

GREEN BANKING PRACTICES FROM ISLAMIC AND WESTERN PERSPECTIVES

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ABSTRACT

Go Green is the need of the hour for survival in all scopes due to the side effects of financial development which has resulted in climate change and environmental damage. Banks can certainly play a proactive role between financial development and environmental protection. Banks of this kind is named as "Green Banks". Green Banking (GB) means guaranteeing eco-friendly practices in the banking sector and thereby reducing internal and external carbon footprints. GB initiatives and practices are useful for the environment, banks, and customers. Many Western theoreticians have attempted to provide theoretical, moral and ethical groundings for social responsibility initiatives. However, these attempts have been widely criticized for problems relating to justification, conceptual clarity and possible inconsistency, and for failing to give adequate ethical guidance to business executives who must decide which courses to pursue and with how much commitment. This paper initially attempts to critically evaluate the concept of GB, which has gained popularity and wide acceptance amongst the western academicians and business communities from western and Islamic perspectives. In achieving this objective, the paper's design was an analytical approach to gather data from the previous literature regarding the western and Islamic theories underpinning the concept of GB. The finding indicates that the concept of GB is not a subject alien to Islam, as it is deeply inscribed in various verses of the Holy Quran and supported by many Islamic theories and principles. Moreover, GB practices are very much in line with Islamic theories. Yet, Islamic banks are expected to naturally exercise the GB practices in their day to day activities since they are already guided by the Islamic principles which are already green. Thus, GB can ultimately enhance the contribution of Islamic banks toward the sustainable economic growth of the country while fulfilling Maqāsid Shariah. Overall, studies of GB practices from the Islamic perspective are critically limited and need further investigations. It is demanded further exploration by conducting empirical research to validate more the findings.

Keywords: Green Banking, Sustainable Development, Social Responsibility, Maqāsid Shariah, eco-friendly practices.

INTRODUCTION

Over the former decade, there has been greater attention in environmental protection and Sustainable Development Growth (SDG) due to increasing global environmental deprivation facing present and upcoming generations (Shantha, 2019; Tara, et al., 2019). Indeed, environmentalism has been recognized as the major business issue of the 1990s (Grove, et al., 1996). Since then, it has given rise to the concept of "Go Green" which become a global buzzword nowadays amongst scholars, financial and banking sector and most people, due to alarming climate changes and global warming (Samina & Hossain, 2019; Yin, et al., 2019). This can be seen in the case of banks and other financial institutions that began addressing environmental issues such as global warming, acid rain, air and water pollution, ozone layer depletion and climate change, that affect living beings; through volunteer codes of conduct, such as the United Nations Environment Programme-Finance Initiative (UNEP-FI), the Equator Principles for Project Finance and the UN Principles for Responsible Investment (UNPRI) (IFC, 2014; World Bank, 2017). Those large auditing and consulting entities have sprung up to guide corporations on how to implement a successful green model and how to encourage the stakeholders to adopt it. Subsequently, financial development has been linked to environmental degradation (Esposito, et al., 2019; Yin, et al., 2019). In this sense, the concept of Green Banking (GB) has appeared in 2009 with the coming of the world's initial Green Bank based in Florida, United States (Nadu & Nadu, 2018).

In general, the GB practices are inclusive bank activities taken to signify beyond profit-making, which includes improving welfare and builds societal equity whereas reducing ecological risks by inter-linking economic, environmental and social considerations to accomplish sustainable development.

The emergence of GB in the west nowadays necessitates an informative investigation from the Islamic perspective. The concern about sustainability is relevant to Islamic corporates too, which esteems integrities and social obligation as durable principles (Julia et al., 2018; Uddin & Ahmmed, 2018). This paper, therefore, aims to describe the concept of GB practices from the Islamic perspective. In doing so, it observes the concept of GB as discussed among western theoreticians and its theoretic grounding.

Several academic studies have considered the phenomenon of sustainability and GB in the west. However, no serious attempt has been made to investigate GB from an Islamic perspective. Hence, this study attempts to fill that gap.

THE CONCEPT OF GREEN BANKING

There are several explanations of GB although, in essence, they are not so different. The word itself suggests an environmentally sustainable principle, the presence of green technologies in such an economy and production, the value of conservation of the environment and social responsibility (Ilić Petković, 2015). GB can be considered environmentally friendly lending and

depository goods and facilities that banks provide to their existing and prospective customers (Javeria, et al., 2019). Other definitions have also been used within the literature to describe GB, such as the one presented by Herath and Herath (2019) who defines GB as encouraging environment-friendly practices and reducing carbon footprints from banking operations. According to the Sustainability Report (2018), GB applies to bank practices that encourage environmentally responsible lending activities and internal environmentally sustainable procedures to reduce the organization's GHG emissions. Within Ethical Banking practices. So, it can be connected that the GB is involving environmental-friendly practices at all levels, from adopting eco-practices within the bank and considering the ecological aspect of the projects while funding and investing in commercial projects.

