



Green Banking in Sharia Banking: A Comprehensive Study of Environmentally Friendly Policies and Practices to Support Green Economy

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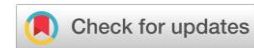
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ABSTRACT

Keywords:

*Sharia Banking;
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This study aims to examine green banking policies and practices in Islamic banking as a means of supporting the implementation of a green economy at Bank Syariah Indonesia (BSI) and BPRS Mandiri Mitra Sukses Gresik. This study employed a descriptive qualitative method, utilizing data collection techniques that included in-depth interviews, observation, and documentation. The results of the study indicated that both institutions have implemented several environmentally friendly initiatives, including the digitalization of services to reduce paper usage, energy-saving policies, and the financing of green sectors such as agribusiness. However, the implementation of green banking in Islamic banking still faces challenges, including limited written regulations, uneven environmental awareness among customers, and a need to enhance digital literacy. This study also proposed a systematic implementation model known as the G-Syariah Framework, which integrated Islamic values, digital technology, environmentally friendly financing, ecological education, and internal governance.

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INTRODUCTION

In recent years, the Islamic banking sector has experienced significant growth, accompanied by a rise in public awareness of ethical principles in finance. In terms of potential, the Islamic banking industry in Indonesia continues to grow, with assets reaching more than IDR 856.67 trillion as of 2024, representing an 8.65% increase from the previous year (Laras, 2024). Its contribution to the national economy was substantial, particularly in supporting financial inclusion for individuals who were previously underserved by conventional banking, as well as encouraging the development of productive sectors such as MSMEs, which aligned with Islamic principles to achieve justice and social welfare (Irfany et al., 2023; Tara et al., 2015a; Tia et al., 2023a).

The worsening environmental degradation has compelled the world to reassess its conventional economic approach (Khaer & Anwar, 2022; Mir & Bhat, 2022; Tia et al., 2023b; UNEP, n.d.). The climate crisis, pollution, and scarcity of natural resources have become an alarm for humans. The Green Economy had emerged as a solution, introducing a new approach that emphasizes the importance of maintaining a balance between economic progress and environmental preservation (Erwinsyah, 2021). This concept emphasized the sustainable use of resources, reducing carbon emissions, and increasing community welfare without sacrificing nature (Latifah & Abdullah, 2023).

In the context of Islamic banking, this concept was translated into "Green Banking," which refers to environmentally friendly banking practices that integrate environmental considerations into the business processes of financial institutions, focusing on sustainability and mitigating adverse environmental impacts. (Wibowo, 2023). The implementation of Green Banking is not only a strategic choice but also reflects the fundamental values of Sharia, which emphasize social justice and environmental responsibility (Julia & Kassim, 2020).

In terms of products and services offered by Islamic financial institutions, they should consider the social and environmental impacts of each investment made. According to research (Sharma & Choubey, 2022), Islamic financial institutions have a significant opportunity to be pioneers in sustainability initiatives, as investing in environmentally friendly projects aligns with Sharia values that promote justice and societal welfare.

According to research (Wibowo, 2023), Islamic financial institutions have the potential to be pioneers in sustainability initiatives, thanks to the Sharia values that support investment in projects with positive social and environmental impacts. However, despite this potential, the implementation of Green Banking in Islamic banking still faces various challenges (Alvi Khikmatin & Putri Setianingsih, 2021;

Gunawan et al., 2022) One of the main challenges is the lack of understanding and awareness among various stakeholders, including customers, financial institution management, and regulators. A study by Park and Kim (2020) revealed that many Islamic financial institutions have yet to adopt sustainability policies in their business strategies fully. This results in missing opportunities to attract environmentally conscious customers and invest in projects that have a positive social impact.

Next, the implementation of Green Banking in Islamic banking is not without challenges. One of the obstacles faced is the lack of understanding among stakeholders, including customers, financial institution management, and regulators. According to Febiola & Iqbal Fasa (2023), many Islamic financial institutions had not fully adopted sustainability policies in their business strategies, which resulted in lost opportunities to attract customers who are more concerned about environmental issues. This is further supported by the findings of (Cahyadin et al., 2020; Naiborhu, 2023), who highlighted low public awareness, absence of regulatory incentives, and the lack of standardized green finance frameworks in Islamic banking as major barriers to effective implementation.

