

FIQH ECOLOGY-BASED GREEN BANKING FRAMEWORK: A MODEL FOR ENVIRONMENTALLY FRIENDLY CORPORATE SOCIAL RESPONSIBILITY

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Abstract

This research aimed to develop a Green Banking framework based on the principles of *Fiqh Ecology*, implemented through CSR initiatives in Indonesian sharia banking. A qualitative methodology was employed, including literature review and policy analysis tools, along with coding analysis to discern primary themes from collected data. Regulations and policies related to environmental protection in the banking sector, such as Law No. 7 of 1992 on Banking (amended by Law No. 10 of 1998), Law No. 32 of 2009 on Environmental Protection and Management (UUPPLH), Bank Indonesia Regulation No. 7/2/PBI/2005, Bank Indonesia Circular Letter No. 7/3/DPNP, and green financing regulations, align with the principles of *Fiqh Ecology* in Sharia banking. The integration of *Fiqh Ecology* and corporate social responsibility (CSR) into the Green Banking framework has produced significant outcomes. The principles of *Fiqh Ecology*—Balance (*Mizan*), Responsibility (*Amanah*), Prohibition of Destruction (*Fasad fil Ardh*), Maintenance (*Hifz*), and Sustainability (*Istidamah*)—are reflected in the CSR policies of Islamic banking. These policies include initiatives such as environmental risk assessments in credit decisions, creating green financial products, funding policies for eco-friendly projects, annual carbon footprint reporting, collaboration with NGOs, investment in renewable energy, and public campaigns.

Keywords: Corporate Social Responsibility; *Fiqh Ecology*; Green Banking.

Abstrak

Penelitian ini bertujuan mengembangkan kerangka Perbankan Hijau berdasarkan prinsip-prinsip Fikih Ekologi dan diimplementasikan melalui inisiatif CSR di perbankan syariah Indonesia. Metodologi yang digunakan adalah kualitatif, meliputi tinjauan literatur dan alat analisis kebijakan, serta analisis kode untuk mengidentifikasi tema utama dari data yang dikumpulkan. Regulasi dan kebijakan terkait perlindungan lingkungan di sektor perbankan, seperti UU No. 7 Tahun 1992 tentang Perbankan (diubah



oleh UU No. 10 Tahun 1998), UU No. 32 Tahun 2009 tentang Perlindungan dan Pengelolaan Lingkungan Hidup (UUPPLH), Peraturan Bank Indonesia No. 7/2/PBI/2005, Surat Edaran Bank Indonesia No. 7/3/DPNP, serta regulasi pembiayaan hijau, sejalan dengan prinsip Fikih Ekologi dalam konteks perbankan syariah. Penggabungan Fikih Ekologi dan corporate social responsibility (CSR) dalam kerangka Perbankan Hijau menghasilkan hasil yang signifikan. Prinsip Fikih Ekologi, yaitu Keseimbangan (Mizan), Tanggung Jawab (Amanah), Larangan Pengrusakan (Fasad fil Ardh), Pemeliharaan (Hifz), dan Keberlanjutan (Istidamah), tercermin dalam kebijakan CSR perbankan syariah. Kebijakan ini mencakup inisiatif seperti penilaian risiko lingkungan dalam keputusan kredit, penciptaan produk keuangan hijau, kebijakan pendanaan proyek ramah lingkungan, pelaporan jejak karbon tahunan, kerja sama dengan LSM, investasi dalam energi terbarukan, dan kampanye publik.

Kata Kunci: Corporate Social Responsibility; Fikih Ekologi; Green Banking.

A. INTRODUCTION

The pressing global concerns of climate change and environmental degradation necessitate collaborative efforts from several sectors, including the financial sector. Banking, as a prominent financial institution, plays a crucial role in promoting sustainable and eco-friendly corporate practices.¹ Nevertheless, the environmental preservation efforts made by the financial sector, particularly Sharia banking, in Indonesia are not yet fully optimized. Islamic banks possess significant capacity to promote sustainable development and function under Islamic values, including justice, transparency, and social responsibility.² Islamic banking aligns with the ideals of environmental preservation and sustainability. An effective method for incorporating these concepts is through the use of *Fiqh Ecology*, which highlights the significance of preserving the equilibrium of nature and human accountability towards the environment.³ Despite the recognition of the significance of

¹ Rafia Gulzar et al., "Green Banking Practices and Environmental Performance: Navigating Sustainability in Banks," *Environmental Science and Pollution Research* 31, no. 15 (2024), <https://doi.org/10.1007/s11356-024-32418-7>.

² Abul Hassan and Sofyan Syafri Harahap, "Exploring Corporate Social Responsibility Disclosure: The Case of Islamic Banks," *International Journal of Islamic and Middle Eastern Finance and Management* 3, no. 3 (2010), <https://doi.org/10.1108/17538391011072417>.

