

Green banking policy and implementation in Islamic banking: Evidence from Bank Syariah Indonesia Surabaya through a *Maqāṣid al-Sharī'ah* perspective

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ABSTRACT

Introduction

Green banking has become increasingly important in response to environmental degradation, climate risk, and the growing demand for sustainable finance. In Islamic banking, this issue is particularly significant because environmental responsibility can be interpreted not only as a managerial obligation but also as part of *Maqāṣid al-Sharī'ah*, especially the protection of life, wealth, and future generations. Despite the rapid growth of sustainability discourse, empirical studies that examine green banking implementation in Islamic banking at the branch level remain limited.

Objectives

This study analyzes the policy and implementation of green banking at Bank Syariah Indonesia, Surabaya Branch, and evaluates its practices through the perspective of *Maqāṣid al-Sharī'ah*. It also seeks to identify the extent to which green banking has been institutionalized in financing, operations, and risk management.

Method

This study employed a qualitative approach with a field research design. Data were collected through in-depth interviews, observation, and documentation. The analysis focused on three main dimensions of green banking: green financing, green operations, and environmental and social risk management. The findings were then interpreted using the framework of *Maqāṣid al-Sharī'ah*.

Results

The study finds that green banking at Bank Syariah Indonesia, Surabaya Branch has been implemented through sustainable

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financing practices, digital and paper-reducing operational measures, and the incorporation of environmental and social risk assessment into financing decisions. However, implementation remains partial. Sustainable financing still coexists with financing directed to environmentally harmful sectors, and internal environmental performance indicators such as energy, fuel, water, and paper use show fluctuation rather than consistent reduction. From the perspective of *Maqāṣid al-Sharī'ah*, these practices contribute to the protection of life, wealth, and intergenerational welfare, although their institutional integration remains incomplete.

Implications

The findings show that green banking in Islamic banking should be understood as an evolving institutional process rather than a completed transformation. The study highlights the need for stronger environmental literacy, more consistent operational integration, and more effective regulatory and governance support.

Originality/Novelty

This study contributes to the literature by offering a branch-level analysis of green banking in Islamic banking and by using *Maqāṣid al-Sharī'ah* as the primary evaluative framework rather than treating it as a symbolic ethical reference.

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INTRODUCTION

Environmental degradation, climate-related disasters, and the transition toward low-carbon development have pushed the financial sector to reconsider its role in shaping sustainable economic activity. Banks are no longer viewed merely as intermediaries of capital; they are increasingly recognized as institutions that influence environmental outcomes through lending, investment, and risk management decisions. Recent scholarship therefore positions green banking as a strategic response to climate risk, environmental sustainability, and the broader sustainable finance agenda, especially in emerging economies where institutional capacity and ecological vulnerability often coexist (Chenguel & Mansour, 2024; Fu et al., 2023; Grippa & Demekas, 2021; Wahyudi et al., 2023). In this literature, green banking is associated not only with environmentally oriented financing but also with internal operational reforms, governance adaptation, and climate-sensitive financial supervision.

Within this broader discussion, the banking sectors of developing and Muslim-majority countries occupy a particularly important position. Studies from South Asia, North Africa, and other emerging markets show that green banking can improve environmental performance when supported by coherent regulation, effective

disclosure, and institutional readiness, yet outcomes remain uneven across jurisdictions (Bansal et al., 2023; International Monetary Fund, 2023; Ivanyna et al., 2021; Kuanova et al., 2024; Pant & Pathak, 2023; Tiwari, 2024). For Islamic banking, the issue is even more consequential because sustainability is not simply a managerial concern but a normative one. Islamic finance is expected to embody justice, responsibility, and public welfare, making environmental stewardship compatible with its ethical foundation. This growing convergence between green finance and Islamic banking has generated a new and increasingly sophisticated research agenda.