Government policies also play a crucial role in promoting Green Banking practices in Islamic banking. Strong regulatory support can create the necessary framework for financial institutions to adopt environmentally friendly practices. According to UNDP (2022) and IFSB (2023), well-formulated policies, including tax incentives, green financial regulations, and environmental risk disclosure mandates, significantly influence financial institutions' willingness to adopt sustainability principles. According to World Bank (The World Bank, 2023), countries that have implemented green policies in their financial sectors have shown positive results in terms of sustainable economic growth and carbon emission reduction. In Indonesia, the Financial Services Authority (OJK) has issued the Sustainable Finance Roadmap (2021–2025) to encourage both conventional and Islamic banks to integrate Environmental, Social, and Governance (ESG) factors into their operations. (OJK, 2023)

At the global level, Islamic financial institutions are also gaining increasing attention in the context of sustainable investment. According to Töbergte and Curtis (2013), There had been a significant increase in investments that prioritize sustainability aspects, including in the Islamic finance sector. It showed a strong demand from investors for products that were not only financially profitable but also had a positive impact on society and the environment. Green Banking in Islamic banking aligns with the United Nations' Sustainable Development Goals (SDGs). Several countries around the world have implemented green banking policies as part of their efforts to support environmental sustainability and a low-carbon economy, including Germany, China, the United States, Bangladesh, and India. In Indonesia, the concept of green banking has received significant attention, especially in recent years. Several steps and regulations had been taken by Bank Indonesia (BI), which is actively supporting green banking through various initiatives and policies that promoted financing for sustainable projects (BI, 2021). The Financial Services Authority (OJK) issued Financial Services Authority

Regulation Number 51/POJK.03/2017 concerning the implementation of sustainable finance for financial services institutions, emiten, and public companies (OJK, 2017). Although there was regulation, the implementation was often suboptimal. Some of the challenges faced include a lack of understanding of green banking principles among banks and customers, as well as insufficient incentives to encourage investment in environmentally friendly projects. According to (Febiola, Iqbal Fasa, et al., 2023), many Islamic banks in Indonesia still perceive green banking as an additional burden rather than a strategic opportunity. Meanwhile, OJK's Roadmap (2021–2025) has outlined the need for capacity building and incentive schemes, yet its implementation remains uneven due to limited institutional readiness and monitoring mechanisms (Asyura et al., 2023; Chen et al., 2022; OJK, 2022).

Research on green banking in the last two decades has experienced rapid development, characterized by increasing attention to environmental aspects in the global financial system. In developing countries such as Bangladesh and India, central bank policies such as the Bangladesh Bank and the Reserve Bank of India have explicitly encouraged the adoption of green banking principles since the early 2010 (Ahuja, 2015; Alam, 2017; Sahoo & Nayak, 2007; Sharma & Choubey, 2022). Bangladesh initiated green banking guidelines in 2011 by establishing green units in each bank and closely monitoring their implementation (Alam, 2017). Meanwhile, India is implementing an approach that combines corporate social responsibility (CSR) principles with green financing targets (Tara et al., 2015b). In contrast to these two countries, Indonesia has only ratified POJK 51/2017 on sustainable finance, but has not yet developed technical guidelines that encourage banks to implement green banking systematically (Nasution & Agustina, 2023; Safitri et al., 2019). Many banks in Indonesia are still limited to carrying out symbolic reporting related to environmentally friendly activities, without any real transformation in business strategies (Kurniadi et al., 2024). This shows that green banking in Indonesia has not undergone strong institutionalization, and needs to be encouraged through strengthening regulations and institutional literacy. This gap is the basis for the importance of research on the regulatory framework and green banking practices, especially in the context of Islamic banking.

In its theoretical development, the green banking literature generally uses the framework of stakeholder theory, triple bottom line, and environmental performance theory to explain the relationship between sustainability, profitability, and social responsibility (Bansal, 2013; Noor Santy & Syahirul Alam, 2022). Regulatory policy studies tend to use institutional theory and theory of change to examine the strategic role of financial regulators in creating an environment that supports green transformation (Park & Kim, 2020). However, approaches that bridge green banking with sharia principles such as maqashid sharia, justice, and trust, are still very minimal in the academic literature (Winarto & Nurhidayah, 2021). In fact, Islamic values are highly aligned with the principles of sustainability, making Islamic banking should be a pioneer in the adoption of green banking (Mahsun et al., 2022). A study by Anwar et al.

