

GREEN BANKING IN A SHARIA PERSPECTIVE: ANSWERING THE CHALLENGES OF SUSTAINABLE FINANCEYuda Afriyandi¹, Sepna Sari², and Sumarlin³¹ Imam Bonjol State Islamic University Padang, Padang, Indonesia² Mahmud Yunus State Islamic University, Batusangkar, Batusangkar, Indonesia³ Indonesian School Kota Kinabalu, Sabah, Malaysia**Corresponding Author:**

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Abstract

This study explores how Islamic banking responds to the challenges of sustainable finance by implementing Green Banking by Sharia principles. In light of the growing urgency for environmentally friendly financial practices, this research seeks to analyse the extent of Green Banking implementation in Islamic financial institutions, identify the key challenges faced, and examine the compatibility between Islamic values and environmental sustainability principles. A qualitative approach with a phenomenological method is employed to capture the experiences and perceptions of stakeholders within the Islamic banking industry. Data were collected through in-depth interviews, participatory observation, and documentation involving Islamic bankers, academics, regulators, and customers. The findings reveal that while there is a normative commitment to sustainability, the operational implementation of Green Banking in Islamic banking remains limited and tends to be symbolic. The absence of specific regulatory guidelines, limited innovation in Sharia-compliant green financial products, and low public awareness regarding sustainability issues are identified as major constraints. Therefore, the study highlights the need for a clearer regulatory framework, developing environmentally friendly financial products based on Sharia contracts, and comprehensive education efforts. These steps are essential to strengthen the strategic role of Islamic banking within the broader ecosystem of sustainable finance.

Keywords: Financial Challenges, Green Banking, Islamic Banking

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INTRODUCTION

In recent decades, the issue of climate change and environmental sustainability has become a global concern that cannot be ignored by the economic sector, including the financial industry (Ahmed dkk., 2025; Sukmayana, 2023). Increasing awareness of the importance of ecological sustainability has encouraged various financial institutions to implement the concept of Green Banking (Fauzan & Anggraini, 2024; Garg & Arora, 2025). These namely banking practices consider environmental aspects in every business process and investment decision. This concept not only appears as a reputation strategy or compliance with environmental regulations but also as a form of moral and social responsibility of financial institutions towards the sustainability of the ecosystem. Amid these global efforts, Islamic banking faces challenges because it must balance the principle of sustainability with Islamic values and principles. Integration between Green Banking and Islamic principles is not easy considering the differences in paradigms in the environmental and financial approaches. An important question then arises: how can Islamic banking implement the concept of Green Banking effectively without sacrificing Islamic principles? This question is the basis for the urgency of researching to examine in more depth the possibility of implementing Green Banking in the context of Islamic banking that comprehensively addresses the challenges of sustainable finance.

Although the literature on Green Banking and sustainable finance has grown quite rapidly, there is still a gap in the study in the context of its application to Islamic banking. Several studies have highlighted that the Environmental, Social, and Governance (ESG) principles that are the pillars of Green Banking have not been fully adjusted to the values of maqashid sharia, which emphasizes welfare and justice (Prayitno, 2024). Existing research focuses more on conventional banking, while the Sharia approach to supporting environmental sustainability has not received comparable attention. The concept of sustainable finance in the Islamic system has strong philosophical roots, such as the prohibition of exploitation practices and the command to protect nature as a mandate from God (Kühnhardt, 2024c, 2024a; Mukhtar, 2024). However, in practice, there is limited literature that can bridge the gap between theological idealism and the concrete operationalization of Green Banking. This shows that existing theories have not been able to fully answer how the integration between Green Banking and Sharia principles can be applied in the context of the complex financial industry. Therefore, deeper and more applicable research is needed to address this gap.

