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MANIFESTATION OF MAQASHID SYARIAH IN STRENGTHENING THE ROLE OF SHARIA BANKING THROUGH GREEN-FINANCING TO SUPPORT SUSTAINABLE FINANCE PROGRAMS

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Abstract

The global issues of climate change, loss of biodiversity, and increasing inequality pose serious threats to the future sustainability of humanity if not addressed seriously and systematically through collaborative efforts. Islamic banking, as one of the financial institutions based on Islamic law, has a duty to play a role in the creation of an environmentally conscious economy through its activities directed environmentally based business endeavors. Islamic banks differ in character from conventional banks, with one such characteristic being their obligation to adhere to Sharia principles in conducting their business activities and aligning with the Maqashid Sharia. This paper aims to determine the urgency of green financing services in sustainable financial programs to create a green economy in line with Maqashid Sharia. The research utilizes a legislative regulation approach and a conceptual approach. The results indicate that Islamic banking in Indonesia continues to accelerate its role as part of the pillar in creating a green economy, a development model that synergizes economic growth and environmental quality improvement. The entire process of green financing is carried out in an end-to-end manner, from planning, acquisition, monitoring to the collection and recovery processes, all aligned with Sustainable Development Goals (SDGs) and efforts to realize Maqashid Sharia.

Keywords: Maqashid Shariah, Green Economy, Sustainable Finance, Green Financing, Sharia Banking

INTRODUCTION

The contemporary world confronts a multitude of global crises encompassing climate change, biodiversity loss, escalating inequality, and other pressing issues. Addressing these challenges rigorously and systematically is imperative for the ummah in the foreseeable future. The prevailing lifestyle of the modern era has instigated development paradigms that excessively exploit natural resources, thereby jeopardizing the sustenance of human life and other sentient beings. The detrimental repercussions stem from the unchecked exploitation of natural resources, ignoring habitats and the surrounding environment, including ecosystem disruptions, economic ramifications, water scarcity crises, soil degradation, air pollution, and the phenomenon of global warming manifested by an elevation in the Earth's temperature leading to extreme weather conditions. Allah, through His divine teachings, underscores that the degradation of nature, be it on land, sea, or in the air, emanates from human conduct itself. As articulated in the Quran, '*There has become corruption on land and sea because of what the hands of people have earned*". (Q.S Ar-Rum: 41), Matin, & Alwi, (2020).

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Islam, as a universal doctrine, unequivocally forbids humanity from causing harm to the Earth, as such actions incur the wrath of Allah. Allah explicitly states in Surah Al-Qasas: 77, "And do not cause corruption upon the earth, indeed, Allah does not like corrupters.", Maisah, et al., (2020). This directive is reiterated in the Quran in Surah Al-A'raf, Verse 56. Additionally, in Surah Hud, Verse 61, Allah commands humanity to preserve and promote the well-being of the Earth, Munib, et al., (2022).

Indonesia has actively contributed to global environmental preservation by implementing a range of regulations and policies, coupled with tangible actions aimed at establishing socio-economic and political development systems that prioritize environmental sustainability. The responsibility for maintaining a healthy environment extends beyond specific entities and is shared by all segments of society, both at the individual and institutional levels, in accordance with their respective roles. This commitment is underscored by Article 68 of Law Number 32 of 2009, which addresses Environmental Protection and Management, emphasizing the collective responsibility for environmental well-being, Kurnia, (2017).

The notion of a green economy and sustainable development, spearheaded globally by the UN through the United Nations Environment Program (UNEP), is fundamentally supported by Indonesia's constitution. This commitment is expressly articulated in the Chapter on Human Rights (HAM), specifically outlined in Article 28H Paragraph (1) of the Constitution of the Republic of Indonesia. This article affirms that "every person has the right to live in physical and spiritual prosperity, to have a home, and to have a good and healthy living environment and has the right to obtain health services." Furthermore, the constitutional backing for sustainable principles is underscored in the formulation of Article 33 Paragraph (4) of the Constitution of the Republic of Indonesia. This article delineates that "The national economy is organized based on economic democracy with the principles of togetherness, fair efficiency, sustainability, environmental awareness, independence, and by maintaining a balance of progress and national economic unity." Sustainable development, as elucidated in the constitutional framework, is characterized by an objective to enhance the quality of life for people worldwide across generations, achieved by refraining from exploiting natural resources beyond the Earth's capacity and carrying capacity, Hasanah, & Hariyono, (2022).