(2022) proposes the development of green waqf as an alternative financial instrument based on productive waqf for environmental purposes (Anwar, 2022). However, this study is still normative and has not touched on policy aspects or technical implementation through Islamic financial institutions. Therefore, research that integrates regulatory theory, green banking practices, and sharia waqf instruments is urgently needed to bridge normative literature and policy needs. This research will also enrich the discourse on sustainable finance in an Islamic perspective by adding innovative aspects through the green waqf approach.

In practice, research shows that internal factors of banks play an important role in the implementation of green banking. Bank size, capital capacity, and internal system readiness are key determinants of environmental reporting (Kurniadi et al., 2024; Petro et al., 2023). A study in Bangladesh found that incentives from central banks encourage an increase in the volume of green credit, while in Indonesia there is no such scheme available (Alam, 2017; Ullah, 2013). Indonesia also does not have green performance indicators that are used as benchmarks for banks, thus encouraging the slow innovation of green products (Safitri et al., 2019). Several studies confirm that disclosure of environmental information can improve a bank's reputation and market value (Tia et al., 2023b; Winarto & Nurhidayah, 2021). However, most of these studies are still limited to conventional banks and do not explicitly examine Islamic banks or waqf instruments. Green waqf, which combines religious values, sustainability goals, and productive financing orientation, has not received the attention it deserves in the implementation research agenda (Anwar et al., 2025; Umam, 2020). Therefore, the focus on green waqf in Islamic banking practice is an important agenda that needs to be answered comprehensively.

Furthermore, the literature also shows that the challenges of implementing green banking come from the low literacy of banking executives and the lack of public understanding of the concept of green finance. Zhang et al. (2020) emphasize that the involvement of internal and external stakeholders such as managers, customers, and regulators is critical to the success of a bank's green strategy (Zhang et al., 2020). In Indonesia, this is exacerbated by the lack of synchronization of policy directions between regulators such as OJK, BI, and KNEKS in encouraging the sustainability agenda (Nasution & Agustina, 2023). This opens up a huge opportunity for policy research that not only analyzes regulatory vacancies, but also recommends new institutional structures that support green banking. Mahsun and Ali (2022) show that green waqf has the potential to become a sustainable surplus in financing environmental projects, but its realization requires collaboration between regulators, Islamic banking, and nazhir institutions (Mahsun et al., 2022). Meanwhile, Khaer and Anwar (2022) noted that Islamic banks show interest in sustainability principles but face limited resources and understanding of concepts (Khaer & Anwar, 2022). This underlines the urgency of research that designs Islamic bank-based green waqf governance in a practical and measurable manner. Thus, the contribution of the research will fill the gap

between the normative literature and the operational needs in the Indonesian Islamic financial system.

Finally, the regulatory narrative and implementation of green waqf in Islamic banking has become very relevant to the direction of the transformation of the global financial system towards sustainability. Financing schemes such as green waqf sukuk, waqf endowment funds for ecological projects, and renewable energy financing can be innovative sharia-based breakthroughs (Anwar, 2022). However, for this reason, specific regulations, fiscal incentives, and integrated supervision from regulators are needed so that green waqf can be strategically integrated into the portfolio of Islamic banks. Without a clear policy framework, green waqf will only become an ideal concept without strong implementation. This study aims to fill this space by identifying regulatory gaps, designing governance models, and offering a policy-based research agenda to strengthen sharia green banking practices. With the support of data and best practices from the literature that has been discussed, this research can be an important reference for OJK, BI, and sharia industry players. This will also encourage Muhammadiyah, NU, and other Islamic philanthropic institutions to adopt a greener and more sustainable waqf model. In other words, green waqf in Islamic banking has the potential to be a bridge between religious values, environmental sustainability, and modern financial innovation.

RESEARCH METHOD

The data used in this study were primary data obtained from interviews with experts and practitioners of Islamic financial institutions, specifically Bank Umum Syariah and BSI, with KCPs in Rungkut 1 and Sidoarjo. In addition to Bank Umum Syariah, there is also Bank Pembiayaan Rakyat Syariah (BPRS) Mandiri, with a branch in Mitra Sukses Gresik. Furthermore, interviews and literature studies related to the problems faced in implementing, developing, and optimizing green banking in Islamic financial institutions that support the green economy have been conducted.