³ Nathalie Rühls and Aled Jones, "The Implementation of Earth Jurisprudence through Substantive Constitutional Rights of Nature," *Sustainability (Switzerland)*, 2016, <https://doi.org/10.3390/su8020174>.

sustainability, the Islamic banking sector in Indonesia still lacks a well-defined framework for incorporating environmental considerations into its operations. The absence of a standardized framework for incorporating green banking into *Fiqh Ecology*, as defined by the Corporate Social Responsibility (CSR) movement, has resulted in the limited involvement of Islamic banking in environmental preservation.

This study introduces a novel method by suggesting a conceptual framework that combines *Fiqh Ecology* principles with Green Banking Policy. This research addresses the lack of existing literature on the practical application of *Fiqh Ecology* principles in the specific setting of green banking in Indonesia. According to Sharma & Choubey's⁴ Research, that most participants in the Indian banking industry hold the belief that their banks are actively involved in creating Green Banking products and services, as well as adopting sustainable internal practices. Meanwhile, Mir and Bhat⁵ Argues that financial institutions, such as banks, should include environmental data in their investment decisions to promote a low-carbon economy. Issa et al.⁶ Discovered that in Iraq, the implementation of corporate governance in Islamic banking had a beneficial impact on Green Banking. Khairunessa et al.⁷ Emphasize the significance of central banks in enacting environmentally friendly policies to expedite the advancement of Green Banking in Bangladesh. The study conducted by Cahyadin et al.⁸ Indonesia reveals that while

⁴ Meenakshi Sharma and Akanksha Choubey, "Green Banking Initiatives: A Qualitative Study on Indian Banking Sector," *Environment, Development and Sustainability* 24, no. 1 (2022), <https://doi.org/10.1007/s10668-021-01426-9>.

⁵ Ajaz Akbar Mir and Aijaz Ahmad Bhat, "Green Banking and Sustainability – a Review," *Arab Gulf Journal of Scientific Research* 40, no. 3 (2022), <https://doi.org/10.1108/AGJSR-04-2022-0017>.

⁶ Jabbar Sehen Issa, Mohammad Reza Abbaszadeh, and Mahdi Salehi, "The Impact of Islamic Banking Corporate Governance on Green Banking," *Administrative Sciences* 12, no. 4 (2022), <https://doi.org/10.3390/admsci12040190>.

⁷ Fatema Khairunessa, Diego A. Vazquez-Brust, and Natalia Yakovleva, "A Review of the Recent Developments of Green Banking in Bangladesh," *Sustainability (Switzerland)* 13, no. 4 (2021), <https://doi.org/10.3390/su13041904>.

⁸ Malik Cahyadin, Tamat Sarmidi, and Elsa Adelia Nurrachma, "The Readiness of Islamic Banking in Indonesia to Implement Digital and Green Banking," *Jurnal Ekonomi Pembangunan: Kajian Masalah Ekonomi Dan Pembangunan* 20, no. 2 (2020), <https://doi.org/10.23917/jep.v20i2.6757>.

Islamic banks have used information technology in asset management, their preparedness to handle the environmental consequences of financial transactions remains restricted. According to a study conducted by Iryani and Laela⁹, it was found that corporate social responsibility (CSR) policies have an impact on the governance of sharia and the performance of sharia maqasid in the context of implementing Green Islamic Banking.

The objective of this research is to create a Green Banking framework that is founded on the principles of *Fiqh Ecology* and executed through corporate social responsibility (CSR) efforts in the context of Indonesian Sharia banking. This framework is expected to function as a comprehensive reference for Sharia banks, enabling them to enhance their role in environmental conservation in a methodical and enduring manner. The Green financial framework, rooted in *Fiqh Ecology*, offers precise and systematic instructions for incorporating environmental factors into financial operations within the context of Sharia banking. Islamic banks can enhance their role in environmental conservation and sustainable development, bolstering their reputation as socially and environmentally conscious financial organizations. The adoption of green banking by Sharia banks aligns with the government's endeavors to accomplish sustainable development goals (SDGs), benefiting both society and the government. In addition, Islamic banks have the potential to enhance public consciousness about the significance of environmental preservation through their educational programs and campaigns. This framework contributes to the existing body of knowledge and research on green banking and *Fiqh Ecology*, making it a valuable resource for academics and researchers. Additionally, it serves as a significant reference for future studies in the areas of sharia banking and the environment.

B. LITERATURE REVIEW

1. Green Banking

Green Banking is a banking concept that incorporates environmental sustainability ideas into the operations and economic

⁹ Iryani L.D and Laela S.F, "Implementation of Green Islamic Banking in Indonesia," *Utopía y Praxis Latinoamericana* 26 (2021): 140–60, <https://www.redalyc.org/articulo.oa?id=27968020013>.

strategies of banks. The objective of this notion is to reduce the ecological footprint of banking operations, while also endorsing initiatives that promote environmental sustainability. Green Banking initiatives encompass the development of financial goods and services that are ecologically sustainable, the adoption of energy-efficient operational procedures, and the implementation of corporate social responsibility (CSR) programs that prioritize environmental protection.