The establishment of environmentally sustainable economic development is not exclusive to specific groups or institutions; rather, it is a collective responsibility that extends to the entire community, both individually and institutionally, across various levels and fields. Sharia banking, being a financial institution rooted in Islamic law, is no exception and carries an obligation to actively participate in efforts aimed at fostering an environmentally sustainable economy. Sharia finance serves as the embodiment of Islamic values in all financial activities. Islam, as a way of life, is constructed upon the pillars of faith, Sharia, and morality. Aqidah forms the foundation of monotheism and faith, rendering every action as an act worthy of worship. Sharia acts as guiding principles, offering direction and counsel on human behavior through its laws, primarily derived from the Al Qur'an and the Sunnah of the Prophet Muhammad SAW. Morality represents a continuum of Islamic behaviors that mirror reflecting noble character, Indonesia, (2021).

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The role of Sharia economics and finance, both on a local and global scale, is evolving into a new dimension and a catalyst for economic growth. This is evident through the acceleration of various Sharia-based programs, including the implementation of halal ecosystems, value chains, and the promotion of Sharia banking through financial support. Additionally, efforts extend to the development of the foreign exchange industry, *Islamic bond or "Sharia-compliant" bond* (*sukuk*), and the optimization of "*Sharia Social Finance*" by fostering the growth of productive waqf, Asnawi, (2021). All these initiatives are undertaken to bolster economic growth and establish a financial system that is not only sustainable but also environmentally friendly. These endeavors align with a singular goal, Maqashid Sharia, which is the creation of benefits with both worldly and hereafter dimensions. Given these challenges, the research focuses on the specific problem formulation of how Sharia banks fulfill their role in aligning business activities with the green economy to actualize "*Sharia Maqashid*". The inquiry aims to delve into the strategies and approaches employed by Sharia banks in overcoming these challenges and fostering a harmonious integration of green initiatives within their financial practices while upholding Sharia principles.

Principles and Goals of Sustainable Finance in Indonesia

Climate change, as a consequence of global environmental degradation, gives rise to diverse risks encompassing both physical and non-physical aspects. These risks include natural disasters, rising sea levels, extreme weather events, policy shifts, technological innovations, consumer preferences, and others. Importantly, these risks have the potential to impact the overall economy and, more specifically, financial systems. Financial repercussions may manifest as physical or asset damage, disruptions in production processes, interruptions in the supply chain, fluctuations in raw material prices, and shifts in product demand, (Salam, et al., 2018; Finance, (2021).

In the context of Islamic banking in Indonesia, sustainable finance involves comprehensive support from the financial services industry to facilitate sustainable growth. This entails achieving harmony between economic, social, and environmental interests from an Islamic perspective. It requires the integration of sustainable finance practices while adhering to the principles and standards outlined by Sharia. This approach ensures that Islamic banks contribute to sustainable development in a manner consistent with Islamic values and ethical considerations, Andatu, (2021).

Sustainable finance represents a type of backing provided by financial service institutions for programs dedicated to sustainable development, marking a new paradigm in the pursuit of economic growth. Green finance encompasses all initiatives, both on national and international scales, undertaken by public and private organizations to safeguard the environment, Maulidiyah, et al., 2023). The collaboration of the United Nations (UN) with various countries, civil society, and other economic actors in formulating a sustainable development framework aims to establish a meaningful connection between economic interests and the preservation of nature. This collaborative effort is anticipated to facilitate an economic transformation process, broaden people's access to opportunities, alleviate poverty, and promote justice, (Utami, et al., 2021; Finance, (2014).