The main objective of this study is to examine the application of the Green Banking concept in the context of Islamic banking in Indonesia as a form of contribution to a sustainable financial system. This study aims to analyze how Sharia principles can be integrated with Green Banking practices harmoniously and sustainably. In addition, this study also aims to identify the main challenges faced by Islamic banking institutions in adopting the concept of green finance, both in terms of regulation, managerial understanding, and readiness to support infrastructure. Another objective is to evaluate the suitability of the Green Banking framework that has been adopted by global financial institutions with maqashid sharia as a basic value in the Islamic banking system. By understanding this aspect of suitability, it is hoped that the study will be able to provide relevant and applicable policy recommendations for strengthening the implementation of Green Banking in the Islamic banking sector. These

recommendations are expected to not only strengthen the Sharia compliance side but also expand the positive impact of Islamic financial institutions on the environment and the wider community.

Based on the background and objectives that have been stated, it can be argued that this research has a high urgency in answering the challenges of integration between sustainability and Sharia principles in the financial system. The main hypothesis underlying this research is that Islamic banking has great potential to become a pioneer in Green Banking based on Islamic values, as long as it is supported by an appropriate policy framework, contextual theological understanding, and strong institutional will. Within this framework, principles such as justice, transparency, and social responsibility that are characteristic of Islamic finance can become a strong foundation for the adoption of sustainable green financial practices. This research is important because it can fill the scientific gap in contemporary Islamic economic studies, especially in answering global issues related to climate change and environmental degradation. Therefore, this research is not only academically relevant, but also has strategic value for public policy, the financial industry, and sustainable development by sharia.

Green Banking is an approach in the banking sector that integrates environmental sustainability principles into all operational and strategic activities of financial institutions (Kontesa dkk., 2023; Riegler, 2023; Sarath Chandran, 2024). This term refers to policies and practices carried out by banks in supporting environmentally friendly initiatives, both through operational efficiency and the provision of financial products and services that support environmental conservation. In the literature, Green Banking is understood as a form of evolution from Corporate Social Responsibility (CSR) to a more systemic and proactive form, where banks not only avoid financing environmentally damaging projects, but also actively facilitate sustainable projects such as renewable energy, waste management, and energy efficiency (Kaltsum, 2023; Salerno, 2021). This concept is becoming increasingly important considering the strategic role of banks as fund distributors and investment directors in economic development. Therefore, Green Banking is not only related to environmental risk management but also becomes an important instrument in forming a sustainable green economic ecosystem in the future.

The manifestation of Green Banking in practice can be found in various forms and categories of policies and financial products (Noor, 2022; Partiti, 2024; Ragazou dkk., 2024). First, from the internal side, banks can implement energy efficiency in the work environment, digitize services to reduce paper use and use renewable energy in office operations (Safira & Fasa, 2025; Zhang & Zhao, 2024). Second, from the external side, Green Banking is realized through financing green projects such as solar power plants, water conservation programs, and environmentally friendly buildings (Ilahi dkk., 2023). In addition, banks can also develop green financial products such as green bonds, sustainability-linked loans, and investment products that support sustainable projects. In the context of policy, banks that implement Green Banking generally have ESG (Environmental, Social, and Governance) guidelines that serve as a reference in making credit and investment decisions (Nugroho dkk., 2025). Thus, Green Banking is not just an environmentally friendly slogan, but a comprehensive policy system that forms a new paradigm in the banking world to answer global challenges to sustainability.

Islamic banking is a banking system that operates based on the principles of Islamic law (sharia) which prioritizes justice, transparency, and blessings in every transaction (Satino dkk., 2025). The basic concept of Islamic banking is the prohibition of the practice of *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (speculation), as well as encouraging economic activities based on real activities and partnerships (Tohari dkk., 2024). In practice, Islamic banking uses contracts that are by Islamic principles, such as *murabahah* (sale and purchase), *mudharabah* (business partnership), *ijarah* (rent), and *musyarakah* (capital cooperation). In addition to the technical aspects of transactions, Islamic banking also emphasizes Islamic spiritual and ethical values in managing funds and making business decisions (Maulana dkk.,

2024). The main goal of Islamic banking is not only to make a profit but also to create economic justice and equal distribution of welfare in society. Therefore, Islamic banking plays an important role in building a financial system that is not only stable but also moral and socially inclusive.