An analysis of the Green Banking concept can be conducted using the frameworks of industrial ecology theory and sustainability theory. Robert Ayres and Allen Kneese explore industrial ecology, which highlights the significance of waste reduction and resource optimization in industrial operations, including banking. Sustainability theory, popularized by John Elkington through the introduction of the "triple bottom line" (TBL) concept, incorporates economic, environmental, and social factors when evaluating company performance. Green Banking is the practice of prioritizing environmental and social responsibility in the operations of banks, as a way to apply this principle.

According to Sharma and Choubey's¹⁰ In the study, most participants in the Indian banking industry acknowledge that their banks are actively engaged in creating environmentally friendly banking goods and services, as well as implementing sustainable internal practices. This study demonstrates that the implementation of Green Banking initiatives can enhance consumer trust by enhancing the reputation of the bank's environmentally friendly brand. Mir and Bhat¹¹ emphasize the crucial function of banks in promoting a low-carbon economy through the incorporation of environmental data into their credit and investment choices. Furthermore, Khairunnessa et al.¹² Report noteworthy advancements in the implementation of Green Banking initiatives in Bangladesh, which have been facilitated by the rules and regulations

¹⁰ Sharma and Choubey, "Green Banking Initiatives: A Qualitative Study on Indian Banking Sector."

¹¹ Mir and Bhat, "Green Banking and Sustainability – a Review."

¹² Khairunnessa, Vazquez-Brust, and Yakovleva, "A Review of the Recent Developments of Green Banking in Bangladesh."

enforced by the central bank. In contrast, a study conducted by Issa et al.¹³ Discovered that corporate governance in Islamic banking in Iraq had a beneficial impact on banks' focus on Green Banking matters.

Existing research has examined the execution and consequences of Green Banking in many nations. However, my study specifically investigates the utilization of Green Banking inside the framework of Islamic banking in Indonesia, with a focus on the principles of *Fiqh Ecology*. This study examines both the operational and strategic aspects of banks, as well as the integration of Islamic religious beliefs to promote environmental sustainability. This research introduces a revolutionary Green Banking paradigm that is grounded in *Fiqh Ecology*, a topic that has not received extensive attention in earlier literature. This research aims to offer practical recommendations for Islamic banks in the implementation of environmentally friendly initiatives, while also contributing to scholarly research on the connection between religious values and sustainable practices in the banking industry.

2. *Fiqh Ecology*

The interplay among divinity, mankind, and the natural world is a key principle in numerous religious traditions and spiritual philosophies. Various religions, such as Islam, depict the connection between God, humanity, and nature as a harmonious oneness.¹⁴ According to this belief, humans serve as God's Khalifah (representative) on earth and have the responsibility to safeguard and maintain nature as an integral element of His creation. This concept highlights the notion that nature is not merely a utilizable resource, but also a sentient being with inherent spiritual and ethical worth that necessitates reverence and safeguarding.

The analysis of the interaction between God, humanity, and nature can be conducted using the theories of eco-theology and ecological

¹³ Sehen Issa, Abbaszadeh, and Salehi, "The Impact of Islamic Banking Corporate Governance on Green Banking."

¹⁴ Syafwan Rozi, "Understanding The Concept Of Ecosufism: Harmony And The Relationship Of God, Nature And Humans In Mystical Philosophy Of Ibn Arabi," *Ulumuna* 23, no. 2 (2019), <https://doi.org/10.20414/ujis.v23i1.354>.

holism.¹⁵ Ecotheology, as explored by theologians like¹⁶, underscores the importance of perceiving the connection between humans and nature through a religious and spiritual lens. In this perspective, nature is regarded as an integral component of God's creation, deserving of reverence and safeguarding. The theory of ecological holism, as articulated by authors like¹⁷ The concept of "Deep Ecology," posits that all living entities possess inherent worth and that the well of humans is inseparable from the welfare of the natural world.