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If conventional economic practices are characterized as exploitative, destructive, and neglectful of sustainability values, the green economy serves as a development model that harmonizes economic growth with the enhancement of environmental quality. In essence, the green economy represents a novel economic paradigm aimed at minimizing factors contributing to environmental damage, with the expectation of realizing sustainable development that fosters the creation of new job opportunities (green jobs) and encourages new investment opportunities (*green investment*), Sutrisno, (2023). Moreover, the green economy can be understood as an economic system that generates minimal or no carbon dioxide emissions into the environment, conserves natural resources, and upholds principles of social justice. This approach reflects a commitment to environmentally friendly and socially responsible economic practices, Dianjaya, & Epira, (2020).

The inception of the green economy concept dates back to 2008 when the United Nations, particularly through the United Nations Environment Program (UNEP), took the lead in coordinating environmental activities. UNEP's role involves assisting developing countries in formulating and implementing policies related to nature while promoting sustainable development. Subsequently, in 2015, the Green Economy concept was integrated with the sustainable development goals agenda, garnering endorsement from 193 representatives of diverse countries, Pujianti, (2023).

The green economy concept evolved from the broader framework of sustainable development, encompassing efforts to align business and development practices with objectives such as reducing greenhouse gas emissions, minimizing the extraction and utilization of natural resources, waste reduction, and addressing social disparities. This integration aims to foster a holistic approach that balances economic prosperity with environmental conservation and social equity, Ridwan, (2023).

The Forest Ecosystem Valuation Study has underscored that the implementation of a green economy yields more benefits for a country than conventional business practices. Within the financial institutions sector, the Indonesian Government has consistently demonstrated its support by formulating regulations aimed at encouraging financial institutions to actively participate in the creation of a green economy. In addition to regulatory measures, the government is proactively developing a green economy strategy.

This strategy involves, firstly, the pursuit of low-carbon development, as outlined in the National Medium Term Development Plan (RPJMN) for 2020-2024.

Second, the adoption of a net-zero emissions policy is being prioritized. The government has published a roadmap outlining plans to achieve net-zero emissions by 2060, which includes establishing a net sink in the forestry and land sectors by 2030.

Thirdly, the government is providing various green stimuli to incentivize and facilitate an increased realization of the green economy. These measures collectively showcase a comprehensive approach to promoting sustainability and environmental responsibility within the economic framework, Sutrisno, (2023).

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A green economy has a vision of the future, namely an economy that is fair and environmentally friendly and provides prosperity for everyone. Regarding this vision, there are 5 (five) main principles, Anwar, (2022), each of which refers to international policies that can guide economic reform in various contexts;

1. The Wellbeing Principle, where the green economy is centered on society which aims to create prosperity so that everyone can enjoy prosperity, by increasing wealth, in the sense that wealth is not only financial, but includes all human, social and resource capital natural. This principle prioritizes investment and access to sustainable natural resources, infrastructure, knowledge and education for community welfare, supported by environmentally friendly business and employment opportunities.
2. The Principle of Justice (The Justice Principle). The green economy is inclusive and non-discriminatory, in terms of making decisions, benefits and costs fairly, avoiding elite domination, including encouraging the role of women to encourage a fair distribution of business opportunities and results to avoid disparities between humans. This includes maintaining natural balance by providing sufficient space for wildlife in forest areas.
3. The Planetary Boundaries Principle, a green economy protects, restores and contributes to nature conservation. An environmentally friendly economy recognizes and maintains the values of natural diversity, functional values in providing goods and services to support the economy, natural cultural values and ecological values. This principle recognizes the limited ability to substitute natural resources. So a careful attitude is needed to avoid uncontrolled depletion of natural resources. This requires protection, restoration of biological natural resources, land, water, air and other natural resources, through a natural resource management system based on circularity and harmonizing with the local wisdom of the community and the biodiversity of its natural resources.
4. The Planetary Boundaries Principle, a green economy protects, restores and contributes to nature conservation. An environmentally friendly economy recognizes and maintains the values of natural diversity, functional values in providing goods and services to support the economy, natural cultural values and ecological values. This principle recognizes the limited ability to substitute natural resources. So, a careful attitude is needed to avoid uncontrolled depletion of natural resources. This requires protection, restoration of biological natural resources, land, water, air and other natural resources, through a natural resource management system based on circularity and harmonizing with the local wisdom of the community and the biodiversity of its natural resources.
5. The Good Governance Principle, the green economy is driven by integrated, accountable and resilient institutions. An inclusive environmentally friendly economy, based on evidence, interdisciplinary norms and institutions, applying good science and economics as well as local knowledge for adaptive strategies. Support from integrated, collaborative and coherent institutions, both horizontally across sectors and vertically between governments who have sufficient capacity to fulfill their respective roles strategically, effectively, efficiently and accountably.

