article 28D paragraph (1) of the 1945 Constitution of the Republic of Indonesia which states "Everyone has the right to recognition, guarantees, protection and fair legal certainty as well as equal treatment before the law." This article emphasizes that bank customers as citizens have the right to obtain fair legal protection against agreements that are detrimental or unbalanced. Article 28 I of the 1945 Constitution regulates that every person has the right to be free from discriminatory treatment on any basis and has the right to receive protection against such discriminatory treatment.<sup>14</sup>

This right includes protection of customers' assets, including savings and banking transactions. Then, Law Number 39 of 1999 concerning Human Rights explicitly regulates the rights of citizens in socio-economic relations related to banking. This can be seen in several provisions of the article, namely in Article 3 paragraph (1) it is stated that every person is born free with equal and equal human dignity and is gifted with reason and conscience to live in society, nation and state in a spirit of brotherhood. Paragraph (2) in the same article states, "Everyone has the right to recognition, guarantees, protection and fair legal treatment as well as legal certainty and equal treatment before the law."

Article 4 letter c: guarantees the right to a sense of security and protection against threats to property rights, this relates to the protection of customer funds or assets. Article 17: states that everyone has the right to equal recognition and treatment before the law. In relation to standard agreements in credit agreements, customers must not be treated discriminatorily in the content or implementation of standard contracts as explained in the previous explanation, the contents of credit agreements in the form of standard contracts are predominantly determined by the bank. Then, Article 40 states that everyone has the right to live and live a decent life. This includes economic rights in obtaining fair and humane access to finance (through credit, loans and banking facilities).<sup>15</sup>

The articles in the 1945 Constitution and the Human Rights Law above emphasize the equal position of citizens before the law, including civil law. In a standard agreement the position of the parties is not equal. This was also stated by Mariam Darus Badruzaman, that in standard agreements, entrepreneurs only regulate their rights, but not their obligations. Abdulkadir Muhammad also believes that economic principles and legal certainty in standard agreements are seen from the interests of entrepreneurs, and not the interests of consumers.<sup>16</sup>

In Law Number 8 of 1999 concerning Protection, Consumers are considered as business actors and customers as consumers of financial services. Article 18 paragraph (1) prohibits business actors from including standard clauses stating unilateral transfer of responsibility, stating unilateral recognition from consumers, giving business actors the right to unilaterally interpret the contents of the agreement.<sup>17</sup> Clauses like this often appear in credit agreements or opening bank accounts, thereby violating the principles of justice and consumer human rights. In Law Number 10 of 1998 concerning Banking, Article 29 paragraph (4) states that banks are obliged to provide explanations to customers regarding risks that may arise from banking transactions. This shows the bank's obligation to act transparently and honestly, in line with human rights principles regarding the right to correct information

<sup>13</sup> I Nengah Wirata, 'Local Wisdom Revitalization Concepts and Strategies in Tourism Environmental Conservation in Bali', 2025, 593–619 <[https://doi.org/10.1007/978-981-96-3379-1\\_22](https://doi.org/10.1007/978-981-96-3379-1_22)>.

<sup>14</sup> Destin Nurafiaty Ristanti, 'Interreligious Violent Conflict Resolution: Discoursing Communal Violence between Christians and Moslems in Poso City, Indonesia', *Hasanuddin Journal of Strategic and International Studies (HJSIS)*, 1.1 (2022), 31–38 <<https://doi.org/10.20956/hjsis.v1i1.24845>>.

<sup>15</sup> Sidik Puryanto, 'Reconciliation in Indonesia: Local Wisdom as the Key to Conflict Resolution', *GATR Global Journal of Business Social Sciences Review*, 12.4 (2024), 197–208 <[https://doi.org/10.35609/gjbsrr.2024.12.4\(4\)](https://doi.org/10.35609/gjbsrr.2024.12.4(4))>.

<sup>16</sup> Thita M. Mazya, Kholis Ridho, and Ali Irfani, 'Religious and Cultural Diversity in Indonesia: Dynamics of Acceptance and Conflict in a Multidimensional Perspective', *International Journal of Current Science Research and Review*, 07.07 (2024) <<https://doi.org/10.47191/ijcsrr/v7-i7-32>>.

<sup>17</sup> Ginty and Richmond.