The literature on the relationships among God, people, and nature encompasses a wide range of viewpoints and academic fields. "The Green Bible" is a compilation of Bible texts that focus on ecology, demonstrating how faith may guide sustainable environmental actions.¹⁸ In "Man and Nature: The Spiritual Crisis of Modern Man," Seyyed Hossein Nasr¹⁹ Offers a critique of the contemporary materialistic perspective on nature and advocates for a reconnection with a spiritual outlook that recognizes nature as the manifestation of Divine creation. In "The Case for God," McIntosh²⁰ Explored the teachings of the world's main faiths regarding

¹⁵ Aulia Rakhmat, "Islamic Ecotheology: Understanding The Concept Of Khalifah And The Ethical Responsibility Of The Environment," *Academic Journal of Islamic Principles and Philosophy* 3, no. 1 (2022), <https://doi.org/10.22515/ajipp.v3i1.5104>; Abdul Quddus, "Ecotheology Islam: Teologi Konstruktif Atasi Krisis Lingkungan," *Ulumuna* 16, no. 2 (2017), <https://doi.org/10.20414/ujis.v16i2.181>; Soumaya Pernilla Ouis, "Islamic Ecotheology Based on the Qur'an," *Islamic Studies* 37, no. 2 (1998); Noor Fazreena Rasngat and Mohd Zuhdi Marsuki Jusnaldi, "Islamic Ecotheology vs. Deep Ecology: An Outlook of Basic Principles," *Jurnal Pengajian Islam* 8, no. 1 (2015).

¹⁶ J. C. Ibe and A. K. Anthony, "Understanding Ecotheology: Towards an Authentic Dominion. Theology," *Igwebuike: An African Journal of Arts and Humanities* 9, no. 1 (2023).

¹⁷ Mark Omorovie Ikeke, "Deep Ecology Philosophy and Biodiversity Conservation in Nigeria's Niger Delta," *European Journal of Sustainable Development* 9, no. 2 (2020), <https://doi.org/10.14207/ejsd.2020.v9n2p80>.

¹⁸ David G. Horrell, "The Green Bible: A Timely Idea Deeply Flawed," *The Expository Times* 121, no. 4 (2010), <https://doi.org/10.1177/0014524609354743>.

¹⁹ Josef van Ess and Seyyed Hossein Nasr, "The Encounter of Man and Nature. The Spiritual Crisis of Modern Man," *Die Welt Des Islams* 12, no. 4 (1969), <https://doi.org/10.2307/1569702>.

²⁰ Alastair McIntosh, "The Case for God," *Journal for the Study of Religion, Nature and Culture*, 2000, <https://doi.org/10.1558/ecotheology.v5i1.1797>.

human responsibility towards nature. These religions emphasize the Divine command to care for God's creation.

This research focuses on investigating the link between God, humanity, and nature within the context of Islamic banking in Indonesia. It specifically explores the application of *Fiqh Ecology* principles. This study aims to examine the integration of *Fiqh Ecology* concepts, which highlight human duty as stewards of the Earth, with sharia banking procedures to promote environmental conservation. This research enhances comprehension of the dynamics between God, humanity, and nature within the framework of Islamic finance. Additionally, it offers a fresh viewpoint on the incorporation of spiritual and ecological principles into sustainable Islamic banking operations.

3. Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a concept that integrates social and environmental responsibilities into a company's business operations.²¹ Within this context, CSR encompasses a range of initiatives undertaken by companies to create positive impacts on society and the environment. The fundamental principle of CSR is that companies are responsible not only to shareholders, but also to other stakeholders, including employees, consumers, local communities, and the environment.²² Within Islam, the concept of CSR is closely related to the ethical principles and social responsibilities mentioned in the Quran and Hadith, where companies are considered entities that must maintain a balance between profit, humanity, and the earth.²³

²¹ K. Dr. S. Raja, Dr. M. Ganesan @ Kanagaraj, K. Guru, "Impact of Corporate Social Responsibility on the Organisational Performance – A Study Concerning Select Companies in Chennai City – Reviews and Conceptual Frame Work," *Psychology and Education Journal* 58, no. 2 (2021), <https://doi.org/10.17762/pae.v58i2.1756>.

²² Azlan Amran et al., "Empowering Society for Better Corporate Social Responsibility (CSR): The Case of Malaysia," *Kajian Malaysia* 31, no. 1 (2013).

²³ Hussein Elasrag, "Corporate Social Responsibility in Islam," *SSRN Electronic Journal*, 2015, <https://doi.org/10.2139/ssrn.2593945>; Mufti Afif, "Corporate Social Responsibility Dalam Perpektif Islam," *Islamic Economics Journal* 3, no. 2 (2017), <https://doi.org/10.21111/iej.v3i2.2716>; Amie - Amelia, "Corporate Social Responsibility Dan Pemberdayaan Perempuan Dalam Perspektif Ekonomi Islam," *AL-ITTIFAQ: Jurnal Ekonomi Syariah* 3, no. 1 (2023), <https://doi.org/10.31958/al-ittifaq.v3i1.9182>.

The concept of CSR can be analyzed through the stakeholder theory and the legitimacy theory. The stakeholder theory, proposed by Ritika Mahajan et al²⁴, emphasizes that companies should consider the interests of all stakeholders in their business decision-making. Meanwhile, the theory of legitimacy, as explained by Craig Michael Deegan²⁵ and Hamm, Wolfe, Cavanagh, & Lee²⁶ States that companies need to operate in a manner that is perceived as aligned with societal norms and values to maintain their social legitimacy. Within the context of Islamic banking, these theories can be integrated with Islamic principles that emphasize social justice, welfare, and responsibility towards the environment.