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The above cited literature presents trajectory of green economic development has been integrated into the framework of sustainable development goals. Financial Services Institutions (*Lembaga Jasa Keuangan/LJK*), encompassing both banks and non-banks, hold a strategic position in supporting the establishment of a green economy for sustainable development. The Financial Services Authority (*Otoritas Jasa Keuangan/OJK*), serving as the regulatory body for Financial Services Institution, has taken proactive measures by formulating various regulations relating to sustainable finance. Notably, the Financial Services Authority has developed a sustainable finance roadmap, delineating strategies for both the first phase (2015-2019) and the second phase (2021-2024). These initiatives underscore the commitment to integrating environmental considerations into financial practices, fostering a path toward sustainable and responsible economic development.

Based on "*Article 1 Number 8 POJK No. 51/POJK.03/2017*" concerning the Implementation of sustainable finance for financial service institutions, Issuers and Public Companies, Sustainable Finance is comprehensive support from the financial services sector to create sustainable economic growth by aligning economic, social and environmental interests. The sustainable finance program aims to: (1) Increase the resilience and competitiveness of Financial Services Institution so that they are able to grow and develop sustainably. Resilience is associated with better risk management capabilities, while competitiveness is associated with the Financial Services Institution's ability to innovate environmentally friendly products/services; (2) Providing funding sources needed by the community referring to the "Regional Medium-Term Development Plans" or RPJP (*Rencana Pembangunan Jangka Panjang*) and "Medium-Term Development Plans" or RPJM (*Rencana Pembangunan Jangka Menengah)* which are characterized by pro-growth, pro-job, pro-poor and pro-environment; and (3) Contribute to the national commitment to the problem of global warming through business activities that are prevention/mitigation and adaptation to climate change towards a competitive low-carbon economy, Finance, (2021).

Sustainable finance encompasses various facets pertaining to objectives, accomplishments, approaches, and guiding principles, specifically: (1) Striving for excellence in industry, society, and the economy to mitigate global warming and address other environmental and social challenges; (2) Pursuing a transition toward a competitive low-carbon economy; (3) Employing it as a tactic to encourage environmentally conscious investments across diverse business and economic sectors; and (4) Serving as a champion for Indonesia's developmental tenets, encapsulated by the 4P principles of *pro-growth, pro-jobs, pro-poor, and pro-environment*, (Santika, et al., 2020; Setyowati, 2023).

The principles guiding sustainable finance in Indonesia can be categorized into four key dimensions. *Firstly*, the Principles of Risk Management (1) advocate for the incorporation of environmental and social protection elements into the risk management practices of Financial Services Institutions aiming to proactively address and minimize negative impacts while maximizing benefits. *Second*, the Principles of Sustainable, Inclusive Priority Economic Sector Development (2) underscore the expansion of funding activities, particularly in sectors such as industry, energy, agriculture, infrastructure, and *Micro, Small, and Medium Enterprises*

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(MSMEs). This approach emphasizes achieving a harmonious equilibrium among economic, environmental, and social considerations, extending financial services to underserved communities. *Thirdly*, the Principles of Environmental and Social Governance and Reporting (3) stress the adoption of transparent governance practices within the operational activities of Financial Services Institutions. This extends to the environmental and social governance practices of Financial Services Institutions customers, with regular reporting on progress to the community. *Lastly*, the Principles of Capacity Building and Collaborative Partnerships (4) focus on enhancing human resources, information technology, and operational processes within each Financial Services Institutions to facilitate the implementation of sustainable finance principles. This involves fostering collaboration among Financial Services Institutions, regulators, the government, and leveraging partnerships with domestic and international institutions to drive sustainable financial progress, World Bank. (2022).