Despite this expanding literature, a major research problem persists: the relationship between sustainability-oriented banking policy and actual implementation remains fragmented, particularly in Islamic financial institutions. Prior studies repeatedly identify conceptual ambiguity, weak standardization, policy-practice gaps, limited internal capacity, and insufficient environmental literacy among both staff and clients as recurring barriers to effective green banking (Qureshi & Hussain, 2020, 2022; Radzewicz-Bak, 2024; Supriadi et al., 2023; Tekdogan, 2023). In Islamic banking, the challenge is intensified by the need to align environmental commitments with Sharia governance, product legitimacy, and institutional accountability. As a result, many banks adopt the language of sustainability, yet the depth, consistency, and evaluative logic of implementation remain underdeveloped, especially beyond high-level regulatory compliance.

A second problem concerns the analytical framework commonly used to evaluate green banking in Islamic institutions. Much of the existing literature relies on ESG categories, disclosure practices, or broad sustainability narratives, but these tools do not always capture whether green banking genuinely reflects the ethical aims of Islamic finance. Several studies therefore argue that a more suitable general solution lies in reconnecting green banking to Maqāsid al-Sharī'ah, which offers a normative basis for assessing whether financial activities protect life, wealth, future generations, and social well-being (Ahmad, 2020; Harahap et al., 2023; Jan et al., 2021; Julia & Kassim, 2020; Rosmanidar et al., 2021; Syarifah et al., 2022). From this perspective, green banking should be evaluated not only by environmental disclosure or portfolio labels, but by its contribution to substantive public benefit.

The literature proposes several specific institutional solutions that move beyond abstract commitments. One important stream emphasizes green financing instruments, including green loans, green sukuk, and sustainable or SRI sukuk, as mechanisms for directing capital toward environmentally beneficial sectors while preserving Sharia compliance (Boudawara et al., 2023; Delle Foglie & Keshminder, 2024; Faizi et al., 2024; Haji Wahab & Mohamed Naim, 2023). Another stream highlights internal operational reforms such as paperless banking, digital service expansion, and energy-efficient practices as practical expressions of green banking. These measures are especially relevant because they translate sustainability into daily institutional routines rather than confining it to external financing alone. Together, these studies suggest that effective green banking requires both outward-facing financial instruments and inward-facing organizational change.



A further body of research identifies governance-based solutions, particularly the integration of value-based intermediation, environmental and social risk management, climate taxonomies, and Maqāṣid-oriented performance measurement. In Malaysia, for example, the Value-Based Intermediation framework and climate-related policy tools have been presented as mechanisms for translating Sharia principles into operational risk assessment and sustainability governance (Rastam Shahrom & Kunhibava, 2023; Shafruddin & Shahimi, 2025; Tok & Yesuf, 2022). Elsewhere, scholars stress the importance of Sharia governance, standardized reporting, staff training, and digital innovation as enabling conditions for green banking to function credibly and inclusively (Ajouz & Abuamria, 2023; Md. K. Alam et al., 2021; Alshater et al., 2022; Qudah et al., 2023; Sheikh et al., 2023). These solutions point to implementation as a governance problem as much as a financing problem.

Even so, the literature leaves an important gap. Existing studies have been strongest at the conceptual, national, and cross-country levels, while relatively few provide empirical analysis at the branch or regional level where policy is translated into concrete practice. Research on Islamic green banking also tends to invoke Maqāṣid al-Sharī'ah conceptually without fully validating it as an operational evaluative framework, and many assessments still rely heavily on conventional ESG indicators rather than welfare-oriented Islamic criteria (Meskovic et al., 2024; Mahyudin & Rosman, 2022; Tarique et al., 2021). This gap is especially significant in Indonesia, where Islamic banking is institutionally important and sustainability discourse is growing, yet fine-grained empirical work on how green banking is practiced at branch level remains limited.

Against this backdrop, the present study examines the policy and implementation of green banking at Bank Syariah Indonesia, Surabaya Branch, through the perspective of Maqāṣid al-Sharī'ah. Its purpose is to analyze how green banking is formulated and practiced in a concrete institutional setting, how far implementation extends beyond formal compliance, and whether these practices can be understood as advancing public welfare in Islamic terms. The study is novel in three respects: it focuses on the branch level, it uses Maqāṣid al-Sharī'ah as the primary evaluative lens rather than treating it as a secondary ethical reference, and it connects green financing, operational practice, and ESRM within one analytical frame. The scope is limited to BSI Surabaya as a qualitative case of Islamic green banking implementation in Indonesia.