Islamic banking has various forms of services and products developed based on the principles of Islamic contracts. Financing products based on buying and selling such as *murabahah*, *salam*, and *istisna'* are used for consumptive and productive needs, while profit-sharing schemes such as *mudharabah* and *musyarakah* are applied in financing businesses or investments. In addition to financing, Islamic banking also offers savings services such as current accounts (*wadiah*), savings and deposits (*mudharabah*), and investment instruments such as *sukuk* (Islamic bonds). On the other hand, Islamic banks also provide services such as microfinance, *zakat* and *waqf* payments, and management of Islamic social funds. The characteristics of Islamic banking are reflected in the halal screening process and social evaluation of the projects being financed. Thus, Islamic banking not only functions as a financial institution but also as an agent of social change that contributes to economic development based on Islamic ethics and spirituality. This is what makes Islamic banking a unique entity in the global financial world.

Financial challenges is a term that refers to various structural, systemic, and technical obstacles faced by financial institutions in achieving their operational and strategic goals. In a macro context, financial challenges can be in the form of economic instability, inflation, exchange rate fluctuations, and liquidity crises that impact the performance of the financial sector as a whole (Markavia dkk., 2024). In a micro context, these challenges can include limited access to capital, low financial literacy, and lack of innovation in financial products and services (Aldiansyah & Rahma, 2023). In the modern era, financial challenges are increasingly complex with the emergence of demands for environmental sustainability, strict regulations, and technological disruptions that are rapidly changing the business landscape. For banking institutions, including Islamic banks, these challenges are also related to how to respond to climate and social change issues without sacrificing business continuity and Sharia compliance. Therefore, understanding the definition and context of financial challenges is key to formulating sustainable adaptive strategies.

Financial challenges in the context of Green Banking and Islamic banking can be categorized into several main dimensions. The first is the regulatory challenge, where the absence of integrated standards between sustainability principles and Sharia compliance is an obstacle to the implementation of Green Banking. The second is the operational challenge, such as the lack of human resources who understand the concept of Sharia-based green finance and limited supporting infrastructure. The third is the market challenge, which includes low awareness and demand for environmentally friendly financial products from consumers, especially in the MSME sector. The fourth is the technology and data challenge, where financial institutions must develop an accurate and Sharia-compliant environmental impact reporting and analysis system. Finally, there is the challenge of financing the green project itself, which generally has high risks and long-term returns, thus requiring an innovative financing model based on the principle of justice. All of these categories are interrelated and require a holistic approach to formulating an effective and sustainable Islamic Green Banking policy.

RESEARCH METHOD

This study focuses on the phenomenon of increasing global awareness of climate change and environmental sustainability that has encouraged the financial sector, including banking, to adopt environmentally friendly practices through the Green Banking approach. However, the implementation of Green Banking in the Islamic banking sector faces its challenges, especially

in terms of integrating sustainability principles with the sharia values that underlie bank operations. The object of this study is the complexity of implementing Green Banking in the context of Islamic banking, as well as efforts to answer the challenges of sustainable finance by Islamic law. This study seeks to understand how Islamic banking responds to global demands for sustainability without neglecting Sharia principles. Therefore, this study is important to explore the experiences, perceptions, and strategies of Islamic banking actors in bridging sustainability and compliance with Islamic values, to answer the need for a more inclusive, fair, and environmentally friendly financial system.

The type of research used is qualitative with a phenomenological approach, which aims to understand the meaning and subjective experiences of individuals (Wu dkk., 2024; Yurdakul dkk., 2024) related to the implementation of Green Banking in Islamic banking. This study uses primary data obtained through in-depth interviews with informants who have direct experience with Green Banking practices in Islamic financial institutions. The interviews explore perceptions, challenges, and strategies faced in the process of integrating sharia principles and environmental sustainability. Meanwhile, secondary data is collected from relevant literature, including academic journals, financial institution reports, regulatory policies, and internal bank documents related to green policies. The combination of primary and secondary data is used to build a comprehensive framework for understanding the object of research. With this approach, research can reveal the dynamics, challenges, and solutions relevant to the implementation of Green Banking in the Islamic financial system in Indonesia.