Every Financial Services Institution is required to implement sustainable finance in their respective business activities. In implementing sustainable finance, financial institutions refer to the following principles, Chandra, & Sacipto, (2022):

- *Principles of responsible investment;*
- *Principles of sustainable business strategy and practices;*
- *Principles of social and environmental risk management;*
- *Governance principles;*
- *Informative communication principles;*
- *Inclusive principle;*
- *Principles of priority superior sector development; and*
- *Principles of coordination and collaboration.*

Indonesia's sustainable financial ecosystem is supported by 7 (seven) elements, Finance, (2021), namely:

- *Policy*
- *Products*
- *Market Infrastructure*
- *Coordination of related ministries/institutions*
- *Non-government support*
- *Human Resources*
- *Awareness*

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Green Financing Business Activities in Sharia Banks to Support Sustainable Finance

Sharia Banks persistently asserts their presence and actively contributes to the establishment of sustainable finance. Islamic banks exhibit favorable performance trends in the dissemination of Green financing, with key business activities primarily taking the form of green financing. specifically, Eco-Efficient Products constitute 48%, sustainable management of biological natural resources and land amounts to 22%, and renewable energy financing stands at eighteen percent (18%), Adhitya, et al., (2022). In the context of Sharia banks, financing is delineated as the provision of funds or equivalent claims involving profit sharing, rental (I*jarah*) or hire purchase, sale and purchase transactions in the form of *Murabahah*, *Salam*, *Istishna*, and loan and borrowing transactions (*Qardh*). The profits accrued by the bank through these transactions may manifest as rewards (*Ujrah)*, profit sharing, or profit margins, varying according to the specific type of transaction.

Innovation in sustainable financial products and services plays a pivotal role as a catalyst for propelling the financial industry towards sustainability. This is achieved by formulating inventive approaches to finance sustainable projects. Essential considerations in devising innovative schemes include information transparency, inclusivity, expert support, establishment of long-term goals, and maintaining credibility. An interesting example of financial innovation is blended finance, a mixed financing scheme aimed at supporting the fulfillment of financing and investment objectives, Baharuddin, & Possumah, (2022). Green financing, alternatively known as green finance, has seen development in various countries, including Indonesia. This system serves as a support mechanism for financial services in cultivating sustainable finance. It achieves this by aligning economic, social, and environmental interests and adhering to the 3P principles; *profit, people,* and *planet*.

Sharia Bank's performance in developing sustainable finance by aligning economic, social and environmental (3P) interests, (Prasetiyo, 2023; Malini, 2021), as contained in the following table:

3P Principles	Bank Performance
People/Social	• Employment practices • Fair and quality recruitment • Staff turnover rate • Employee remuneration system • Employee development and training • Manage industrial relations • Management of employee complaints • Occupational health and safety • Social and environmental responsibility
Planet/Environmental	• Commitment, targets and program plans to build an environmentally friendly culture through a green campaign • Energy and emissions, water, waste • Nature-based solutions • Handling environmental complaints

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Profit/Financial	• Strategic Steps: strengthening wholesale and transactional banking, strengthening retail banking, accelerating digital capabilities, working on ecosystem potential, structuring office networks, inorganic growth • Positive economic performance, with profits increasing 41% from the previous year; • For sustainable financial performance, in the form of financing distribution to environmentally sound projects, amounting to Rp. 51.15 trillion, an increase from the previous year. • Portfolio of environmentally sound business activities, identification of sustainable financing for environmentally sound business activities in accordance with OJK technical guidelines, program supervision, improving the Islamic ecosystem. • Technology-based services responsible for financial products and services • Identification of potential risks and action plans: Greenhouse gas emissions from bank operations, use of natural resources, financial risks related to climate change, customer privacy security, • Financial inclusion literacy • Customer satisfaction and complaint service surveys

To operationalize sustainable finance, each bank, including Sharia Banking, is mandated to develop a comprehensive sustainable financial action plan. Islamic banks, in particular, establish a sustainable governance structure aligned with the principles of good corporate governance (GCG). This entails the formation of a sustainability governance team tasked with compiling, coordinating, directing, and overseeing sustainable finance action plans, Malini, (2021). Simultaneously, an education program is implemented for Sharia bank human resources, focusing on enhancing knowledge and competencies in sustainable finance through education and training initiatives. These efforts encompass insights to the board of directors and commissioners, fostering self-awareness, and integrating digital learning components to ensure a well-rounded understanding and implementation of sustainable financial practices, Prasetiyo, (2023).