GB, therefore, covers two aspects of in-house and ex-house management. The first one is the Green Office Guide (GOG) for conducting several in-house green activities by inspiring and adopting IT-based technologies in the overall banking sector. This involves the wide-ranging use of online communications such as video/audio conferencing, voice mail and e-mail instead of paper memos; the use of more daylight instead of fluorescent lighting or energy-saving bulbs; double-sided printing to save ink; widespread use of table stationery; effective use of printer cartridges, photocopy toner and office stationery; implementation of energy-efficient stationery; Installation and automated shutdown during working hours of energy-efficient electrical equipment; usage of renewable energy to conserve electricity, etc. (Hossain & Ahmed, 2015). Second is encouraging and financing only environment-friendly investment. The central aspect of this GB policy is directed towards the bank customers. Banks introduce programs to spread the environmental concern among customers and encourage them to comply with the ecological rules as well as to take on activities that are not harming the environment. For instance, the usage of high-tech facilities like e-banking, SMS banking, mobile banking, the use of Automated Teller Machines (ATM), Automated Cheque Processing System (ACPM), Electronic Fund Transfer Network and other mobile monetary services in the form of e-currency (Choudhury, et al, 2013; Masukujjaman & Aktar, 2014). Also, banks allocate more investment toward green industries, encouraging and financing green commercial projects and green loans for promoting environmental practices among clients and other important stakeholders (Cui, et al., 2018).

GB is an umbrella term referring to policies and activities that make banks sustainable (Ullah, 2013). The goal of developing and adopting sustainable development is to create an effective partnership between growth in output (economic aspect), natural resource exploitation (environmental aspect) and living conditions (social aspect) (Munitlak-ivanovic, 2017). In sum, GB encompasses the following areas: (1) the environmental dimension, (2) the economic dimension, and (3) the social dimension as illustrated in Figure 1. Each one of those dimensions serves a certain purpose, but collectively, they hold major benefits by implementing them. The key advantage is the development that addresses the current needs without undermining future generations' ability to meet their own needs. In other words, when addressing the diverse interests of stakeholder groups, banks should recognize the triple bottom line of profit, people, and the planet (Smith, 2016).

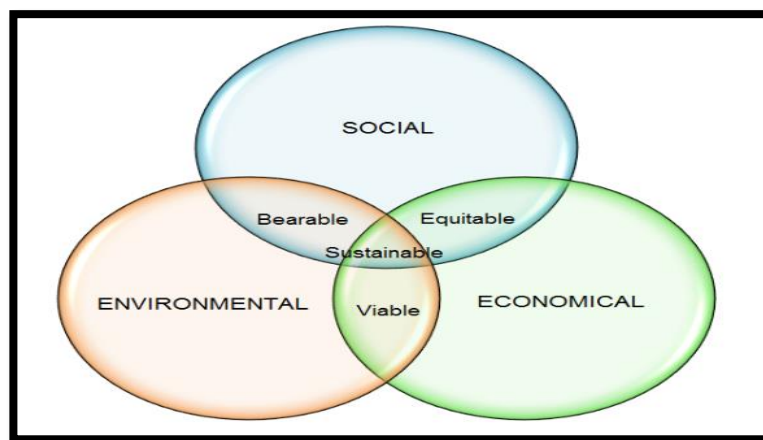


Figure 1: Doctrines of Sustainability

THE UNDERPINNING WESTERN THEORIES OF GREEN BANKING

Classical View Theory

According to Friedman (1962) in his book *Capitalism and Freedom*, The primary duty of the corporation is to increase the wealth of shareholders. This traditional theory eliminates the social responsibilities aspect from the agenda of the business so as to maximize profit for shareholders. Friedman (1970) advocated this theory and supported this classical view on social responsibility by his statement *"The responsibility of business is to maximize profits, to earn a good return on capital invested and to be good corporate citizenship obeying the law no more and no less. To go further in a deliberate fashion is to exceed the mandate of business"*. Friedman (1970) also claims that the main objective of a business is to maximize profits through aggressive competitive approaches in whatever method that the law accepts to guarantee the sustainability of the business, while social well-being is government's obligation.

Similarly, Waddock and Graves (1997) point out that, The economic benefits resulting from socially responsible practices are minimal. Moreover, According to the classical view theoreticians, there is a negative relationship between social performance and financial performance, because corporations would suffer a competitive disadvantage by adopting social responsibility, as they will have additional costs that might otherwise be absorbed by other actors, such as the government (Waddock & Graves, 1997). For instance, Green banks should screen their clients and, of course, limit and restrict their market to eligible entities; With a limited pool of clients, they would potentially have a reduced income base to sustain them (Biswas, 2011; Jayadatta & Nitin, 2017; Ritu, 2014). Also, Green banks give breakdowns to clients via discounted loan rates which can be cut from banks' profit margins (Biswas, 2011; Jayadatta & Nitin, 2017; Ritu, 2014). Accordingly, this theory best explains why banks are opposing the introduction of GB. It also claims that introducing GB would require an additional cost for the bank.