This study used a qualitative method. This method was a procedure that produces descriptive data in the form of written or spoken words from individuals or observable behavior (Moelang, 2018). Descriptive methods described the condition of the subject or object of research, then analyze and compare it with the current real situation. In general, descriptive research aimed to compile a picture or study an event or phenomenon systematically, factually, and accurately (Supardi, 2005). In qualitative methods, the researcher acted as the main instrument that interacted directly with the research subject or object (Sugiyono, 2011).

There were various data sources used in the study, where data sources are a crucial factor because they relate to the quality and results of the study. The data collected directly from the field was referred to as primary data, which in this study was obtained through observation and interviews with Islamic financial institutions, such as Bank Umum Syariah and Bank Pembinaan Rakyat Syariah (BPRS) (Bungin, 2005).

Additionally, secondary data was obtained from books, journals, and relevant web articles.

The data collection methods referred to the techniques used by researchers to collect data. In contrast, data collection instruments were the tools chosen to make the data collection process more systematic and easier (Ridwan, 2004). The technique employed was semi-structured or open-ended interviews with informants to gather their in-depth views, experiences, and perceptions regarding green banking policies and practices within the Islamic banking environment. Equipped with conducting observations: conducting direct observations of the environment or interactions relevant to the case. Observations were carried out non-participatory (researchers only observe). Next, researchers utilized documentation and archives to collect secondary data, including reports, notes, documents, photos, videos, and other relevant media related to the case.

The data analysis techniques involved identifying themes, patterns, or categories within the collected data to gain a deeper understanding of the phenomenon being studied and testing the validity of the data through data triangulation: comparing and examining data from various sources (interviews, observations, documents) to ensure the consistency and validity of the findings. After that, it was continued with Narrative analysis, which involved interpreting and arranging data into a narrative form that described the phenomenon in depth, including its background, context, and dynamics involved in the case. The conclusion-drawing stage ends by using analysis to answer research questions and make relevant conclusions. Researchers could also formulate implications or recommendations based on the findings.

RESULT AND DISCUSSION

Operations and Role of Islamic Banking in Encouraging a Green Economy

Based on the results of interviews with several sources, including both BSI and BPRS, the operational practices of Islamic banks are beginning to align with the principles of a green economy. One form of implementation is saving electricity in the office environment and digitalizing services that reduce dependence on paper use. At BSI KCP Rungkut 1 Surabaya, all account opening activities, deposits, and other services have been integrated through the Byond digital application. This digitalization has significantly contributed to reducing paper waste and enhancing environmentally friendly operational efficiency.

In addition, BSI also implements internal policies, such as encouraging employees to bring tumblers as a means of reducing the use of single-use plastic bottles. Even in ceremonial activities, such as the company's anniversary celebration, the head office directs that reusable items be used, such as replacing balloons with eco-friendly alternatives. It shows that awareness of a green lifestyle has been integrated into the company's work culture.

On the other hand, BPRS Mandiri Mitra Sukses Gresik also showed its commitment to green practices. They convert customer documents into digital form and apply the principle of recycling to paper and electronic waste. BPRS has collaborated with local communities and village governments in the "*Grebek Pasar*" program, which prioritizes greening activities and regular community service. Programs like this not only increase environmental awareness but are also part of a marketing strategy that strengthens BPRS' image as a financial institution that cares about the environment.

Future Challenges and Prospects

Despite many proactive steps, the implementation of green banking still faces various challenges, especially in terms of human resources and customer readiness. Ms. Sarah, CS from BSI Rungkut 1, said that one of the main obstacles is the difference in customers' ability to adapt to digitalization. Older customers tend to be less familiar and less trusting of digital services, so they need a more communicative and educational approach.

A similar sentiment was also expressed by Mr. Afif, marketing for BSI KCP Rungkut 1, who noted that although the bank's internal systems are accustomed to the principles of efficiency and recycling, the main obstacle still comes from the unpreparedness of some customers to switch from conventional services to digital services. It is a challenge in itself to encourage the adoption of digital services as a form of contribution to green banking.