There are 12 business activities classified as sustainable targets for green financing; (1) Renewable Energy; (2) Energy Efficiency; (3) Pollution Prevention and Control; (4) Sustainable Natural Resources and Land Use Management; (5) Terrestrial and Aquatic Biodiversity Conservation; (6) Environmentally Friendly Transportation/Sustainable Transportation; (7) Sustainable Water and Wastewater Management; (8) Climate Change Adaptation; (9) Eco-efficient Products; (10) Green Buildings; (11) Other Environmentally Friendly Business Activities; and (12) Micro, Small, and Medium Enterprises (MSMEs), Satradinata, & Muljono, (2020).

Sharia banks adhere to specific green financing criteria that are considered during the distribution of financing. These criteria include: (1) ensuring no pollution in the production process; (2) managing pollution and waste in accordance with regulations; (3) receiving no complaints from the public in the business area; and (4) maintaining compliance with all relevant government regulations, such as business permits, and other applicable standards, Sitompul, (2022).

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The execution of green financing is achieved through the issuance of Sharia Securities (SBSN) or global and domestic green sukuk, specifically designed for environmentally friendly projects. Green sukuk serves as a funding instrument dedicated to supporting green projects that actively contribute to climate change mitigation and adaptation initiatives, aligning with Sustainable Development Goals (SDGs). These projects encompass areas such as renewable energy, energy efficiency, sustainable transport, resilience to climate change in highly vulnerable regions, and disaster risk reduction. Green sukuk thus functions as a financial mechanism to mobilize resources for endeavors that promote environmental sustainability and address pressing climate challenges Yunistiyani, & Harto, (2022).

Table 2: Global and Domestic SBSN or Green Sukuk Financing for Green Projects, Afifah, & Wardana, (2022),

Green Project	Estimated Achievement
sustainable transport	*The initiative resulted in a significant reduction of CO2e emissions, amounting to 1,415,718 tons. Additionally, the implementation led to a notable improvement in travel efficiency, with an average reduction of 30 minutes in travel time. Moreover, there was a commendable increase in the number of passengers, reaching 1.3 times the initially projected figure of 2.5 million passengers who transitioned from private vehicles.*
resilience to climate change for highly vulnerable areas and sectors/disaster risk reduction	The project achieved significant outcomes, including the provision of a drinking water supply totaling 275.5 cubic meters, the establishment of 1,071 water source units, safeguarding 1,920.4 hectares of land from flooding, rehabilitation of 134,700 hectares of tertiary irrigation networks, and the revitalization of 12,000 hectares of rice fields. These accomplishments reflect a comprehensive effort in enhancing water resources, land management, and agricultural sustainability.
Energy and waste management projects	There are 2,059,094 households that benefit from improved waste management.

Sharia banks encounter several challenges in the implementation of sustainable finance programs. These include the limited number of environmentally sound projects applying for financing, the relatively higher risk associated with environmentally sound projects compared to other financing options, and the difficulty in obtaining guarantees from insurance companies. These challenges highlight the need for addressing barriers to the growth of sustainable finance within the Sharia banking sector, emphasizing the importance of expanding the pool of viable projects, managing risk effectively, and fostering collaboration with insurance providers to enhance financial support for sustainable initiatives**,** Alfi, (2022).

To support sustainable finance: the purpose of Sharia implementation of green financing in Sharia banks

Dinul Islam is a syamil (comprehensive) and kamil (perfect) teaching that encompasses all aspects of life. Similarly, the diverse commandments and teachings of Islam do not exist in isolation but form a cohesive unity and bond, Syahputra, (2020). Islam provides guidance for every facet of life, addressing the vertical relationship between humans and the Creator, as well

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as the horizontal relationship with fellow humans, other creatures, and the environment. This holistic approach underscores the interconnectedness of various aspects of life in Islamic teachings, emphasizing a comprehensive and perfect guidance for individuals and communities.