Participants in this study were selected purposively, based on their direct involvement in the implementation or study of Green Banking in the context of Islamic banking. The study involved five Islamic banking practitioners who have roles as environmental managers and risk managers in Islamic financial institutions, who provided technical and operational views on Green Banking policies and implementation. In addition, three academics from the fields of Islamic economics and sustainable finance were involved to provide theoretical and conceptual perspectives on practices in the field. The study also involved two representatives from financial authorities, such as the Islamic Financial Services Authority (OJK) and the National Sharia Council - Indonesian Ulema Council (DSN-MUI), who provided input on regulatory aspects and sharia compliance. Finally, four corporate customers who had accessed Green Banking products from Islamic banks were included to describe the user experience and effectiveness of implementation from the client side. This composition of informants was designed to obtain a comprehensive picture of various aspects of the Islamic financial ecosystem.

The data in this study were collected through three main methods: in-depth interviews, participant observation, and documentation. Interviews were conducted in a semi-structured manner to provide space for exploration of the informant's experiences while maintaining focus on the main theme of the study. Observations were made on the operational activities of Islamic banks that implement Green Banking policies, such as monitoring green financing application procedures and energy efficiency practices at branch offices. In addition, documentation was carried out by collecting and analyzing official institutional documents such as sustainability reports, green financing policies, and internal guidelines related to the implementation of sharia and the environment. Data triangulation from these three techniques was carried out to ensure the validity and reliability of the information collected. The data collection process took place over several months to gain a deep and authentic understanding of the phenomenon being studied. This approach allows researchers to capture the dynamics of social reality that are directly related to the issue of Green Banking and Sharia principles.

Data analysis in this study uses techniques developed by Miles and Huberman, namely through the stages of data reduction, data presentation, concluding, and verification. Data reduction is carried out to filter relevant information from interviews, observations, and documentation, to obtain focused and structured data. After that, the data is presented in

narrative and matrix form to facilitate the identification of patterns, relationships, and main findings. Concluding is carried out in stages, accompanied by repeated verification so that the results of the analysis are accurate and representative of the reality in the field. Data validity is tested through four criteria: credibility, dependability, transferability, and confirmability. Researchers also cross-checked between primary and secondary data to ensure the validity of the findings. The analysis process was carried out phenomenologically, namely by exploring the subjective meaning contained in the informant's experience, and reflectively through editing during data collection. Thus, the results of the analysis can represent social reality authentically and deeply.

RESULTS AND DISCUSSION

Data from interviews, observations, and documentation show that the implementation of Green Banking in Islamic banking is still partial and not comprehensive. From interviews with bank practitioners, it is known that one of the main obstacles is the lack of in-depth understanding of the Green Project concept that is in line with Sharia principles. This causes existing policies to tend to be general and have not explicitly touched on the sharia realm. Observations show that several Islamic bank head offices have implemented energy efficiency and carbon emission reduction policies, but these steps are not evenly distributed across all units and branches. Documentation shows a commitment to ESG principles in internal policies, but the term Sharia Green Banking is not found specifically in the document. Product brochures and annual reports obtained show the bank's involvement in renewable energy projects but do not clearly outline the approach to compliance with Sharia.

Further elaboration of the findings shows that there is a gap between strategic policies and technical implementation in the application of Green Banking in Islamic banks. Interviews with academics revealed that the principle of *maslahah* can be used as a strong normative basis to support the implementation of Green Banking, but this understanding has not been widely internalized among bank management. In terms of observation, although there are sustainability initiatives at the central level, the gap between work units shows that there is no structured and consistent coordination. The documentation obtained also does not show the complete integration of Green Banking with the principles of Islamic contracts such as *murabahah*, *ijarah*, or *musyarakah*. The lack of information in external communication media, such as brochures or sustainability reports, reflects the lack of focus on promoting the advantages of green products that are by Islamic law to the public.