This classical view is an extreme thought in the capitalist's economic system where the business target is shareholders' income maximization within the country's legal limits. This forms the main conflict amongst profit intensification and GB concept because it covers only the financial aspect but excludes the social and environmental aspects which ultimately does not lead sustainability.

Strategic/Instrumental Theory

The instrumental theory looks at GB from the standpoint of a strategist targeting to adopt GB practices as an essential prospect to grow profits for the bank. This philosophy stresses on relating social responsibilities practices with materialistic profit to benefit diverse stakeholders. The instrumental theory emphasizes the ways in which corporations' programs can create strategic benefits for the organization (Burke & Logsdon, 1996).

Shareholders' wealth expansion is the ultimate and main objective of both classical view theory and instrumental/strategic theory. They only differ in the method of accomplishing this objective, the classical theory is an extreme position on revenue purpose at the cost of satisfying the community, meanwhile, the instrumental theory adopts social responsibility if it is an instrument to increase the corporation's reputation and wealth maximization (Garriga, & Melé, 2004). In this way, banks would embrace GB as a social activity if it profits significantly from business-related advantages and only if it is compatible with the creation of wealth, such as by supporting the operations of banks and adding to the performance of the Organization in carrying out its mandate and strengthening its financial statement.

A number of empirical investigations backing the instrumental theory since they report a positive relationship between banks' GB practices and their financial performance (Linh & Anh, 2017; Scholtens, 2017; Finger, et al., 2018; Laguir, et al., 2018). So, the instrumental theory motivates the engagement in GB practices as it leads to profitability and good image creation and banks' reputation. Fernando and Fernando (2017) noted that banks are adopting GB practices because they expand cost-effective rewards rather than contributing to ecological sustainability. Moreover, the GB initiatives are leading the banks to attain a competitive advantage, brand-image development, strategizing in target areas and maximizing the shareholders' value (Ahuja, 2015; Fernando & Fernando, 2017). Implementation incentive for GB is strategic/instrumental, as each green project is aimed at enhancing financial performance, for instance, working with the society, not only shows the bank is moral; It also offers a tool for attracting and retaining good clients.

Legitimacy Theory

Legitimacy theory is one of the utmost debated schemes to describe the phenomenon of volunteer social and environmental disclosures in business communication (Campbell, et al., 2003; Mousa, et. al., 2015). Suchman (1995) well-defined legitimacy as: "*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions*". Similarly, Palazzo and Scherer (2006) defined legitimacy as: "*Legitimacy can be understood as the conformation to social norms, values, and expectations*". In the concept of Schiopoiu and Popa (2013), Legitimacy theory is a framework that assists organisms in the implementation and creation of social and environmental voluntary admissions in order to achieve their social contract that guarantees acceptance of their and success in a hyper-competitive environment.

Legitimacy theory developed by Lindblom (1993) Focuses on how businesses are adapting to varying demands and stresses to survive. Businesses within a particular sector are bound by the industry's basic standards, principles, and beliefs, some of which are implemented in legislation. Companies have a rational incentive to partake in their industry's social practices and thus become legal by meeting with sector standards and regulations, as well as an instrumental motivation to prevent bad ads, institutional investor disinvestment and fines arising from non-compliance with applicable law. Thus, businesses are likely to engage in social practices to uphold their moral credibility, to avoid negative perceptions and to ensure long-term sustainability. For instance, banks may adopt GB practices involved with environmental protection and reducing the ecological footprint from the bank's activities; and establish an ecological department to assess the banks' in-house and ex-house activities. Although these activities do not explicitly help shareholders, they will affect the bank's favourable perceptions, which will generate consumer satisfaction and boost sales.

Social Contract Theory

The central idea of the theory of social contracts is how a business should adapt to society. According to this principle, a business will act responsibly not only because it is in its commercial revenue but also because it is part of the way in which society inherently requires the business to operate (Moir, 2001). In addition, according to the social contract approach, a corporation is considered a part of the social entity and should follow certain social structures like family, educational system, and religious foundations in order to improve life and meet the needs (Dusuki, 2008). According to Sacconi (1999), The philosophy of social

contracts views the company as a legally established body. The social contract lays out the company's constitution and presents a proposed model of perfect partnership which is the basis for determining the actual economic organization. In other terms, the social contract is the firm's law and the ethics code or 'judicial map' renders the implicit social contract clear (Chua & Rahman, 2011). Dusuki (2008) viewed According to the theory of social contracts, business and society are equal partners, each with a set of rights and shared obligations. There is a direct and indirect shared need among businesses and the social order. Such responsibilities are indirect due to commercial interest and policy and because of in what way society implicitly assumes business to act (Moir, 2001).