Islam imparts teachings to its followers on how to utilize natural resources while simultaneously emphasizing the protection and preservation of these resources, prohibiting their destruction. While Islamic jurisprudence may not explicitly mention terms like "Green economy" or "Green Financing," Islamic values inherently guide humanity to consistently safeguard and preserve nature and its resources. As stated in the Qur'an (Q.S. Hud: 61), Allah declares that He has created humans from the earth, and in turn, they are entrusted to prosper the earth through responsible care and cultivation. However, some individuals deviate from this responsibility, causing harm by exploiting forests and agricultural products on a large scale without maintaining environmental sustainability and balance, Mundzir, et al., (2023). Such actions are deemed violations, and in Surah Al Baqarah: 205, Allah conveys disapproval for those who cause mischief on the earth, destroying crops and livestock, as He does not favor such acts of damage.

A noteworthy contribution in the implementation of the Sharia economic system toward the concept of sustainable development is the philosophical foundation embodied in the concept of Islamic Eco-ethics. This concept encapsulates ideas concerning the moral relationship between the environment and humans. Islamic eco-ethics essentially constitutes the foundational principles of Islamic ethics, seamlessly integrated into the core tenets of Sharia economics, encompassing principles of justice, public welfare, and harmonization. Through the lens of Islamic eco-ethics, the Sharia economic system strives to establish an ethical framework that not only ensures economic well-being but also fosters environmental sustainability and ethical considerations in line with Islamic principles, Arifin, (2013).

Ibnul Qayyim posits that the Shari'a is founded on wisdom and is designed for the benefit of humanity in both this world and the hereafter. Consequently, Sharia provisions are characterized by fairness, compassion, utility, and wisdom, RI, (2016). Any deviation from these characteristics is considered contrary to the essence of Sharia. Scholars have formulated five primary objectives for the existence of Sharia, known as maqashid sharia, which include safeguarding religion (hifz al-din), protecting the soul (hifz an nafs), preserving reason (hifz al aql), ensuring the well-being of generations/descendants (hifz an-nasl), and safeguarding assets (hifz al maal). Maqashid Sharia represents the goals of Sharia, intending to create benefits and goodness for creatures with both worldly and everyday dimensions. Imam Syatibi identifies three categories of law that Sharia seeks to maintain and uphold, namely Darruriyat, Hajiyyat, and Tahsiniyyat, Yumni, (2016). Contemporary scholar Thahir bin Asyur defines maqashid Sharia as "several goals and wisdom that serve as the foundation for Sharia in all of provisions religious law and its majority," emphasizing that these objectives extend beyond specific Sharia law products, Nasution, & Nasutio, (2022).

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Maqashid Sharia holds a pivotal role in formulating Sharia economics and designing Sharia-compliant banking and financial products. The concept of mashlahat or Maqashid Sharia is currently applied as a method or approach in various Islamic economic activities. Research within Islamic economics and finance often employs the Maqashid Sharia approach, found in scholarly studies, Ardi, et al., (2023). Proficiency in understanding Maqashid Sharia is a fundamental requirement for exercising ijtihad, addressing diverse issues in economic and financial life that continually evolve. Maqashid Sharia is indispensable not only for formulating macroeconomic policies (monetary, fiscal, public finance) but also for developing Sharia banking, financial products, and other microeconomic theories. It is crucial in crafting regulations for Sharia banking and financial institutions, Zikri, et al., (2022). Shaykh Muhammad Thahir ibn Asyur described that neglecting the importance of the maqasid aspect in Islamic Sharia was a key factor contributing to stagnation in fiqh, Muzlifah, (2013). Additionally, Imam al-Ghazali taught that everything related to safeguarding the five maqasid is considered maslahah (goodness), while abandoning their results in mafsadah (*damage/destruction*) Green financing or sustainable financing aligns with the elements of darruriyat, encompassing the protection of religion, body and soul, property, reason, and descendants. Sustainable financing goes beyond transforming the economic structure of Sharia banking; it also emphasizes the continuity of Sharia enforcement within the community, Zikri, et al., (2022).