However, the prospects are pretty promising. All sources from BSI stated that the company is in the process of testing the use of renewable energy, specifically photovoltaic (PLTS) solar power plants, as an energy source for its branch offices. This step demonstrates that the direction of BSI's policy extends beyond small changes in the work environment to encompass aspects of technology and clean energy.

In BPRS, the prospect of green banking is also quite bright. For example, the agro-business financing program has yielded results in the form of greening. One of BPRS's customers has successfully planted more than 46,000 trees from 2016 to 2025, thanks to financing from the bank. It is a concrete example of how Sharia financing products can be utilized to support long-term environmental conservation.

Green Banking Policies and Regulations

Policies and regulations regarding green banking in the Islamic banking environment are currently not entirely written and binding. At BSI, the policy is primarily conveyed verbally through internal forums, such as Zoom meetings, and its implementation depends on the awareness of each branch office. However, instructions from the head office remain the primary reference in field operations.

Mrs. Anis from BSI KCP Rungkut 1 added that although not always written, instructions on energy conservation, waste reduction, and the use of recyclable materials have often been socialized. It showed that BSI's approach to green banking is top-down, where the head office provides direction, and the branch offices are tasked with implementing it.

On the other hand, BPRS Mandiri Mitra Sukses Gresik stated that although they do not yet have a comprehensive written policy, they have consistently implemented digitalization and paper reduction. It demonstrates that the implementation of green banking principles does not have to wait for formal regulations; instead, it can be initiated through local initiatives based on awareness and concern for the environment.

However, Mr. Afif emphasized the importance of government support in the form of clear regulations and financial resources for banking actors who wish to implement green banking more seriously. It is essential that Islamic banking has guidance and legal protection to implement environmentally friendly policies comprehensively.

Green Banking-Based Products and Services

Green banking, in the context of Islamic banking, encompasses not only efficient and environmentally friendly internal operations but also product and service design that supports sustainability principles. BSI, as the largest Islamic bank in Indonesia, has digitized almost all of its products, from opening accounts to buying gold online through the Byond application. It not only provides convenience for customers but also reduces the carbon footprint caused by traditional banking activities.

Additionally, BSI financing products are now being directed to support micro, small, and medium-sized enterprises (MSMEs), especially those engaged in productive and labor-intensive sectors. It aligns with the concept of a green economy, which supports economic growth through environmentally friendly and sustainable practices.

In BPRS, one of its leading products is financing for the agro-business sector. This product not only provides economic benefits to customers but also directly contributes to environmental conservation and greening. It demonstrates that Islamic banking can design financial products that are not only based on Sharia principles but also consider ecological aspects and long-term sustainability. The conformity of Green Banking between BSI and BPRS with the Green Economy Principles can be summarized in the following table 1,

Table 1. A comparative Green Economy Principles in Bank Syariah Indonesia and BPRS Mandiri Mitra Sukses Gresik

No	Aspect of Green Economy / Green Banking	BSI KCP Rungkut 1	BPRS Mandiri Mitra Sukses Gresik	BSI KCP Sidoarjo
1.	Energy Efficiency	Save electricity, plans to use PLTS in several offices	Save electricity and reduce stationery costs	Saving electricity has been implemented
2.	Paper Reduction	Digitization of all products in the Byond application	Customer documents are digitally directed, and internal paper recycling	Digitalization using the Byond application
3.	Plastic Waste Reduction	Appeal to bring tumblers, do not use balloons during the event	It is not explicitly stated, but the use of paper is also limited	Appeal for plastic waste reduction
4.	Utilization of Renewable Energy	PLTS is currently in the trial phase in several branches	There is no use of renewable energy yet	Do not know about utilizing renewable energy
5.	Environmentally Friendly Financing Products	Focus on financing labor-intensive MSMEs rather than the green sector specifically.	Agribusiness financing (plantations), producing 46,000 trees	There is no environmentally friendly financing at BSI KCP Sidoarjo
6.	Green Banking Socialization and Education	Delivered directly or through social media, digitalization of financial literacy	Socialization to villages and markets through the Grebek Pasar program	Education is carried out directly to customers
7.	Environmentally Friendly Internal Policy	Verbal instructions from the center, not yet entirely written	There is no written policy yet, but it has been implemented in practice	Direct instructions
8.	Collaboration with External Parties	No specific collaborations have been mentioned yet	There is a collaboration with local markets and villages for education and greening initiatives.	There has been no collaboration with any special parties.
9.	Main Obstacles	Digital adaptation for elderly customers	There are no significant obstacles yet, only HR adaptation to digitalization.	Adaptation to digitalization
10.	Future Prospects of Green Banking	Positive, total integration of technology and digitalization	Very good, it has become a habit of BPRS and sustainable agro products	Very good at adapting technology