LITERATURE REVIEW

Conceptualizing Green Banking

Green banking has increasingly been framed in recent scholarship as a strategic transformation of banking activities toward environmental responsibility rather than a narrow set of philanthropic or symbolic actions. In this literature, green banking refers to the integration of environmental concerns into financial intermediation, product design, risk management, governance, and disclosure practices. It includes the redirection of capital toward environmentally beneficial sectors and the internal reorganization of banking operations to reduce ecological footprints. Studies

consistently emphasize green loans, green bonds, green sukuk, sustainability-linked finance, and environmental disclosures as central expressions of this transformation (Delle Foglie & Keshminder, 2024; Faizi et al., 2024; Jan et al., 2021; Malini, 2021; Muhmad et al., 2021). This understanding moves green banking beyond branding and places it within broader sustainability and transition-finance debates.

Recent studies also show that green banking is commonly analyzed through a set of recurring dimensions. These include the design and governance of green financial instruments, the incorporation of environmental and social risk management, the alignment of sustainability indicators with the SDGs, the integration of ESG considerations, and the role of digital systems in supporting efficient and low-carbon banking processes. In Islamic banking research, these dimensions are extended through Maqāṣid al-Sharī'ah and welfare-oriented reasoning, which require that environmentally responsible finance also produce meaningful public benefit (Abdul Kadir et al., 2024; Al-Nahari et al., 2022; Hudaefi & Noordin, 2019; Syarifah et al., 2022; Tarique et al., 2021). As a result, green banking is best understood as an institutional framework that connects instruments, governance, reporting, and ethical purpose.

Islamic Banking, Sustainability, and Green Finance

The relationship between Islamic banking and sustainability has been increasingly discussed through the argument that Sharia-based finance is not only compatible with sustainable development but normatively obligated to support it. A substantial body of literature argues that Islamic financial institutions should respond to environmental degradation and climate-related risks through products, governance mechanisms, and reporting structures that reflect justice, stewardship, and public welfare. In this sense, Islamic banking is not treated as a parallel version of conventional sustainable finance, but as a system with its own moral vocabulary for engaging environmental challenges. Scholars repeatedly connect green banking in Islamic institutions to Maqāṣid al-Sharī'ah, SDG alignment, and welfare-centered governance (Ahmad, 2020; Mahmad Robbi et al., 2024; Mergaliyev et al., 2021; Ni'mah et al., 2024; Sheikh et al., 2023; Umar et al., 2023).

At the practical level, the literature identifies several channels through which Islamic banks respond to sustainability pressures. These include green sukuk, socially responsible investment structures, green lending, Maqāṣid-informed ESG integration, and Sharia governance reforms that make environmental and social responsibility part of institutional oversight. Yet prior studies also caution that Islamic legitimacy cannot be inferred from labels alone. The effectiveness of Sharia-based green banking depends on credible governance, clear product structures, robust disclosures, and measurable links to welfare outcomes (Amaroh & Masturin, 2018; Ben Salem, 2023; Ishak & Asni, 2020; Nipa et al., 2026; Shahid et al., 2024). This dual emphasis on ethical grounding and implementation detail makes the Islamic banking literature especially relevant to the present study.

Maqāṣid al-Sharī'ah as a Theoretical Framework



Previous studies have explained Maqāṣid al-Sharī'ah as a theoretical framework that enables Islamic banking to be evaluated not only by legal conformity or profitability, but by its contribution to human welfare and social justice. In this literature, Maqāṣid is used to assess whether banking activities protect life, religion, intellect, lineage, and wealth, and whether they promote broader public interest. Increasingly, scholars extend this reasoning to environmental sustainability, arguing that ecological protection is inseparable from the preservation of life and wealth. Under this view, financial practices must be judged by whether they support long-term social and ecological balance rather than short-term institutional gain (Ahmad, 2020; N. Ali, 2022; Ben Salem, 2023; Hudaefi & Badeges, 2022; Ishak & Asni, 2020; Syarifah et al., 2022).