According to this view, the social contract ensures that banks will work on the presumption that they will act fairly and be accountable for their actions above legal requirements. Thus, the adoption of social accountability is regarded by banks implementing social contracts as a consequence of societal expectations, and this could also be one of the main reasons for GB implementation.

Stakeholder Theory

Stakeholder theory focuses on the relationship between groups and individuals who can affect or be affected by the achievement of the organization's objectives (Freeman, & McVea, 2001; Freeman, 1984). The concept of stakeholders was originally defined by Freeman, (1984) as "*those groups without whose support the organization would cease to exist*". Starik (1995) expanded the definition of stakeholders to include both human and non-human entities. He argued that the non-human natural environment can be integrated into the stakeholder management concept since the natural environment is one of the important components of the business environment.

Freeman (1994) contended that businesses have a responsibility to all stakeholders. The central idea in stakeholder theory is that the success of an organization depends on the extent to which it is capable of managing its relationship with key groups, such as financiers and shareholders, and also customers, employees, and even communities or societies. Managing the stakeholder relationship is non-optional; it is morally required. Therefore, the consideration of the perspective of the stakeholders themselves and their activities is also very important to be taken into the management of banks.

The stakeholder theory is common because people, and so on stakeholders, are worried about the sustainability of the actual economic system. In these conditions, the actions of banks can have a huge impact on society in general, and people demand banks to have "ethics" and "values" (i.e. GB practices). With deregulation and less power of the state in favour of the economy, banks should not only enjoy the rights of this deregulation but also duties. That is what stakeholders (in particular consumers) are asking for.

THE CONCEPT OF GREEN BANKING FROM ISLAMIC PERSPECTIVE

Most of the theories underpinning the concept of GB in the west, as discussed previously, restrict themselves to physical reality and human rational argument. These theoretical constructs are a rational inquiry and rationally criticized. Consequently, the western worldview is flexible and everchanging, as it is rooted in rationality, empirical observation and theoretical constructs (Nilsson, 2000). Following this approach, the western view on GB is generally more aligned with the materialistic philosophy than ethical concerns. According to many scholars including Freedman and Whelpton, (1961); Jong, (1961) and Rice (1999), the consideration of religious and ethical issues provide a better philosophical framework for understanding socio-economic phenomena and institutions. This is certainly true in the case of GB and finance that is based on social, economic and ethical arguments.

In contrast to the western humanistic theories, Islam provides a complete code of behaviour for life since it embraces every aspect of life because it is derived from the *Al-Quran* and *As-Sunnah*. The concept of GB is therefore not isolated in the Islamic view and is one of the main concepts in Islamic teaching. Kunhibava, et al., (2018) and (Julia et al., (2018;2016) agreed that the concept of GB is deeply inscribed in the *Shari'ah* as Islam requires that humans ensure environmental sustainability for future generations and the Islamic responsibility to maintain balance and continuation of the environment.

The Islamic view of GB takes a rather holistic approach. It offers a spiritual view based on the teachings of the *Quran* and the *Sunnah*, providing a better alternative philosophical framework for man's interaction with nature as well as his in parallel with life objectives (Kunhibava et al., 2018). The concept of GB is mentioned many times in the Quranic verses. Specifically, the Islamic perspective of GB covers spiritual, moral and material obligations. For instance in *Surah 2* verse 60 translated by Maududi (1970): "*Eat and drink of what Allah has provided and do not spread disorder on the earth*". Also, In *Surah 28*, verse 77: "*But seek, through that which Allah has given you, the home of the Hereafter; and [yet], do not forget your share of the world. And do good as Allah has done well to you. And desire not corruption in the land. Indeed, Allah does not like corrupters*". In fact, the moral and ethical principles derived from Allah (godly) revelations are more permanent, eternal, and absolute. The evidence is they are the primary sources for Islamic law (Souaiaia, 2005). Thus, may serve as better guidelines for banks when exercising their business and social responsibilities and environmental responsibility simultaneously. Therefore, any corporation such as an Islamic bank that claims to follow *Shari'ah* based principles should naturally practice GB, as it enshrines Islam's true spirit (Kunhibava et al., 2018).