The relationship between the description and explanation of Green Banking data with the reality that is the focus of the study shows that the implementation of this concept is still in its early stages and faces various structural and conceptual obstacles. In general, Islamic banks show an intention to engage in sustainability initiatives but do not yet have operational guidelines that are by the overall Sharia framework. This indicates an imbalance between the spirit of sustainability that is developing globally and the internal readiness of Islamic banks to adopt it according to Islamic principles. This finding supports the basic assumption in the study that Islamic banking still needs a more solid framework to be able to effectively answer the challenges of sustainable finance through a sharia-compliant Green Banking approach (Isman dkk., 2024). This also emphasizes the relevance and urgency of this study to fill the gap between theological idealism and practical reality in the field.

Data on Sharia banking practices were obtained through direct interaction with practitioners, academics, regulators, and corporate customers. Banking practitioners acknowledged that the lack of green financing products explicitly packaged with Sharia contracts was one of the main obstacles. Corporate customers expressed interest in green financing but complained about the slow approval process and uncompetitive financing schemes. Observations showed that socialization of the concept of Sharia Green Banking at the

customer service level was still very minimal, with front liners not fully understanding the benefits and features of the related products. Documentation showed inconsistencies in reporting Sharia aspects in projects that claimed to support sustainability so the public did not get a complete picture of the Sharia integrity of the service. In general, the Sharia approach to supporting sustainability has not been formulated systematically at the bank's operational level.

Further elaboration of these findings reveals that the gap between normative commitment and operational practices is a major obstacle in the development of Sharia Green Banking. Academics emphasize the need to develop sustainable Sharia financial literacy based on the principles of *maqashid* Sharia so that all lines in banking understand the essence and urgency of sustainability. On the regulator's side, it is acknowledged that no regulation specifically discusses Green Banking in the context of sharia, in contrast to the approach in conventional banks that already have technical guidelines. The lack of socialization with customers exacerbates the gap in public perception and participation in environmentally friendly products. Internal documentation obtained also shows that there is no standardization in reporting aspects of Sharia-based sustainability, which causes the implementation to still depend on the initiative of each unit or individual within the Sharia financial institution.

The relationship between descriptive and explanatory data on Islamic banking with the research problem confirms that the infrastructure and internal understanding that are not yet mature are the main obstacles in answering the challenges of sustainable finance through the Green Banking approach. The fact that green financing products have not been directly linked to Islamic contracts shows that there is a serious gap in the integration of Islamic values with sustainability principles (Misra dkk., 2020). This finding strengthens the hypothesis that although there is great potential in Islamic banking to become a pioneer in sustainable finance, a stronger regulatory framework, education, and product innovation are needed so that this potential can be realized concretely. Thus, efforts to transform Green Banking in Islamic banking need to be focused not only on macro policy aspects but also on strengthening the internalization of values across all operational lines.

Findings related to financial challenges in implementing Islamic Green Banking reflect the existence of systemic and structural barriers at various levels of the institution. Interviews with regulators showed that the absence of technical guidelines for Islamic banks in implementing Green Banking has caused uncertainty in the planning and supervision process. Banking practitioners complained that there were no parameters for assessing green projects that were by Islamic principles, which resulted in the slow financing evaluation process. From field observations, it was seen that many Islamic bank branches were still operating conventionally without considering energy efficiency or certain environmental standards. Product documentation and annual reports also showed that contributions to ecological sustainability had not been used as a primary performance indicator in making financing or investment decisions. This shows that financial challenges in this context are multidimensional, covering regulatory, operational, and market perception aspects.

An in-depth analysis of the findings shows that regulatory gaps and the absence of standardization of Sharia-based green indicators are the main obstacles to realizing structured Green Banking. Academics state that the absence of a specific Sharia framework to assess sustainable projects makes it difficult for Islamic banks to justify products and services to authorities and customers. On the other hand, limited incentive schemes from regulators for banks that adopt green practices make these initiatives lack competitive appeal in the market. Customers seeking green financing find the application process complicated and inefficient, which exacerbates the challenges from the demand side. In addition, the weak integration of sustainability data in bank financial reporting adds to the administrative workload without providing clear strategic value. Therefore, the financial challenges in the context of Islamic Green Banking are not only technical but also conceptual and institutional.