This theoretical position has inspired a growing number of measurement and governance models. Scholars have proposed Maqāṣid-based performance indices, content-analysis tools, disclosure frameworks, and SDG mapping approaches to translate normative principles into empirical indicators. These tools are meant to move Islamic finance away from rhetorical invocations of ethics and toward observable evaluation of welfare outcomes. Several studies also use Maqāṣid to critique conventional ESG metrics, arguing that those metrics often fail to capture justice, redistribution, and public benefit in distinctly Islamic terms (Al Azizah & Haron, 2024; Al Madani et al., 2020; N. Ali, 2022; Dewi & Muhyarsyah, 2026; Mergaliyev et al., 2021; Mohd Zain et al., 2024). Accordingly, Maqāṣid offers not merely a conceptual backdrop, but a substantive evaluative structure for analyzing green banking in Islamic institutions.

Core Institutional Dimensions of Green Banking

One major strand of the literature focuses on institutional dimensions through which green banking is operationalized. The first is the design of financial instruments, especially green loans, sustainability-linked products, green bonds, and green sukuk. Studies indicate that these instruments can serve as important vehicles for mobilizing climate-oriented capital, but only when accompanied by credible governance and clear environmental criteria. In Islamic finance, further complexity arises because instrument design must also satisfy Sharia legitimacy and align with welfare objectives. As a result, scholarship emphasizes standardization, transition pathways, disclosure integrity, and careful structuring of performance-linked outcomes (Delle Foglie & Keshminder, 2024; Faizi et al., 2024; Jan et al., 2021; Mahomed & Mahbot, 2024; Qureshi & Hussain, 2020, 2022). Instrument quality, therefore, is treated as central to whether green banking is substantively meaningful.

A second institutional dimension concerns governance, especially the relationship between Sharia governance, ESG integration, and sustainability performance. Cross-country studies suggest that stronger Sharia governance may improve social and governance outcomes, although environmental outcomes often remain uneven. This inconsistency has led scholars to argue that environmental criteria must be explicitly incorporated into governance mandates and not assumed to emerge indirectly from religious oversight. Related work on value-based intermediation, climate taxonomies, and sustainability frameworks in Malaysia illustrates how regulatory architecture can

support greener institutional behavior when ethical commitments are translated into operational guidance (Md. K. Alam et al., 2021; Boudawara et al., 2023; Razali et al., 2022; Shafruddin & Shahimi, 2025). Governance is thus treated as the bridge between normative intent and institutional implementation.

Digitalization, ESG Integration, and ESRM

The literature also highlights digitalization as a crucial enabler of green banking. Paperless operations, digital banking channels, fintech-based services, and automated disclosures are increasingly seen as tools that reduce resource use, lower transaction costs, and expand access to sustainable finance. In Islamic finance, however, scholars stress that digital innovation must be accompanied by Sharia governance, consumer protection, and literacy support if it is to produce welfare gains rather than merely technological efficiency. Digitalization is therefore valued not only for operational reasons but for its potential to connect inclusive access, environmental savings, and institutional transparency (Ajouz & Abuamria, 2023; Alshater et al., 2022; Mohd et al., 2024; Qudah et al., 2023; Supriadi et al., 2023). These findings support the idea that green banking is increasingly inseparable from digital transformation.

Environmental and social risk management constitutes another major implementation domain. Empirical studies in Nepal, Bangladesh, Pakistan, and other contexts suggest that ESRM is one of the most concrete ways in which green banking enters routine banking practice. Through screening, training, governance procedures, and lending criteria, ESRM embeds environmental and social concerns into credit decisions and risk controls. Yet the literature also shows that ESRM implementation is uneven and often limited by insufficient expertise, weak data, and incomplete integration into institutional culture. In Islamic banking, scholars further contend that ESRM should be linked to Maqāṣid-based risk reasoning so that environmental protection is treated as part of Sharia-compliant responsibility rather than as an imported governance requirement (Abdul Kadir et al., 2024; Boudawara et al., 2023; Sheikh et al., 2023; Tiwari, 2024).