Article 17 of the International Covenant on Civil and Political Rights (ICCPR) everyone has the right to protection against arbitrary interference with his property. Article 25 of the International Covenant on Economic, Social and Cultural Rights (ICESCR): guarantees everyone's right to obtain an adequate standard of living, including access to financial services. Thus, protection of bank customers is part of fulfilling universally recognized economic and social rights. Banks should not only comply with positive law, but also uphold business ethics and social responsibility (corporate social responsibility) which place customers as human subjects, not just economic objects.<sup>18</sup>

In the relationship between banks and customers, there is an imbalance in bargaining positions (inequality of bargaining power). Standard contracts tend to be drawn up unilaterally by banks, thus potentially violating the principles of justice and equal rights. Rawls' theory can be used to test whether the contents of standard contracts and banking practices fulfill the principles of distributive justice and procedural justice, as part of economic human rights. In relation to human rights, justice in standard agreements is in line with Article 28D of the 1945 Constitution concerning the right to fair legal protection and Article 17 of the Human Rights Law No. 39/1999 concerning equal treatment before the law. So Rawls's theory of justice is very strong for assessing human rights protection in standard banking contracts, because in *A Theory of Justice* John Rawls emphasizes the concept of "justice as fairness", namely that laws and policies must ensure a fair distribution of rights and obligations, especially for weaker parties in the social structure.<sup>19</sup>

### ***Integration of Balinese Local Wisdom in the Reconstruction of Standard Treaty Ethics*** ***There are several terms used for local wisdom "local wisdom" or local knowledge "***

Local Knowledge" or local intelligence "local Genius". Local wisdom is formed as the cultural superiority of local communities and geography in a broad sense, and places more emphasis on place and locality. Local wisdom is a broad and comprehensive phenomenon. The scope of local wisdom is quite numerous and varied so that it is difficult to be limited by space. In several regions in Indonesia, local wisdom plays an important role as a bridge in implementing human rights values so that they are more acceptable to society.<sup>20</sup> For example, in community-based conflict resolution, traditional deliberation is often a more effective approach compared to the application of the formal legal system

According to the Big Indonesian Dictionary, wisdom means wisdom, intelligence as something needed in interaction. The word local, which means a place or in a place or in a place that grows, exists, lives something that may be different from other places or is found in a place that has value that may be local or may also be universal. According to Rosidi the term local wisdom is the result of a translation of local genius which was first introduced by Quaritch Wales in 1948-1949, which means the ability of local culture to deal with foreign cultural influences when the two cultures are in contact.<sup>21</sup>

Local wisdom is one of the characteristics of the laws that exist in society, which can be equated with customary law, so Indonesia recognizes and further regulates local wisdom, this can be seen in Article 18 B paragraph (2) and also confirmed in Article 28 I paragraph (3) of the 1945 Constitution. Then Law Number 32 of 2009 concerning Environmental Protection and Management, in Article 63 paragraph (1) letter t, Article 63 paragraph (2) letter n and Article 63 paragraph (3) letter k that in Environmental Protection and Management, where the Government and Regional Governments are in charge and has the authority to determine and implement policies regarding procedures for

<sup>18</sup> Georgia Livieri and others, 'The Gaps and Challenges in Digital Health Technology Use as Perceived by Patients: A Scoping Review and Narrative Meta-Synthesis', *Frontiers in Digital Health*, 7 (2025), 1474956 <<https://doi.org/10.3389/fdgth.2025.1474956>>.

<sup>19</sup> Sue Anne Teo, 'Artificial Intelligence and Its "Slow Violence" to Human Rights', *AI and Ethics* 2024 5:3, 5.3 (2024), 2265–80 <<https://doi.org/10.1007/s43681-024-00547-x>>.

<sup>20</sup> Livieri and others.

<sup>21</sup> Rahmi Dwi Sutanti and others, 'Derecho Consuetudinario Como Instrumento de Justicia Restaurativa: Un Enfoque Alternativo Para La Resolución de Conflictos Penales En Sistemas Jurídicos Plurales', *Clío. Revista de Historia, Ciencias Humanas y Pensamiento Crítico*, 5.10 (2025), 1348–81 <<https://doi.org/10.5281/zenodo.15453907>>.



recognizing the existence of customary law and wisdom communities local, and customary law communities related to environmental protection and management.<sup>22</sup>

The existence of local wisdom becomes a real reflection as a law that lives and grows in society. According to the report The World Conservation Union (1997), of the approximately 6,000 cultures in the world, 4,000-5,000 of them are indigenous peoples. This means that indigenous peoples constitute 70- 80 percent of all people in the world. Of this number, the majority are in Indonesia, spread across various islands. Local wisdom functions as a filter and controller for foreign culture, which is regulated in various laws and regulations and in the 1945 Constitution of the Republic of Indonesia, although it does not significantly discuss this matter.