The relationship between the findings related to financial challenges and research problems shows that the suboptimal regulatory infrastructure, internal capacity, and market understanding are the main obstacles to optimizing Green Banking in Islamic banking. This finding confirms that although the spirit of sustainability has become a global agenda, Islamic banking is still in the process of transitioning towards an integrated sustainable financial model. The gap between macro policies, technical readiness, and customer needs indicates the need for systemic intervention through more adaptive policies, regulatory incentives, and increasing human resource capacity. Thus, this section of the results confirms that responding to financial challenges through Green Banking from a Sharia perspective requires a holistic and collaborative approach, both from within the bank and from external policymakers. The following table presents the results of the research findings based on the results of interviews with respondents, the results of observations in the field, and the results of documentation studies.

Table 1. research findings based on interview results, field observation results, and documentation study results

No.	Research Purposes	Key Findings
1	Analyzing the implementation of Green Banking in Islamic banking in Indonesia	The implementation of Green Banking is still limited to internal aspects such as energy efficiency and ESG policies at the head office. There are no green financing products that explicitly use certain Sharia contracts. Sustainability commitments exist but have not been fully integrated into the operational system of Sharia banks in all branches.
2	Identifying the main challenges facing Islamic banking in sustainable finance	The main challenges include: a lack of understanding of the concept of Sharia Green Banking, the absence of specific regulations from the authorities, low socialization to customers, and a slow and uncompetitive green financing approval process. The lack of integration of Sharia principles in green products is also a significant obstacle.
3	Assessing the suitability of the Green Banking concept with sharia principles	In principle, Green Banking is in line with the maqashid sharia, especially in the aspects of environmental preservation (hifz al-bi'ah) and welfare (maslahah). However, the inconsistency occurs because there is no product scheme based on Sharia contracts that explicitly support green financing.
4	Providing policy recommendations for optimizing Islamic Green Banking	Regulations and operational guidelines are needed from related authorities (OJK Syariah/DSN-MUI), development of green products based on sharia contracts (such as murabahah for renewable energy financing) and increasing literacy and internal training for frontline and risk managers. Collaboration with stakeholders also needs to be strengthened.

The results of the study show that Green Banking practices in Islamic banking in Indonesia are still at a limited initiation stage and have not been standardized. Although there is a normative commitment to sustainability through the Environmental, Social, and Governance (ESG) framework, realization in the field is still hampered by a lack of understanding of the

Sharia-based green financing model, unclear regulatory guidelines, and minimal product innovation and socialization. Interview and observation data show that Green Banking initiatives have not been integrated with the basic principles of Sharia contracts. Awareness of the importance of sustainable financing has emerged but has not been supported by adaptive systems, instruments, and policies. This indicates that Islamic banking has not been fully able to answer the challenges of sustainable finance operationally and theologically.

This study fills a gap that has not been widely discussed in previous studies, especially in the context of integrating Green Banking with Sharia principles (Thaker dkk., 2022). Previous studies have focused more on Green Banking in the conventional sector or limited to the ethical potential of Islamic finance towards sustainability, without emphasizing the operational challenges in Sharia institutions. This study stands out because it not only approaches the problem normatively but also explores the practical reality through comprehensive qualitative data. Different from previous studies that tend to be conceptual, this study presents the real face of Green Banking implementation in the world of Sharia banking through the perspectives of actors, regulators, and customers. This advantage strengthens the position of this study as an important contributor to the formulation of Green Banking strategies based on Islamic values.