Accordingly, the GB concept should be discussed together with the concept of *Tawhid* (the unity of Allah) where Allah is the Creator, Owner, Absolute, and Ultimate as well as *Shariah* and its *Maqāsid*. According to these concepts, people have to maintain *hablun min Allah* (a good relationship with Allah), *hablun min an-nas* (a good relationship with other human beings) and a good relationship with the environment to achieve *Maqāsid Shariah* (the objectives of *Shariah*) for *Maslahah amah* (public

interest). Therefore, many teachings of Islam are indeed aligned with the concept of GB (Julia et al., 2018, 2016), but unfortunately little is known about the concept of GB from the Islamic perspective and the literature remains scattered and fragmented and there is a lack of a coherent framework or guideline (Uddin, 2016; Uddin & Ahmmmed, 2018). In order to gain a better understanding of Islamic GB, the next section focuses on Islamic theories and principles that should be reflected in the GB practices of Islamic organizations.

THE UNDERPINNING ISLAMIC THEORIES OF GREEN BANKING

The Theory of Unity (*Tawhid*) and the Principle of Vicegerency (*Khalifah*)

The *Aqidah* or *Tawhid* is a fundamental principle in the Islamic faith which presumes the commitment to *Allah* for all people's reverence and gratitude (Alhabshi, 1987). This integration has to be translated into actions either on the realm of material and spiritual (Alhabshi, 1987). The principle prescribes total submission to *Allah's* will and following the religious requirements in all aspects of life (Ali, 2006). In the Islamic framework, people and business organizations are accountable to *Allah* on the day of judgment for all their actions during this life (Quran 4:86). A Muslim business entity that has been managed by a group of individuals should consider social obligations as well as conducting the business in accordance with *Allah's* commands as prescribed by the *Shariah* principles.

In Islam, the concept of vicegerency is related to the concept of *Tawhid* and trusteeship in Islam. The concept of *Tawhid* states that all possessions, wealth, expertise, abilities, positions and power belong to *Allah*. However, mankind is the *Khalifa* of this world, and the ownership of all things belongs to *Allah* (Abdul Razak & Saupi, 2017). In return for the use of the physical universe, mankind agrees to be accountable for how they use and manage the universe in accordance with religious requirements (Farook, 2007). Thus, the purpose of man is to live his life in submission and obedience to *Allah* (Sheikh & Bhatti, 2017). This concept is different from the conventional concept where ownership entails the freedom to deal with what is owned, regardless of what is done with it. The principle of vicegerency denotes that mankind is the representative (*Khalifah*) of God on earth and, as such, *Allah* has entrusted mankind with stewardship of His possessions to act morally and moderately (Wersal, 1995). The concept of vicegerency is mentioned many times in the Quranic verses. For instance: In *Al-Quran* (10: 14) translated by Maududi (1970): "*Now We have appointed you in their place on the earth so that We may test how you conduct yourselves*". Also, *Al Quran* (2:30): "*Just recall the time when your Lord said to the angels, 'I am going to appoint a vicegerent on the Earth...'*". *Al-Quran* (35:39): "*He is Who has made you vicegerents on the earth, now whoever disbelieves shall himself bear the burden of his disbelief*".

The concept of vicegerency in Islam requires mankind to take care of God's creation (Farook, 2007). God will question everything that has been done in this world during the Day of Judgement (Yazis et al., 2013). Therefore, all actions must be based on God's rules and regulations. Williams and Zinkin (2005) stated that, in Islam, there is no separation between the individual's public and private life. Thus, every decision and act in life and business must be based on Islamic teachings. This principle not only applies among Muslims but also in their relationship with non-Muslims, society, and the environment.

The most important aspect of *Tawhid* is that of *Tawhid al-'Ebaadah*, maintaining the unity of *Allah's* worship (Philips, 1994). This way, worship to *Allah* is not restricted to the five pillars of Islam; but every act or deed is considered as an act of worship if it is performed with sincerity and in accordance with the Islamic teachings. *Tawhid al-'Ebaadah* involves all activities and daily routines in life. Any activity not only brings reward in this world but also in the Hereafter. For instance, the objective of a business is not restricted to materialistic gain only but also to bring about human wellbeing and achieve a good life overall (Williams, & Zinkin, 2005). Thus, profit is not the main driver of the business. Correspondingly, the adoption of GB practices is considered a worship activity for individuals as well as for banks.

The Theory of *Shari'ah* and *Maqāsid Shari'ah*

In Islam, the *Shari'ah* or 'Islamic Law' is the foundational basis for understanding GB in Islam. The concept of the *Shari'ah* in Islam consists of ethics and values covering all aspects of life (e.g. personal, social, political, economic, and intellectual) (Dusuki & Abdullah, 2007; Yazis et al., 2013). Dusuki and Abdullah (2007) stated that the concept of the *Shari'ah* reflects the holistic view of Islam, which is a complete and integrated code of life encompassing all aspects of life, be it individual or social, both in this world and the Hereafter. For instance, economic or political aspects cannot be isolated from moral and spiritual aspects, and vice versa. The *Shari'ah* is a canon of law whose purpose is moral as well as legal, unlike most western codes of law (Williams & Zinkin, 2010; Zinkin, 2007). The *Shari'ah's* uppermost objectives rest within the concepts of compassion and guidance, which seek to establish justice ('*Adl*), eliminate prejudice, and alleviate hardship by promoting cooperation and mutual support within the family and society at large (Dusuki & Abdullah, 2007). Thus, its ultimate objective is moral and ethical.