The table 1 described the conformity between BSI and BPRS Mandiri Mitra Sukses in implementing green banking shows that both Islamic banking institutions have adopted various practices that support the principles of a green economy, although with different approaches and focuses. In terms of energy efficiency, BSI has begun implementing electricity savings in its offices and is even testing the use of Solar Power Plants (PLTS) as a renewable energy source. Meanwhile, BPRS is also implementing electricity savings as part of its operational cost efficiency, although it has not yet led to the use of alternative energy sources. In terms of reducing paper use, BSI has digitized all of its services through the Byond application so that customer activities no longer depend on physical documents. BPRS is also doing the same thing by switching customer documents to digital and recycling internal documents that are no longer used.

In terms of reducing plastic waste, BSI instructed employees to bring tumblers and avoid using balloons in ceremonial events as concrete steps in supporting the environment. Although BPRS did not explicitly mention efforts to reduce plastic, they still demonstrated environmental concern through their emphasis on resource efficiency. Regarding environmentally friendly financing products, BSI emphasizes financing labor-intensive MSMEs, even though it has not focused directly on the green sector. In contrast, BPRS has implemented agro-business financing, which has made a significant contribution to greening, with thousands of trees successfully planted by customers. In terms of education and socialization of green banking, BSI conveys its policies through internal platforms, such as Zoom, and also directs customers to digital applications. Meanwhile, BPRS is more actively involved in the field through the "*Grebek Pasar*" program, which targets rural communities and traditional markets for education and environmentally friendly promotions.

Internal policies on green banking at BSI and BPRS are largely unwritten, but they have been implemented through central instructions. BSI receives direct guidance from the head office, although it has not yet been formalized in written regulations. At the same time, BPRS implements environmentally friendly practices based on institutional habits and awareness without official documentation. In terms of collaboration, BSI has not established a special partnership related to green banking. In contrast, BPRS has demonstrated strong initiatives by collaborating with villages and markets on promotional and greening activities. The primary challenge faced by BSI is adapting elderly customers to digital services. In contrast, BPRS has not experienced significant obstacles, as most of the implemented policies have become an integral part of the work culture. In general, the prospects for green banking in both institutions look very positive. BSI continues to develop the digitalization of services and explore renewable energy, while BPRS demonstrates real impact through green financing and strong social cooperation with local communities.

Based on the research findings in this journal, a systematic solution that can be recommended is the development of a Sharia-based green banking implementation model, which various Sharia financial institutions in Indonesia can replicate. This model is known as the G-Syariah Framework, an implementation framework comprising five main components that support one another. First, the implementation of green banking needs to be based on Islamic values that emphasize the importance of environmental responsibility, such as the principle of *maqashid syariah*, especially *hifz al-bi'ah* (environmental protection). It can be integrated into the institutional code of ethics and internal employee education, fostering an environmentally friendly work culture that grows from an understanding of spiritual values.

Second, the aspect of digitalization of services and products is an important element in efforts to reduce carbon emissions and waste. The entire service process—from opening an account and financing to routine transactions—needs to be directed to a digital platform. Banks can also adopt electronic systems, such as e-signatures, as concrete steps to efficiently utilize resources. Third, Islamic financial institutions must develop financing products that support the green sector, such as financing for agribusiness, renewable energy, or waste management. Such products can be packaged in the form of Islamic financings, such as solar panel *murabahah* or productive green waqf innovations for sustainable projects.

The fourth component is increasing environmental literacy based on Islamic values, both for employees and the general public. Education can be done through digital financial literacy programs accompanied by an understanding of Islamic ecology, for example, through studies, community training, and providing incentives for customers who support environmentally friendly practices. Fifth, it is necessary to establish internal governance and regulations that support sustainability, such as the preparation of environmentally friendly Standard Operating Procedures (SOPs), the formation of a specialized "Green Syariah Bank" team, and sustainability reporting (the Green Syariah Report) that combines financial, social, and environmental aspects.