Green banking denotes a financial institution that operates in an environmentally friendly, conscientious, and efficient manner, integrating environmental considerations into its business activities, 40. In the context of Sharia banking, which aligns with sustainable financial programs while recognizing environmental interests, the concept of green financing emerges as a key component within the framework of Sharia economic activities aimed at fostering prosperity. Achieving prosperity for society and individuals, the ultimate goal of Sharia, necessitates foundational ethics in Sharia economics, encompassing the following principles: (1) Embracing Allah's guidance as the central control for every economic activity, with the Quran serving as the primary reference and guide for human freedom; (2) Upholding balance, encompassing moderation, justice, distribution, and equilibrium between individual and social interests; (3) Affording freedom to choose economic actions or policies at an individual level, although constrained by the responsibility to manage resources for the collective benefit of society, Bapang, (2023).

The entire financing process within Islamic banks, covering the end-to-end cycle from planning, acquisition, monitoring, to the collection and recovery phases, adheres to both the Sustainable Development Goals (SDGs) and Maqashid Sharia, Khodijah, et al., (2023). The overarching procedures in Islamic financing activities include; (1) Strict prohibition of providing financing that contravenes Sharia principles, encompassing justice and balance ('adl wa tawazun), benefit, universalism, and avoidance of elements such as maysir *(speculation)*, gharar *(unclear)*, haram, usury, risywah *(gratification)*, falsehood *(unfair)*, and dzalim (*wrongdoer*); (2) Prohibition on providing financing with the potential to harm the environment; (3) Obligation to analyze environmental impacts or in Indonesian "*Kewajiban Analisis Mengenai Dampak Lingkungan* (*AMDAL*)" and Company Performance Rating

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Assessment Program in Environmental Management or in Indonesian "*Program Penilaian Peringkat Kinerja Perusahaan Dalam Pengelolaan Lingkungan Hidup (PROPER)*" obligations for specific business types, ensuring considerations like no pollution in the production process, proper pollution and waste management adhering to regulations, absence of community complaints around the business location, and compliance with all relevant rules and regulations; (4) Establishment of Industry Acceptance Criteria (IAC), Abdullah, M. R. (2016).

CONCLUSION

In the pursuit of optimizing sustainable economic growth, the key lies in bolstering the performance of green financing within a sustainable financial system. This not only addresses the urgent need to combat global climate change but also presents an unprecedented opportunity for banks to revolutionize their product offerings. Within the realm of Sharia banking, the imperative for product innovation aligning with sustainable finance principles becomes paramount.

In Indonesia, Sharia Banks plays an instrumental role in fostering the nation's sustainable economic growth. Operating as responsible business entities, they adhere to Islamic eco-ethics and actively contribute to realizing the mission of maqashid sharia. This commitment is exemplified through their proactive engagement in governance and financial innovation, especially through the avenue of green financing. Serving as both a responsible business practice and a strategic response to the challenges posed by global climate change, green stands financing as a testament to the visionary ethos of Sharia Banks.

Yet, the journey towards harmonizing the environmental ecosystem and economic growth requires robust regulations, particularly those addressing Sharia aspects. These regulations are indispensable in ensuring the unwavering commitment of Sharia banks to uphold Sharia principles consistently. Moreover, the imperative of overcoming the prevailing challenge of limited interest from the business sector in environmentally friendly projects remains a top priority. As we navigate these challenges, the transformative potential of Sharia-based green financing emerges as a beacon for sustainable economic prosperity, embodying the essence of responsible and impactful banking.

Future Directions

In the realm of future research, key directions emerge to advance the field of Sharia green financing. Firstly, there is a need to explore innovative Sharia-compliant financial instruments tailored to address emerging environmental challenges while aligning with Islamic principles. Enhancing regulatory frameworks specific to Sharia green financing is imperative, ensuring robust compliance and fostering a supportive environment for sustainable practices. Integration of cutting-edge technologies, comparative studies on international performance, and assessing long-term impact and adaptability are crucial avenues for exploration. Moreover, research should extend beyond environmental considerations to evaluate the social implications and engage stakeholders collaboratively. Lastly, initiatives promoting sustainable finance literacy

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can enhance awareness and understanding, nurturing a culture of responsible banking for future generations. These research directions collectively contribute to the evolution and refinement of Sharia green financing, ensuring its enduring relevance and positive impact on sustainable economic growth.

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