Corporate Social Responsibility (CSR) involves a variety of research and viewpoints that analyze the social and environmental consequences of corporate activities. In their article "Creating Shared Value," Michael E. Porter and Mark R. Kramer emphasized that companies can generate economic value in a manner that also creates social value. Annor da Silva Junior²⁷ In his work "The Pyramid of Corporate Social Responsibility," proposes that CSR encompasses the responsibilities of economics, law, ethics, and philanthropy. In the context of banking, a study conducted by²⁸ Found that CSR initiatives implemented by banks play a crucial role in enhancing the green image and customer trust. Another study conducted by Khairunnessa et al.²⁹ Demonstrates that the policies and regulations set forth by central banks can effectively promote the adoption of sustainable CSR practices within the banking sector.

²⁴ Ritika Mahajan et al., "Stakeholder Theory," *Journal of Business Research* 166 (2023), <https://doi.org/10.1016/j.jbusres.2023.114104>.

²⁵ Craig Michael Deegan, "Legitimacy Theory: Despite Its Enduring Popularity and Contribution, Time Is Right for a Necessary Makeover," *Accounting, Auditing and Accountability Journal* 32, no. 8 (2019), <https://doi.org/10.1108/AAAJ-08-2018-3638>.

²⁶ Joseph A. Hamm et al., "(Re)Organizing Legitimacy Theory," *Legal and Criminological Psychology* 27, no. 2 (2022), <https://doi.org/10.1111/lcrp.12199>.

²⁷ Annor da Silva Junior et al., "The Corporate Social Responsibility Pyramid: Its Evolution and the Proposal of the Spinner, a Theoretical Refinement," *Social Responsibility Journal* 19, no. 2 (2023), <https://doi.org/10.1108/SRJ-05-2021-0180>.

²⁸ Sharma and Choubey, "Green Banking Initiatives: A Qualitative Study on Indian Banking Sector."

²⁹ Khairunnessa, Vazquez-Brust, and Yakovleva, "A Review of the Recent Developments of Green Banking in Bangladesh."

Previous research has discussed CSR in many contexts, but this study aims to integrate CSR with the principles of *Fiqh Ecology* in Islamic banking in Indonesia. While studies such as the one conducted by Rahmayati et al³⁰ Highlighting the significance of CSR in Islamic banking, this research aims to broaden the scope by developing a Green Banking framework based on *Fiqh Ecology*. This framework will not only guide Islamic banks in implementing sustainable CSR initiatives but also ensure that these activities are aligned with Islamic principles of social responsibility and environmental preservation. Thus, this research provides a novel contribution by offering a holistic approach that combines Islamic ethics and sustainability practices in Islamic banking.

C. METHOD

This research employs a qualitative approach with the methods of literature study and policy analysis, as well as coding analysis techniques to identify the main themes from the obtained data. The data was collected through a review of literature on green banking, ecological fiqh, and CSR, as well as an analysis of Islamic banking policies in Indonesia. The literature study aims to identify key concepts and relevant theories from journal articles, books, research reports, related regulations, and official documents from Islamic financial institutions. Policy analysis is conducted to assess the extent to which existing policies support the practice of Green Banking based on ecological fiqh, using policy documents, regulations, and guidelines from banking authorities and the government. Technical analysis of coding involves reading and comprehending content from various data sources, identifying and creating codes for key concepts and emerging themes, categorizing these codes into larger categories to discover patterns and relationships among these themes, and organizing findings based on the identified categories and patterns. This approach is expected to provide clear and practical guidance for Islamic banks in integrating the principles of *Fiqh Ecology* into CSR and banking operations, thereby contributing to environmental preservation and sustainable development.

³⁰ Rahmayati Rahmayati, Siti Mujiatun, and Maya Sari, "Islamic Green Banking At Bank Pembangunan Daerah In Indonesia," *Indonesian Interdisciplinary Journal of Sharia Economics (IJSE)* 5, no. 1 (2022), <https://doi.org/10.31538/ijse.v5i1.1850>.

D. RESULTS AND DISCUSSION

1. Regulatory Framework for Sustainable Green Banking Practices in Indonesia

The findings of this study highlight the importance of the banking sector's role in implementing sustainable green banking practices in Indonesia. To comprehend the regulatory framework that supports this, certain regulations and policies from Bank Indonesia are relevant. The table is an overview of these regulations, which emphasize the need for banks to consider and support environmental conservation efforts in their operational activities and policies.