Empirical Findings from Prior Studies

Empirical studies on green banking in Islamic and conventional banks generally show positive potential, but they also reveal uneven implementation and conditional effects. Research from Indonesia, Bangladesh, Malaysia, and Pakistan indicates that green financing, CSR engagement, sustainability reporting, and Sharia-informed governance can contribute to stronger environmental or welfare-oriented outcomes. However, these gains are often partial, context-specific, and sensitive to governance quality, regulatory support, and data availability. Some studies find that Islamic banks perform relatively well on social or Maqāṣid-oriented dimensions yet still fall short on consistent environmental implementation. Others report promising links between green finance and institutional value, but without proving that all environmental objectives are fully realized (Faizi et al., 2024; Julia & Kassim, 2020; Malini, 2021; Qureshi & Hussain, 2020, 2022).



A consistent empirical pattern is that implementation tends to be stronger at the level of policy declaration than at the level of verifiable organizational practice. Banks may disclose sustainability commitments, experiment with green products, or adopt ESG language, but the actual depth of environmental integration often varies across departments, products, and decision-making routines. This is particularly true when measurement relies on conventional ESG reporting rather than Maqāṣid-based indicators. Several scholars therefore argue that empirical assessment remains incomplete unless it captures welfare, justice, and environmental responsibility in more context-sensitive ways (Al Madani et al., 2020; N. Ali, 2022; Juisin et al., 2023; Syarifah et al., 2022). These findings reinforce the need for localized and theoretically grounded studies of implementation.

Debates and Methodological Tensions

One major debate in the literature concerns whether Maqāṣid al-Sharī'ah should supplement ESG frameworks or replace them as the principal evaluative basis for Islamic green banking. Some scholars treat ESG as a useful practical starting point that can be reconciled with Islamic ethics through SDG alignment and governance reform. Others argue that ESG remains insufficient because it does not adequately capture public welfare, distributive justice, and moral accountability in Islamic terms. The debate is therefore not merely terminological, but methodological: it concerns how sustainability should be measured, what counts as successful implementation, and whether existing reporting regimes can represent welfare-oriented outcomes (N. Ali, 2022; Haji Wahab & Mohamed Naim, 2023; Jan et al., 2021; Rafay & Farid, 2017; Syarifah et al., 2022). This unresolved tension directly informs the analytical strategy of the present study.

A second tension concerns the level of analysis used in green banking research. Much of the available scholarship operates at national, sectoral, or bank-wide levels, while very few studies investigate implementation at the branch or regional level. This matters because policy adoption at headquarters does not necessarily reflect actual practice in local branches, where lending decisions, customer interactions, and operational routines are enacted. The limited micro-level evidence that does exist is often qualitative and fragmented, making it difficult to compare regions or assess branch-level variation systematically (Md. K. Alam et al., 2021; Md. M. Alam et al., 2023; M. Y. Ali & Hassan, 2019; Qureshi & Hussain, 2020, 2022). This gap suggests that implementation research remains structurally incomplete.

Research Gap and the Significance of the Study

The preceding literature reveals three interrelated gaps. First, although green banking has been widely discussed in Islamic finance, many studies remain conceptual or macro-level and provide limited empirical insight into how implementation unfolds at branch level. Second, Maqāṣid al-Sharī'ah is frequently invoked as an ethical or theoretical reference, but far fewer studies use it as the primary analytical framework for evaluating actual green banking practices. Third, much of the empirical literature

still depends on ESG-style measures that may not fully capture the welfare-oriented dimensions central to Islamic banking, including justice, public benefit, and intergenerational responsibility. Together, these gaps leave room for a more grounded and theoretically coherent inquiry.

This study is significant because it addresses those limitations by examining green banking not as an abstract institutional ideal, but as a localized practice within an Islamic banking setting. By focusing on BSI Surabaya and evaluating policy and implementation through *Maqāṣid al-Sharī'ah*, the study contributes to the literature in both conceptual and empirical terms. Conceptually, it advances a welfare-based alternative to purely ESG-centered assessment. Empirically, it brings attention to branch-level implementation, where sustainability commitments are translated into operational choices, financing practices, and risk management routines. In doing so, it helps clarify whether green banking in Islamic finance functions as a substantive ethical practice or remains largely declarative.