Reflection of the results of this study shows that the purpose of analyzing the implementation of Green Banking in Islamic banking has provided a deep understanding of the gap between normative principles and operational implementation. Identification of major challenges such as weak internal literacy, the absence of Sharia-based technical guidelines, and market disinterest in uncompetitive products show the importance of a systemic and tiered approach. The study of the conformity of Green Banking with Sharia principles reveals that there is great room for convergence if the principles of *maslahah*, *istihsan*, and *maqashid sharia* are reinterpreted in the context of modern sustainability. This study indirectly emphasizes the urgency of a paradigm shift from mere formal compliance to an orientation of transformational values in Islamic financial practices.

The implications of the results of this study are very broad, both for Islamic financial institutions, regulators, and policymakers. For Islamic banks, this study emphasizes the importance of developing green financing products that are not only compatible with Sharia but also competitive in the market. For regulators, these findings encourage the urgency of preparing a specific and operational Islamic Green Banking policy framework, as well as harmonization with international ESG standards. For other stakeholders, such as academics and fatwa institutions, the results of this study can be used as a basis for compiling more applicable and progressive sustainable Islamic finance literature. This study also has implications for the formulation of Sharia-based sustainability performance indicators that can be used as benchmarks at the national level.

The results of this study can be explained through several fundamental factors. First, the absence of specific regulations causes Islamic banks to lose direction in developing green initiatives. Second, understanding green finance in the context of Sharia has not become part of the organizational culture, causing dependence on conventional approaches. Third, the weak synergy between academics, practitioners, and regulators makes product and policy innovation run independently. Fourth, the market itself does not yet have sufficient literacy to demand products based on Islamic sustainability values. The combination of these factors explains why the implementation of Islamic Green Banking is sporadic, not yet systematic, and lacks driving force from within and outside banking institutions.

Based on the results of this study, a series of strategic actions that are cross-sectoral are needed. First, Islamic banks need to integrate sustainability principles into risk management systems, financing policies, and product design. Second, financial authorities such as OJK Syariah and DSN-MUI need to prepare technical guidelines and regulatory instruments that can be used as joint references. Third, academics and Islamic financial research institutions must strengthen the theoretical and methodological basis of Green Banking based on *maqashid*

sharia. Fourth, public education and literacy programs need to be improved to build demand for sustainable Islamic financial products. Fifth, the synergy between stakeholders must be facilitated through collaborative forums to create a sustainable and measurable Green Banking Sharia ecosystem. These actions will be the basis for Indonesian Islamic banking to transform into a driving force for green finance based on Islamic values.

CONCLUSION

Surprisingly, this study found that although Islamic banking has a strong normative basis in supporting sustainability through the maqashid sharia principle, in terms of institutional practice, Islamic Green Banking is still moving in a space that is almost empty of systematic implementation. The significant gap between sustainability rhetoric and operational realization shows that the existence of Islamic values has not been effectively converted into authentic green financial instruments. This finding is surprising because Islamic banking, which should be a pioneer in ethical and environmentally friendly financing, is lagging behind conventional banks that have already adopted the ESG framework and Green Finance practices.

This research provides significant contributions both theoretically and practically. Theoretically, this research enriches the study of Islamic economics by presenting an empirical mapping of the epistemological and operational challenges in the integration of Sharia values into Green Banking practices. The phenomenological approach in this research also opens up new methodological space in understanding the meaning of sustainability from the perspective of industry players, regulators, and users of Sharia financial services. Practically, this research becomes a strategic reference for Sharia banking in designing internal policies, product innovations, and a more holistic educational approach to Green Banking. In addition, this research also becomes an important input for financial authorities in compiling guidelines and regulations that are more responsive to the development of sustainable finance from a sharia perspective.

Despite providing important findings, this study has limitations in the scope of participants and has not included quantitative analysis of market perceptions or the effectiveness of Islamic Green Banking products. These limitations are not weaknesses but rather open up great opportunities for further research development. Further research can be conducted with a mixed-method approach to combine the depth of qualitative analysis with the generalizability of quantitative data. In addition, comparative studies between Islamic banks in Indonesia and other countries that are more advanced in implementing Islamic Green Finance can enrich cross-cultural understanding and regulatory systems. Future research can also explore contemporary fiqh approaches to formulate new contracts that are relevant to green projects based on sustainability principles.

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