Table 1
Banking Regulation on Environment Preservation

Regulation	Contents of Regulations
Law no. 7 of 1992 concerning Banking (as changed with Law no. 10 of 1998)	Mandates role sector banking in support management environment life under regulations that apply in Indonesia.
Law no. 32 of 2009 concerning Protection and Management Environment Life (UUPPLH)	Set framework law for protection and management environment living in Indonesia, including integrating principles environment in practice business banking.
Bank Indonesia Regulation No. 7/2/PBI/2005 concerning Evaluation of Quality Commercial Bank Assets	Organize the assessment process quality commercial bank assets, including important notice efforts made by the debtor in looking after environment life as one of the aspect evaluations.
Circular Letter No. 7/3/DPNP dated January 31 2005 concerning the Evaluation of Quality Commercial Bank Assets	Explain more carry-on about procedures and the importance of evaluating the quality of commercial bank assets, including aspects of protection environment life that must be considered in giving credit.
Regulation regarding Green Loan to Value (LTV)/Financing to Value (FTV), Green Ratio Financing Inclusive Macropprudential (RPIM), and green money market instruments	Push financing insightful environment through regulations like green LTV/FTV ratio and RPIM, as well develop green money market instruments for support transformation towards practice sustainable banking.

Source: Managed by author

The Law No. 7 of 1992 on Banking, later amended by Law No. 10 of 1998, establishes the strategic role of the banking sector in supporting environmental management in Indonesia. This legislation encourages banks to incorporate environmental principles into their operational activities and policies. Furthermore, Law No. 32 of 2009 concerning Environmental Protection and Management provides a more specific legal framework for environmental protection, which requires the banking sector to consider the environmental impact in their business practices.

Bank Indonesia Regulation No. 7/2/PBI/2005 on the Assessment of the Quality of Commercial Bank Assets regulates the process of assessing the quality of commercial bank assets by requiring banks to consider the efforts of borrowers in preserving the environment as one of the assessment criteria.

This demonstrates Bank Indonesia's commitment to integrating environmental issues into its day-to-day banking activities. The Circular Letter of Bank Indonesia No. 7/3/DPNP dated 31 January 2005 further elaborates on the procedures for assessing the quality of assets of commercial banks, particularly in the context of environmental protection. This document provides more detailed guidelines for banks to consider environmental aspects in their credit provision and risk management.

Bank Indonesia also promotes green banking practices through various regulations such as Green Loan to Value (LTV)/Financing to Value (FTV), Green Macroprudential Inclusive Financing Ratio (RPIM), and the development of green money market instruments. This reflects the central bank's commitment to overseeing the transformation towards sustainable banking practices, not only in terms of governance and risk management but also in the aspect of green performance. Thus, this regulation not only supports environmentally conscious banking but also shapes an institutional environment that supports green banking practices in Indonesia.

2. Integration of Fiqh Ecology in Banking Environmental Conservation Policy in Indonesia: A Proposed Framework

The regulations and policies related to environmental protection in the banking sector, such as Law No. 7 of 1992 on Banking (as amended by Law No. 10 of 1998), Law No. 32 of 2009 on Environmental Protection and

Management (UUPPLH), Bank Indonesia Regulation No. 7/2/PBI/2005, Bank Indonesia Circular Letter No. 7/3/DPNP dated January 31, 2005, as well as regulations related to green financing, can be linked to the principles of Ecological *Fiqh*.³¹ In the context of Islamic banking. The principle of *Fiqh Ecology*, such as Responsibility (*Amanah*), emphasizes the importance of humans as stewards on Earth to be responsible for the environment.³² Within the context of this regulation, the assessment of a debtor's efforts to preserve the environment indicates that banks must consider sustainability and social responsibility aspects while making credit decisions. This is in line with the principle of Balance (*Mizan*) in *Fiqh Ecology*, which emphasizes the importance of maintaining the balance of nature in all activities, including credit decisions that have the potential to impact the environment.³³ By including environmental aspects in the assessment of asset quality, banks not only consider financial and economic factors but also take into account the social and environmental impact of the debtor's business activities, in line with the values of justice and responsibility in Islam. To provide a more comprehensive explanation, the ecological dimensions of the regulation are stated as follows:

Table 2

Concept Integration *Fiqh Ecology* with Regulations Banking Environment Life

<i>Fiqh Ecology</i>	Regulations / Regulations Banking	Relevance
Balance (<i>Mizan</i>)	Bank Indonesia Regulation No. 7/2/PBI/2005	Take into account the effort to look after the environment in the evaluation of quality commercial bank assets.
Responsibility (Trust)	Law no. 7 of 1992 (amended with Law no. 10 of 1998)	Confirm not quite enough answer banking as caliph

³¹ Tusamma and Muhammad Izzuddin, "Fikih Ekologi," *Wasathiyah* 4, no. 2 (2022), <https://doi.org/10.58470/wasathiyah.v4i2.32>.