METHOD

Research Design

This study adopts a qualitative research approach because the object of inquiry concerns meanings, institutional practices, and normative interpretation rather than variables that can be adequately reduced to statistical measurement. In line with Strauss and Corbin, qualitative research is appropriate when the aim is to generate findings that cannot be obtained through quantitative procedures alone. Likewise, Bogdan and Taylor define qualitative inquiry as the production of descriptive data in the form of words, expressions, and interpretive accounts, while Made Laut Mertha Jaya emphasizes its usefulness for examining social phenomena through interviews, records, and documentary materials. On that basis, this study is designed as a field-based qualitative inquiry supported by document analysis (Ferguson & Nichols, 2021; Kapiszewski et al., 2022; Small, 2009) to examine the policy and implementation of green banking through the evaluative lens of *Maqāṣid al-Sharī'ah*.

Research Setting and Case Selection

The research is situated in East Java and focuses on two Islamic banking institutions operating in the province: Bank Syariah Indonesia (BSI) and Bank Muamalat Indonesia (BMI). East Java was selected because it is one of Indonesia's major centers of economic growth, characterized by intensive industrial, commercial, and service activity and therefore by significant environmental implications. Within that regional context, BSI was chosen because it represents the largest Islamic bank in Indonesia, with a broad institutional network and a relatively established sustainability framework. BMI was included because, as the pioneer of Islamic banking in Indonesia, it offers a contrasting institutional profile in terms of history, strategic orientation, and organizational scale. The comparison between these two institutions is intended to illuminate variations in the formulation and implementation of green banking policy within Islamic banking practice.



Data Types, Sources, and Informants

The study relies on both primary and secondary data. Primary data are obtained directly from the field through purposively selected informants who possess strategic knowledge of green banking policy and practice. These include branch leaders or structural officers, financing managers, risk management officers, Sharia compliance officers, and personnel involved in social and environmental responsibility programs. In addition, primary evidence is generated through direct observation of operational practices associated with green banking, such as digital service use, resource efficiency, and workplace routines. Secondary data function as supporting and contextual material and include internal bank policies, financing guidelines, standard operating procedures, annual and sustainability reports, and corporate responsibility documents. These materials are complemented by external regulations, especially those issued by the OJK and other state authorities, as well as books, journal articles, theses, dissertations, and normative works on *Maqāṣid al-Sharī'ah*.

Data Collection Procedures

Data collection proceeds through three mutually reinforcing techniques: in-depth interviews, non-participant observation, and documentation. Interviews are semi-structured and guided by a framework derived from the study's conceptual model and analytical indicators. This format makes it possible to explore the perspectives, experiences, and institutional reasoning of key actors while preserving enough flexibility to follow issues that emerge in the field. Observation is conducted to verify and enrich interview data by examining how green banking is embodied in everyday operational settings, including digitalization, paper and energy efficiency, and the broader work environment. Documentation is used to gather internal and external written evidence, including bank policy documents, financing records, annual and sustainability reports, and relevant legal and academic sources. Taken together, these procedures are intended to produce a dense and cross-checked body of empirical material.

Trustworthiness and Validation

The study ensures methodological trustworthiness by applying the standard qualitative criteria of credibility, transferability, dependability, and confirmability. Credibility is pursued through triangulation of data sources, collection techniques, and theoretical perspectives; through member checking with relevant informants; and through referential adequacy by comparing field findings with classical and contemporary scholarship. Transferability is strengthened through thick description of the institutional and regional context so that readers can judge the relevance of the findings for comparable settings. Dependability is maintained through an audit trail and through peer debriefing with academic supervisors or colleagues. Confirmability is supported by systematic documentation and by separating interpretation from personal preference as far as possible. Beyond these established procedures, the study also applies normative validation through *Maqāṣid al-Sharī'ah*, especially in relation to *ḥifẓ al-bī'ah*, *ḥifẓ al-nafs*, and *ḥifẓ al-māl*.