This model is flexible and can be applied to both large-scale Islamic banks and local BPRS. Another advantage is that this model not only emphasizes sustainability from an environmental perspective but is also built on Islamic ethical and spiritual values, which strengthen the institution's social responsibility. With this systematic approach, the Sharia-based green banking model is not only an internal innovation but also a significant strategy for strengthening the contribution of Islamic banking to sustainable development (SDGs), especially in supporting a low-carbon economy, community empowerment, and integrated environmental preservation.

The adjustment of the Sharia-based green banking implementation model with the Sustainable Development Goals (SDGs) shows that Sharia banking is not only

profit-oriented but also supports global efforts to create a more sustainable, equitable, and inclusive world (SDG, 2023). The G-Syariah Framework model, as explained earlier, is highly compatible with several Sustainable Development Goals (SDG) points, particularly points 7, 11, 12, and 13 as described in the following table 2,

Table 2. The Sharia-Based Green Banking Implementation Model In Conformity With The Sustainable Development Goals (SDGS)

No	SDG's	Description of SDGs objective	Compatibility with Green Banking Syariah
1	SDG 7 – Affordable and Clean Energy	Ensure access to affordable, reliable, sustainable, and modern energy for all.	Through Sharia financing for solar panels (PLTS) and energy efficiency in Sharia banking offices.
2	SDG 11 – Sustainable Cities and Communities	Making cities and human settlements inclusive, safe, resilient, and sustainable.	Efficient and energy-saving bank operational practices, combined with financing products for green micro and small enterprises (MSMEs), support sustainable city ecosystems.
3	SDG 12 – Responsible Consumption and Production	Ensuring sustainable and production patterns	Implementation of digitalization, paper and plastic reduction, and resource reuse in the operations of Islamic financial institutions.
4	SDG 13 – Climate Action	Taking urgent action to address climate change and its impacts.	Sharia green banking promotes environmentally friendly financing and education in the green sector, aiming to reduce carbon emissions and environmental pollution.

Based on the discussion above, it can be concluded that the implementation of green banking in Islamic banking is a strategic step that is not only relevant to the principles of global sustainability but also in line with Islamic values that emphasize social responsibility, justice, and environmental preservation. Green banking practices implemented by BSI and BPRS, encompassing energy efficiency, digital service, and waste reduction, as well as green sector financing, demonstrate that Islamic banking plays a crucial role in supporting the transition to a green economy. Although still facing challenges such as limited written regulations and digital adaptation by some customers, the prospects are very positive, especially with the initiatives to use renewable energy and agro financing, which have a direct impact on environmental preservation. Therefore, further commitment is needed from both within financial institutions and from government regulatory support to strengthen Islamic-based green banking practices as a whole. A systematic approach through the G-Syariah model, which integrates Islamic values, digitalization, environmentally friendly financing,

ecological education, and supportive governance, can be an applicable solution and replicated in various Islamic financial institutions to support sustainable development in Indonesia.

CONCLUSION

Based on the findings and discussions in this study, the implementation of green banking in Islamic banking represents a concrete form of Islamic financial institutions' commitment to the principle of sustainability based on the values of *Maqashid al-Shari'* a. Practices such as energy efficiency, digitalization of services, reduction of paper and plastic waste, and financing of environmentally friendly sectors show that both BSI and BPRS have begun to integrate environmental aspects into their operations and financial products. However, the implementation of green banking in Islamic banking still faces several challenges, including the absence of binding formal regulations, as well as the limited readiness of human resources and customers to face digital transformation. Although environmentally friendly policies are generally not written systematically, there is a positive tendency towards the formation of an institutional culture that supports sustainable practices.

However this research has several limitations that need to be acknowledged. First, the main focus of this study is still limited to a descriptive study of *green banking policies and practices* in Islamic banking without conducting an in-depth analysis based on quantitative or qualitative empirical data in the field. Second, the geographical scope of this study only highlights the Indonesian context, so the generalization of the findings for other countries that have Islamic banking systems cannot be done directly. To fill the remaining gaps, future research is recommended to expand the methodological approach by using a combination of quantitative and qualitative methods, such as field case studies, in-depth interviews, and regression analysis of *green banking practices* in Islamic banks.

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