³² Sebastian Herman and Mohd Mahyudi Bin Mohd Yusop, "Revisiting An Islamic Approach to Humanities: A Critical Review," *AL-FALAH: Journal of Islamic Economics* 6, no. 1 (2021), <https://doi.org/10.29240/alfalah.v6i1.2904>.

³³ Maria Mu'ti Wulandari and Baginda Khalid Hidayat Jati, "Examining The Synergy between Al-Mizan Principle in Shariah Economics and Green Economy: A Legal Perspective," 2023, https://doi.org/10.2991/978-2-38476-164-7_111.

<i>Fiqh Ecology</i>	Regulations / Regulations Banking			Relevance
				on earth for protecting the environment.
Prohibition Damage Earth (Fasad fil Ardh)	Circular 7/3/DPNP dated 2005	Letter	No. 31 January	Directing banks to avoid funding destructive project environment.
Maintenance (Hifz)	Green instruments Financing	money and	market Green	Ensure conservation source Power natural through sustainable funding.
Sustainability (Istidamah)	Green (LTV)/Financing (FTV), Financing Macroprudential (R	Loan to Green	Value to Value Ratio Inclusive	Push the practice of sustainable banking to support the well-being of future generations.

Source: Managed by the author

In Table 2, *Fiqh Ecology* concepts such as balance, responsibility, prohibition of destroying the earth, maintenance, and sustainability are linked to various banking regulations and regulations that support green banking practices or environmental protection. This reflects the banking sector's commitment to contribute to environmental preservation under the principles inherited in *Fiqh Ecology*.

Furthermore, to develop ecologically-based green banking, the adoption of environmentally friendly Corporate Social Responsibility (CSR) concepts is necessary as one of the main approaches. The concept of environmentally friendly CSR involves the development of banking policies and practices that minimize negative impacts on the environment, such as assessing environmental risks in credit decision-making processes and developing green financial products such as green loans. This enables banks to actively participate in maintaining ecological balance, preserving the environment, and supporting sustainability. CSR integration that is environmentally friendly also includes strategies to enhance public awareness of the importance of environmental conservation through educational programs and campaigns, as well as collaboration with environmental organizations and government to support joint initiatives in natural resource preservation. By implementing a CSR concept that focuses on the environment, the bank not only improves its image and reputation as a socially and

environmentally responsible financial institution but also plays an active role in advancing sustainable and environmentally friendly business practices in the banking industry.

Table 3
Environmentally Friendly CSR Dimensions

Dimensions	Description	Initiation
CSR Strategy and Policy	Integrating policies aspect environment in bank operations.	- Development policy funding for Project Green.
Environmentally Friendly Products and Services	Supporting products and services continuity environment.	- Offers green loans and green bonds.
Education and Awareness	Programs for increased awareness and knowledge about the environment.	- Training employees and campaigns public about the importance of continuity.
Collaboration and Partnership	Cooperation with party external for increased positive impact on the environment.	- Partnership with environmental NGOs and initiatives government.
Reporting and Transparency	Report in a way open initiative and results from friendly CSR programs environment.	- Report Documenting annual CSR impact environment from bank operations.

Source: Managed by the author

Environmental CSR in the context of Islamic banking encompasses several crucial strategies. Firstly, the development of CSR Strategy and Policy ensures that the bank's operations not only minimize negative impacts on the environment but also contribute positively. Secondly, Islamic banks can develop Environmentally Friendly Products and Services such as green loans to support sustainable projects. Thirdly, through the Education and Awareness program, banks may enhance the understanding of the public and employees on the significance of sustainability. Collaboration and partnership with environmental organizations and government entities are also necessary to support broader environmental conservation initiatives. Lastly, Reporting and Transparency regarding CSR efforts related to the environment are crucial in establishing trust with stakeholders and ensuring

accountability for the environmental impact of Sharia banking activities.

The integration of the dimensions of *Fiqh Ecology* and environmentally friendly CSR into the dimension of integration outcomes is shown in Table 4. It illustrates how the principles of *Fiqh Ecology* can be applied in environmentally friendly CSR initiatives to shape the framework of Green Banking, along with explanations of the resulting integration.

Table 4
Fiqh Ecology-Based Green Banking Framework

Dimensions of Integration Results	Description	Component <i>Fiqh Ecology</i>	Environmentally Friendly CSR Components
Balance Ecological	Ensure balance in all activity banking and safeguarding ecosystem.	Balance (<i>Mizan</i>)	Environmentally Friendly Products and Services
Environmental Responsibility	Act with not quite enough answers to impact the environment.	Responsibility (Trust)	CSR Strategy and Policy
Preservation Environment	Avoid and reduce destructive activity environment.	Prohibition Damage Earth (<i>Fasad fil Ardh</i>)	Collaboration and Partnership
Management Source Power	Management and protection to source Power naturally in a way sustainable.	Maintenance (<i>Hifz</i>)	Education and Awareness
Continuity Long-term	Ensure practice sustainability for the Future generations.	Sustainability (<i>Istidamah</i>)	Reporting and Transparency