Data Analysis

Data analysis is conducted continuously from the early stages of data collection rather than postponed until all materials have been assembled. Following Sugiyono, the process begins with organizing, checking, and refining data so that inconsistencies or gaps do not distort interpretation. The main analytical logic follows the model of Miles and Huberman, consisting of data reduction, data display, and conclusion drawing. In practical terms, the study first reduces the raw material by selecting data relevant to green financing, environmental risk management, operational eco-efficiency, and social responsibility. The data are then classified and coded through open, axial, and selective coding in order to identify themes and their relationships. Next, the findings are displayed in descriptive narratives and comparative matrices. Finally, the evidence is interpreted through the framework of *Maqāṣid al-Sharī'ah* and compared across institutional cases before conclusions are verified through repeated triangulation (Blaikie, 1991; Hussein, 2009).

RESULTS

Overview of the Findings

The study finds that green banking at Bank Syariah Indonesia (BSI) Surabaya Branch has already moved beyond a purely normative commitment and has taken shape in several operational domains. The most prominent findings indicate that implementation occurs through three major dimensions: green financing, environmentally oriented operational practices, and the application of Environmental and Social Risk Management (ESRM). These dimensions are not presented as isolated initiatives but as mutually reinforcing elements of an institutional strategy that seeks to align banking practice with sustainability concerns and Islamic ethical commitments. The study also states that these practices are visible in sustainable financing portfolios, digital banking services, paperless initiatives, and the inclusion of environmental and social considerations in financing decisions. In short, the findings suggest that green banking at BSI has entered the level of practice, although not yet in a fully comprehensive or internally consistent way.

These findings are significant because they indicate that the implementation of green banking in an Islamic bank cannot be reduced to symbolic compliance with sustainability discourse. Instead, the document presents green banking as an institutional process that touches financing behavior, internal operations, and risk governance simultaneously. This integrated pattern is important because the conceptual framework of the study places policy as the starting point, implementation as the empirical expression of that policy, and sustainability outcomes as the resulting institutional effect. The findings therefore imply that BSI's approach is not merely procedural. Even at the study stage, the study positions implementation as evidence that policy has begun to be internalized in day-to-day banking activities, although the degree of that internalization remains uneven and still requires critical evaluation from the perspective of *Maqāṣid al-Sharī'ah*.



Green Financing as the Core External Dimension

The first major finding concerns green financing. The study states that green banking at BSI Surabaya Branch is reflected in financing directed toward sustainable sectors and in the inclusion of environmental and social considerations in the financing portfolio. This suggests that the bank has already begun to incorporate sustainability-oriented criteria into the external, client-facing side of its business. In the logic of the study, this is the most visible form of green banking because it links the bank's financing decisions to broader development outcomes. The significance of this finding lies in its confirmation that Islamic banking can serve as more than a financial intermediary; it can also become a selective channel through which environmentally preferable activities receive institutional support. This is consistent with the study's broader argument that sustainable financing is part of the bank's ethical and developmental role.

At the same time, the findings also reveal that this financing dimension remains incomplete. The document explicitly notes that BSI still extended financing to the mining and quarrying sector in 2024 in the amount of 2.393 billion rupiah, which the study does not classify as environmentally friendly financing. This is a crucial empirical detail because it shows that the green orientation of the portfolio is still partial and contested rather than absolute. In other words, the bank's financing behavior reflects both movement toward sustainability and the persistence of conventional sectoral exposure. This duality strengthens the study's argument that there is still a gap between green banking as a stated policy orientation and green banking as a consistently applied financing practice. The findings, therefore, do not support a simplistic conclusion of full implementation.

Green Operations and Internal Eco-Efficiency

A second major finding concerns green operations. According to the study, BSI has implemented environmentally friendly operational practices through the expansion of digital services, the reduction of paper use, and broader efficiency efforts in daily banking activity. These measures are significant because they shift green banking from the sphere of financing policy into the internal organizational environment. Rather than being limited to external financing decisions, green banking is shown as something that also affects how the institution manages routine administrative and service processes. The study identifies digital banking services and paperless initiatives as concrete expressions of this shift. The implication is that operational reform is one of the clearest indicators that sustainability principles are being translated into the internal life of the institution rather than remaining at the level of rhetoric.