The *Shari'ah* is best understood through its objective known as *Maqāsid-Al-Shari'ah*. According to Imam Al-Ghazali as explained by Dusuki and Abdullah (2007): "*The objective of the Shari'ah is to promote the well-being of all mankind, which lies in safeguarding their faith (din), their human self (nafs), their intellect ('aql), their posterity (nasl) and their wealth (mal). Whatever ensures the safeguard of these five serves the public interest and is desirable*".

The *Shari'ah* has evolved within the guidelines set by its objective (*Maqasid-Al-Shari'ah*) which is to promote the well-being of all mankind. First, the interest of the community takes precedence over the interest of the individual. Second, relieving hardships takes precedence over promoting benefits and, third, a bigger loss cannot be prescribed to alleviate a smaller loss and a bigger benefit takes precedence over a smaller one. Equally, smaller harm can be prescribed to avoid bigger harm and a smaller benefit can be dispensed with in preference to a bigger one (Khalid, 2002). Relating this the GB practices, it can be concluded that the

concept of *Shari'ah* has three implications for the concept of GB. First, in Islam, the GB practices are moral and religious initiative based on the belief that banks should be good despite the financial consequences. Based on this concept, banks are not driven by profit maximization alone, but by the pursuit of ultimate happiness in this life and in the Hereafter (*Falah*). Second, Islamic guidance enshrined by its principle of justice brings about a balance between social rights, environmental concern and financial benefit. Lastly, the concept of reward is broadened by incorporating within its reward in this world and the Hereafter. This provides a strong motivation for moral behavior, without denying one's expected instinct for personal gain. These principles and guidelines demand Islamic banks operating differently from conventional banks. The *Shari'ah* acts internal control over Islamic banks together with the country's law. Such internal control should make Islamic banks more sensitive towards GB practices and environmental concerns than conventional banks.

The Theory of Consideration of Public Interest (*Maslahah*)

Sulistiyono (2017) stated that *Maslahah* is the most important concept in Islamic law; because *Maslahah* is the ultimate goal of Islamic law and becomes its main core. *Maslahah* is a juristic device used in Islamic legal theory focusing on welfare, the benefit to the public and preventing harm (*jalb al-masalih wa dar'u al-mafasid*) (Arsad, et al., 2015; Dusuki & Abdullah, 2007). The concept of *Maslahah* is simply an introduction of public interest, promoting public welfare and preventing evil and all forms of bad practices (Aminu, et al., 2015). The *Shari'ah* gives consideration to the *Maslahah* as a secondary source of law in order to accommodate natural development and social changes and needs the (Omar & Muda, 2017). It represents one of the essential sources for dealing with issues and matters for which there is no explicit indication in the *Quran* or the *Sunnah*.

In the business context, *ijtihad* based on the *Maslahah* is essential. Especially for regulators and corporate executives who are required to provide standards, parameters, regulations, and policies for the benefit of society (Laldin, 2010). Therefore, Cebeci (2012) developed a definition of *Maslahah* for Islamic financial institutions that is: “*providing permanent values and enduring benefits for the general public via a set of sustainable and measurable activities/projects focusing at an individual or institutional level on the development of society, including a controllable, manageable and clearly determined process*”.

Laldin (2010) also indicated that *Maslahah* in Islam can be differentiated into two main categories. First is the public *Maslahah*, that is, anything that benefits the whole society or the majority, for instance, saving the property from any form of harm or transgression, including the natural environment. In contrast, the private *Maslahah* is anything that benefits individuals and the society to which they belong. Besides being public and private, the *Maslahah* can be differentiated based on weight. Al-Ghazali further classifies *Maslahah* into three main categories: *Daruriyat* (the essentials), *Hajiyat* (the complementary), and *Tahsiniyat* (the accompaniments). These categories are briefly discussed explained below by Dusuki and Abdullah (2007) and Laldin (2010):

Daruriyat: The essentials are the self-interests upon which people essentially depend, such as faith, life, intellect, posterity, and wealth. These elements are absolutely necessary for the proper functioning of a person's religious and mundane affairs, to the extent that their destruction and collapse would precipitate disorder and the collapse of society's normal order. Protecting them reflects the effective way of preserving the *Shari'ah*. Therefore, they are outlined as *Maqasid Shariah*.

Hajiyat: The complementary interests supplement the essentials and refer to those interests that, if neglected, would lead to hardship but not to the total disruption of life's normal order. In other words, they are needed to alleviate hardship so that life may be free from distress and predicament.