Many local wisdom values teach respect for fellow humans, such as mutual cooperation, deliberation and tolerance. These values are in line with human rights principles of equality, respect and human dignity. Besides that, local wisdom can be used as a means of preventing conflict and discrimination in society, because by upholding the values of togetherness and tolerance, local wisdom helps avoid human rights violations, such as violence, oppression or discrimination between groups. An equally important relationship between local wisdom and human rights is that it can be used as a means of preserving collective and environmental rights, because human rights do not only include individual rights, but also the collective rights of indigenous peoples to land, culture and the environment.<sup>23</sup> Local wisdom is often the basis for maintaining natural balance and defending the rights of indigenous communities to their resource. On the island of Bali, as a world tourism destination, local wisdom has a high value in establishing harmony in human life, which is called Tri Hita Karana, Tri means three, Hita means prosperity, and karana means cause, so that there are 3 things that cause human life to live in prosperity, namely harmonious human relations with God, harmonious human relations with humans and harmonious human relations with the natural environment.

Balinese local wisdom in the form of the value of *menyama braya* emphasizes family relationships, *paras paras* which means mutual cooperation in harmony and *sekala niskala* reflects the balance between the visible and the invisible. The concept of *segilik, seguluk selunglung sebayantaka* is the concept of togetherness in handling problems that exist in society. A community-based approach that prioritizes dialogue and mutual agreement often results in solutions that are considered fair by all parties involved. This process reflects the values of social justice and inclusiveness, which are important components of human rights, such as the right to fair legal protection and the right to participate in decision making that affects their lives, so that local wisdom can make a significant contribution to the protection of community rights, especially in contexts that are closely related to cultural identity and social norms.<sup>24</sup>

The island of Bali is an area that has its own uniqueness, especially local wisdom in the form of culture, traditions and customs. This is reflected in the life of the Balinese people who always implement these cultures, traditions and customs in every aspect of life, such as in terms of managing institutions or organizations in society. Balinese local wisdom contains a value system that is relevant for building humanist banking ethics. Balinese local wisdom contains various ethical and moral values rooted in Hindu teachings

as well as the philosophy of life of its people. This concept has noble values that are global and universal. What this means is that the values in the Tri Hita Karana philosophy are actually taught in various parts of the world but with different names. These values can be used as a basis for building more humane business and banking ethics. The Tri Hita Karana value demands harmony between human relationships with God (*parahyangan*) with each other (*pawongan*), and with nature

<sup>22</sup> Rizki Jayuska and others, 'The Ambiguous Authority of Provincial Governors in Customary Law Recognition: Regulatory Fragmentation in Indonesia's Decentralization Era', *Khazanah Hukum*, 7.2 (2025), 276–94 <<https://doi.org/10.15575/kh.v7i2.46367>>.

<sup>23</sup> I Gede Gunanta, Yulias Erwin, and Nurjannah Septyanun, 'Formulation of Joint Property Agreement: Civil Code, Balinese Customary Law, and Transcendental Justice', *Journal of Transcendental Law*, 7.1 (2025), 40–56 <<https://doi.org/10.23917/jtl.v7i1.11327>>.

<sup>24</sup> Enok Risdayah and others, 'Synergizing Customary Law and Religious Moderation in the Societal Life of Tigawasa Village, Buleleng, Bali', *Khazanah Hukum*, 8.1 (2026), 1–15 <<https://doi.org/10.15575/kh.v8i1.49673>>.



(palemahan). The Tri Hita Karana concept is a concept of local cultural values that has grown, developed in the traditions of Balinese society, and has even now become the basis of business philosophy, tourism development philosophy, spatial planning and regional development strategic plans.

In a contractual context, this value can be interpreted as a balance between economic profit, social justice and moral sustainability. If applied to banking practice, Tri Hita Karana teaches that economic activities, including the preparation of credit agreements, must be based on the value of honesty, in the order of science and theory, honesty cannot be measured, honesty is a mental attitude of humans that is in accordance with conscience and is accountable before God Almighty, responsibility and balance of interests. This ethic demands that banks are not solely profit-oriented, but also pay attention to social welfare and justice for customers and society.

In business activities, in order to maintain a harmonious cooperative attitude between fellow believers, the concept of *tat twam asi*, which means I am you, you are me, can be applied. This teaching is actually universal, proven by the humanizing attitude of humans, which means that in this life humans should act humanely towards each other. So, by adhering to the concept of this teaching, as religious people we will not treat our fellow believers arbitrarily or inhumanely.<sup>25</sup>

An ethical bank must place customer interests as part of its humanitarian responsibility. When making a credit agreement, banks pay attention to the existence of the customer, so that it is not solely the bank's interests that are prioritized because the customer is a working partner of the bank itself. The principles of *Segilik - Seguluk* and *Paras-Paros Sarpanaya* are also things that should be considered and realized in banking. The meaning of the philosophy of *seglilik, seguluk, salunglung sebayantaka, paras paros sarpanaya* is (joys and sorrows, helping, light, carrying, heavy, carrying) is also a form of maintaining unity and oneness, realizing an attitude of mutual cooperation, and carrying joy and sorrow together, emphasizes the spirit of togetherness and mutual respect, which can be applied in drafting fair and proportional contract clauses.