Source: Managed by the author

The incorporation of *Fiqh Ecology* and corporate social responsibility (CSR) inside the framework of Islamic banking yields numerous noteworthy outcomes. In the Ecological Balance dimension, the principle of ecological balance, as demonstrated by the principle of Balance (*Mizan*)

of *Fiqh Ecology*³⁴, is achieved by conducting environmental risk assessments in credit decisions and creating green financial products like green loans. The principle of Environmental Responsibility, derived from the concept of Responsibility (*Amanah*) in *Fiqh Ecology*³⁵, is evident in the CSR strategy of Sharia banking. This strategy encompasses funding policies for environmentally friendly projects, regular reporting of carbon footprint, and the adoption of measures to mitigate environmental impact. Furthermore, within the realm of Environmental Conservation, the guiding principle of Prohibition of Degrading the Earth (*Fasad fil Ardh*) in *Fiqh Ecology* mandates that Islamic banks refrain from financing projects that harm the environment.³⁶

Instead, they are encouraged to work alongside non-governmental organizations and provide assistance to government efforts aimed at environmental preservation. The fourth aspect, Resource Management, encompasses the principle of Maintenance (*Hifz*) of *Fiqh Ecology*.³⁷ It entails the implementation of legislation aimed at sustainable resource management, as well as the allocation of resources towards investment in renewable energy and clean technologies. In the Long-Term Sustainability aspect, the principles of *Fiqh Ecology* and the CSR commitment of Sharia banking are demonstrated through training activities, public campaigns, and transparent annual CSR reporting. These efforts aim to raise awareness and ensure accountability for the environmental effects of bank activities.

The implications of the conclusions from this research extend beyond enhancing sustainable banking operations, encompassing wider effects on society and the environment. Combining *Fiqh Ecology* and Corporate Social Responsibility (CSR) in Sharia banking operations can greatly aid in preserving ecological equilibrium and promoting long-term

³⁴ Wulandari and Jati.

³⁵ Herman and Mohd Yusop, "Revisiting An Islamic Approach to Humanities: A Critical Review."

³⁶ Alex O. Acheampong and Eric Evans Osei Opoku, "Environmental Degradation and Economic Growth: Investigating Linkages and Potential Pathways," *Energy Economics* 123 (2023), <https://doi.org/10.1016/j.eneco.2023.106734>.

³⁷ Moh O. Mufid, "Fikih Ekowisata Berbasis Maqāṣid Al-Syarī'ah: Studi Pengelolaan Wisata Alam Hutan Mangrove Di Wonorejo Kota Surabaya," *Al-Manahij: Jurnal Kajian Hukum Islam* 13, no. 1 (2019), <https://doi.org/10.24090/mnh.v0i1.2213>.

sustainability. By incorporating environmental factors into credit assessment and risk management, banks enhance their ability to control potential environmental risks and lay the groundwork for more sustainable economic growth.

This highlights the significant role that the financial industry plays in addressing global concerns associated with climate change and conserving natural resources. Nevertheless, it is important to acknowledge the various constraints associated with these findings. The impact and efficacy of the policies and laws highlighted in this study may differ according to the economic, political, and social circumstances prevailing in each country or region. Effective execution necessitates robust backing from diverse stakeholders, encompassing regulators, the banking sector, and civil society. Furthermore, the difficulties in quantifying and disclosing the ecological consequences of banking operations continue to be a significant concern. The intricacy involved in identifying appropriate measures and ensuring openness in reporting can have an impact on the efficacy of sustainability initiatives in the banking sector. Hence, it is imperative to implement additional measures to enhance comprehension, implementation, and documentation of sustainable banking principles in the forthcoming period.

E. CONCLUSION

The integration of the concepts of *Fiqh Ecology* and Corporate Social Responsibility (CSR) in Sharia banking practices has a significant positive impact on maintaining ecological balance and supporting long-term sustainability. Ecology-based green banking practices, as reflected in regulations such as Law No. 32 of 2009 and Bank Indonesia Regulation No. 7/2/PBI/2005, indicate a commitment to considering environmental aspects in credit decision-making, under the values of *Fiqh Ecology* which emphasize social and environmental responsibility. The significance of these findings also includes the contribution of Islamic banks in improving the reputation and image of the financial industry through the implementation of CSR which focuses on environmental preservation. However, the limitations of this research include challenges in implementing policies that may be affected by different economic, political, and social conditions in various regional contexts, as well as the complexity of measuring and reporting the environmental impacts of

banking activities. Therefore, further steps are needed to strengthen the implementation of sustainable banking practices and increase transparency in reporting to effectively achieve sustainability goals in the future.

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