Tahsiniyat: The embellishments refer to those interests that, if realized, would lead to refinement and perfection in the customs and conduct of people at all levels of achievement.

Many scholars, among them Kamali, Umar Chapra, Imran Nyazee, assert that the above classification is related to and deeply rooted in the *Maqasid Shari'ah* to ensure society's interests are preserved in the best manner both in this world and in the Hereafter. According to their views, such a classification implies how a *Maslahah*-based methodology could be used to derive new rulings from the *Shari'ah*, meet society's changing needs, and solve contemporary issues related to socio-economic activities. Therefore, these principles can help establish guidelines for appropriate judgments and balancing the individual's self-interests with social interests (Dusuki & Abdullah, 2007).

The concept of *Maslahah* and the *Maqasid Shari'ah* are quite similar at first glance. However, in a more detailed analysis, the two concepts are actually complementing and interdependent between each other. The *Shari'ah* objectives doctrines related to the protection of the human basic elements while *Maslahah* is the level of protection of those elements as illustrated in Figure 2.

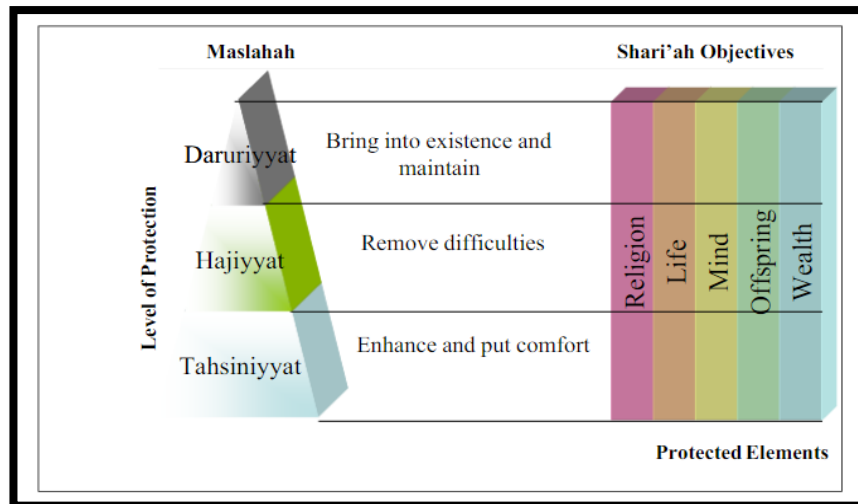


Figure 2: The Relationship between the Maslahah Concept and Doctrine of Shari'ah Objectives.

THE APPLICATION OF WEIGHT IN THE MASLAHAH TO GREEN BANKING PRACTICES

Dusuki and Abdullah (2007) and Dusuki (2006) viewed the concept of weight in the *Maslahah* as a guide for moral judgment on the part of managers and other stakeholders, particularly in solving conflicts that may arise when pursuing social responsibilities. The concept of weight in the *Maslahah* is described in a pyramid form (Figure 3). It functions as a framework to provide managers with three levels of judgment to resolve the ethical conflicts that may emerge while applying social responsibilities programs and initiatives like GB practices. Every level constitutes a different degree of importance. The bottom level (*Dharuriyat*) is the most fundamental responsibility to be fulfilled, then the second level (*Hajiyyat*) followed by the top-level (*Tahsiniyat*). The pyramid moves upward, and the degree of decision-making will be less fundamental as the level rises.

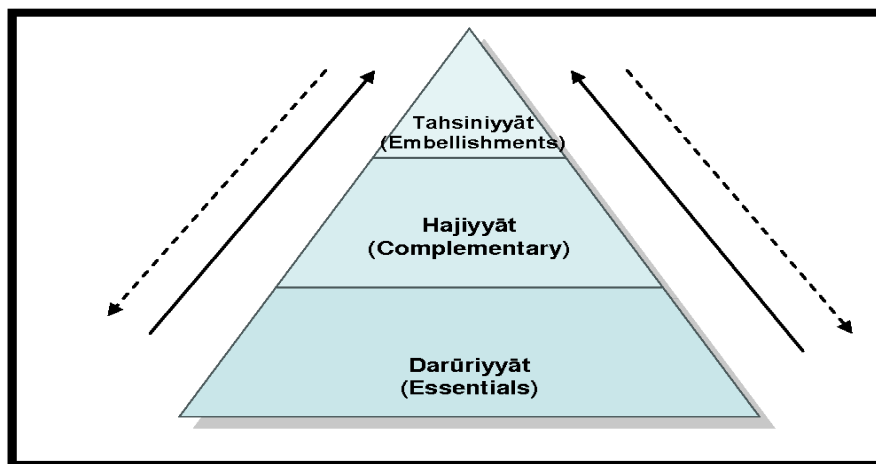


Figure 3: The pyramid of Maslahah
Source: (Dusuki & Abdullah, 2007)

The pyramid's three levels are not mutually exclusive; rather, all levels are inter-related and mutually dependent. The arrows pointing upward and downward reveal the flexibility and mechanism of change in the decision-making process, in the sense that any element comprising one level of *Maslahah* may be elevated upward or pushed downward, depending on the different circumstances concerning the public at large. However, it should be noted that such flexibility is confined within the *Shari'ah* framework, and not vice versa (Dusuki & Abdullah, 2007). This reflects the pyramid's dynamism in assisting the decision-making process within each different context, time, and space.