Another type of local wisdom is the value *menyama braya* which means brotherhood and social solidarity. In banking relationships, this value demands that banks treat customers as equal partners, not just business objects. This principle can also be applied in handling problem loans, where banks should take a family approach and humanitarian dialogue before taking legal action. Thus, the resolution of bad credit can be carried out through a community-based mediation mechanism that reflects the spirit of mutual cooperation and social concern.<sup>26</sup>

Based on what has been described above, the reconstruction of standard agreement ethics in the banking sector needs to be carried out through normative, moral and cultural approaches. This approach is not intended to replace existing positive law, but rather to strengthen the moral and humanitarian dimensions in banking practices. Several reconstruction directions that can be taken include:

**Value Reorientation.** The banking paradigm needs to shift from profit-oriented to human-oriented banking, namely a banking system that places customers as strategic partners and legal subjects who have the same rights. This ethic demands respect for human values, empathy and social responsibility. In the Hindu religious teachings it is emphasized through the *Atharvaveda* book, VIII.115.4, namely "use progress and profit". "This mantra means that the Hindu religion itself wants banks to always maintain harmonious cooperative relationships with fellow humans, in this case customers/customers. The reorientation of banking values from profit-oriented to human-oriented banking reflects the implementation of Balinese local wisdom in the *Parhyangan* and *Pawongan* aspects of the *Tri Hita Karana* teachings, which guide economic activity. to be based on spiritual values, empathy and social responsibility.

**Reformulation of Standard Clauses.** The contents of standard agreements must reflect the principles of transparency, fairness and balance. Clauses that are exonerative (freeing up the bank's

<sup>25</sup> I. Wayan Gde Wiryawan and others, 'Integrated Spatial Governance for Sustainable Tourism in Bali', *Journal of Sustainable Development and Regulatory Issues (JSDERI)*, 4.1 (2026), 1–29 <<https://doi.org/10.53955/jsderi.v4i1.135>>.

<sup>26</sup> Nurhalia Nurhalia and others, 'A Novel Identification Model for Integrating Local Wisdom, Natural Resources, and Artificial Intelligence in Vocational Education: Insights from West Sulawesi', *AIP Conference Proceedings*, 3393.1 (2026), 060067 <<https://doi.org/10.1063/5.0319267>>.



responsibilities unilaterally) need to be reviewed. On the other hand, agreements must reflect a just *pacta sunt servanda*, namely an agreement that is prepared on the basis of honesty and equality of will. This is in line with the spirit of *Tat Twam Asi* (I am you), namely the awareness that in every contractual agreement, both parties must respect each other's rights and obligations as fellow human beings. This reflects the Pawongan values of *Tri Hita Karana*, strengthened by the principles of *Tat Twam Asi*, *Paras-Paros Sarpanaya*, and *Menyama Braya*, which together emphasize the importance of honesty, equality and moral responsibility in the legal relationship between banks and customers.<sup>27</sup>

**Bank Relational Ethics with Customers.** In the spirit of *Tat Twam Asi* and *Menyama Braya*, the relationship between banks and customers should not be viewed solely as a contractual relationship, but as a social relationship of mutual benefit and respect. Banks need to develop open communication, understand customer conditions, and apply the principles of empathy in credit practices. Restoration of Dispute Resolution. Balinese local wisdom can be the basis for resolving credit disputes through deliberation and mediation based on family values. This approach is in line with the principles of restorative justice which emphasizes the restoration of social relations and balance, not just punishment or imposition of sanctions.

Thus, the reconstruction of standard contractual ethics based on human rights and Balinese local wisdom will foster banking practices that are not only legal, but also moral because they are in line with the spirit of *Pancasila* as the basis of the nation's economic ethics.

## Conclusion

The application of standard agreements in banking practices often results in violations of human rights principles, especially regarding the right to equality and justice in contracts. The integration of local Balinese wisdom values such as *Tri Hita Karana*, *Tat Twam Asi*, *Segilik-Seguluk*, and *Paras-Paros Sarpanaya* can be the basis for reconstructing standard agreement ethics that are more humane, just, and have an Indonesian character. There is a need for national banking ethical guidelines that integrate human rights principles and local wisdom values. Bank Indonesia and OJK need to strengthen aspects of contractual ethics in banking supervision. Legal and economic education should instill local cultural values as the basis for professional ethics in the financial sector

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