The *Maslahah* pyramid can be applied to the decision-making process in GB practices and social responsibilities activities. On the first level, Banks are expected to preserve and protect their stakeholders' and public interests in general essential needs (*Daruriyat*). For example, in order to obtain a high profit, banks must guarantee that all activities are *Shariah*-compliant (protect religion). Any activities that may endanger people's lives and cause environmental degradation must be avoided (protect life). Also, banks must protect employee welfare by paying salaries on time and providing a safe working environment as well as ensure a beneficial investment for customers (protect wealth).

As soon as the scope within the essentials has been fulfilled, the banks may strive for the second level, the complementary (*hajiyyat*) which is deemed beneficial to remove difficulties, even though it may not pose a threat to the very survival of normal order. For example, managers who have fulfilled their essentials level may want to further extend the banks' sustainable development commitment. In this instance, the essential needs of employees can be further extended to include continuous training and enhancing human quality programs, approve only the environment-friendly loans, and switch the bank's buildings into green buildings. The latter is not really essential in the sense that if executives neglect this kind of commitment, it will not pose severe destruction; however, if they assume such responsibility it will fulfill the harmonizing interest that will advance the public well-being.

For the highest level of embellishment (*Tahsiniyat*), Banks are expected to become involved in GB activities that lead to improving the environment and attaining perfection in public life. For instance, funding activities that are encouraged in Islam such as giving aids to contribute green projects and environmental initiatives; benevolent acts that could be in form of cleaning the environment, planting trees, conducting programs to enhance public environment concern; provide green spaces in the workplaces. Those are some of the instances of GB commitment to achieve the embellishments for society.

Overall, the pyramid of *Maslahah* implies the need for Islamic banks to engage and manage their dealings and GB practices according to priorities. These priorities evolved from a deep understanding of the objectives of *Shari'ah* such that preservation of interests (*Maslahah*) is dealt with according to the different levels of importance and severity of consequences. To elaborate more, banks' managers must not focus on attaining embellishments while exposing the essentials to risk. In the same way, they must not be obsessed with the attainment of benefits to the extent of creating harm or inflicting injury to others.

IMPLICATION AND CONCLUSION

The paper critically evaluates the concept of GB and compares the nature of green practises between the main western and Islamic theories. From the analysis, it can be revealed that the concept of GB indicates the effort of banks to reduce environmental degradation condition by financing decision as they are major financing institutions of any country. Yet again, the concept of GB differs from western to Islamic viewpoints; generally, GB means economic, social and environmental development in a way so that current generation can meet the need by fulfilling the need of future generation as well. From the Islamic viewpoint balanced and sustained improvement in material and non-material welfare of human by exercising high Islamic values is sustainable development, this description also emphasises on the economic, social and environmental features of sustainability.

This paper also provides an Islamic alternative view to western views of GB practices. The concept of GB is not a subject alien to Islam, as it is deeply inscribed in most Islamic theories and *Shariah*. The Islamic worldview as discussed within the context of the *Taqwa* paradigm serves as a foundation for understanding the position of Islam on GB. Also, via the concepts of *Tawhid* and *Khalifah* envisages banks as stewards, not just of shareholders' financial resources, but also of society's economic resources, holding their property in trust for the benefit of society (*Maslahah*) as a whole and ultimately attaining the blessing of God (*Falah*) which are actually the fundamental components of the GB concept.

To conclude, Islamic bank that claims to base its operation on *Shari'ah* principles should naturally practice GB, furthermore, the performance of Islamic bank in terms of GB practices is expected to play superior role compared to their conventional counterparts as it enshrines the true spirit of Islam. Assimilation of social responsibility and other Islamic ideals in fulfilling customers' expectations deserves the utmost consideration from banks' managers, as it represents a unique and fundamental difference between Islamic and conventional firms and has the potential to drive Islamic banks to greater heights in securing clients' recognition and acceptance of their operations.

Overall, studies of GB practices from the Islamic perspective are critically limited and need further investigations. It is demanded further exploration by conducting empirical research to validate more the findings. The researchers hope that the study will be an addition to the green literature with the new inclusion of green Islamic GB, which will rather help to achieve the noble objectives of equity and justice through sustainability, as envisioned by Islam.

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