However, the environmental-performance data presented in the study complicate that positive picture. The table on BSI's environmental responsibility shows fluctuating and, in some cases, rising resource consumption. Electricity use increased from 1,947,119 kWh in 2021 to 5,155,191 kWh in 2022, then declined to 2,117,286 kWh in 2023 before rising again to 2,227,486 kWh in 2024. Water consumption increased from 800.25 m³ in 2021 to 1,905 m³ in 2022 and 2023, then to 1,985 m³ in 2024. Fuel and paper use also rose

substantially, with paper increasing from 4,228 reams in 2021 to 8,846 reams in 2024. These figures indicate that operational greening has begun, but they also show that resource efficiency remains unstable and incomplete.

Environmental and Social Risk Management

The third major finding centers on Environmental and Social Risk Management. The study identifies ESRM as one of the principal dimensions through which green banking has been implemented at BSI Surabaya Branch. This means that sustainability is not treated solely as a matter of financing allocation or operational efficiency, but also as a matter of risk governance. The study states that environmental and social risk assessments have been integrated into financing decisions, which suggests that the bank has begun to institutionalize preventive mechanisms for identifying harmful or unsustainable exposures. Within the architecture of the research, this is an important finding because it indicates that green banking has entered the realm of institutional control and prudential evaluation. The bank is therefore not only supporting sustainability, but also attempting to screen and manage sustainability-related risks in its portfolio.

This finding also has broader interpretive significance. In the conceptual framework of the study, policy is expected to shape implementation, and implementation is expected to produce environmental, social, and economic effects. ESRM sits precisely at the intersection of those three levels because it converts policy commitments into procedures that influence both financing behavior and institutional outcomes. It is therefore one of the strongest indicators that green banking is being operationalized in a structured way rather than merely declared. At the same time, the study does not present fully elaborated branch-level technical details of ESRM implementation, which means the finding remains programmatic rather than deeply granular. Even so, its inclusion as a central result signals that sustainability has become part of risk reasoning in Islamic banking practice.

Maqāṣid al-Sharī'ah-Based Interpretation of the Findings

A central result of the study is interpretive rather than purely descriptive: the study concludes that green banking at BSI contributes to the realization of *maṣlahah* through several key objectives of *Maqāṣid al-Sharī'ah*. Most explicitly, the findings are linked to *ḥifz al-nafs* because environmentally responsible financing and operations are seen as contributing to the protection of life and the surrounding environment. They are also linked to *ḥifz al-nasl* because sustainability-oriented banking is understood to protect the welfare of future generations. Finally, the findings are associated with *ḥifz al-māl* because prudent, sustainability-aware banking supports long-term economic stability and wealth protection. This interpretive result is essential because it reframes green banking as an Islamic normative practice rather than merely a sustainability management tool.

This Maqāṣid-based reading is not incidental to the study; it is presented as the core evaluative contribution of the research. The study repeatedly argues that green



banking in Islamic institutions should not be judged only through ESG or technocratic sustainability indicators, but through a framework that captures public benefit, moral responsibility, and long-term welfare. The findings therefore support the proposition that green banking can function as a practical manifestation of Sharia objectives when it is implemented through financing, operations, and risk management. In this sense, the study's results are twofold: first, they identify actual institutional practices; second, they interpret those practices as evidence that green banking has normative Islamic significance. This is one of the study's strongest claims to originality.

Persistent Challenges and Limits of Implementation

The findings do not present implementation as complete or problem-free. On the contrary, the study explicitly identifies several challenges that limit the effectiveness and coherence of green banking at BSI. These include limited environmental literacy, the need for policy optimization, insufficiently strong regulatory support, and the absence of more systematic integration of *Maqāṣid al-Sharī'ah* values in green banking strategy. These constraints are important because they explain why the bank's green initiatives remain uneven across operational domains. They also reinforce the study's earlier identification of a gap between policy and practice. Thus, the findings show a mixed picture: there is meaningful institutional progress, but there is also evidence that green banking has not yet become a fully embedded and comprehensive organizational paradigm.

Taken together, the results support a measured conclusion. BSI Surabaya Branch appears to have implemented green banking in substantive ways through sustainable financing, digitalized and paper-reducing operations, and ESRM-based screening. Yet the available evidence also indicates that implementation remains partial, sometimes inconsistent, and still shaped by tensions between sustainability goals and conventional banking realities. The study therefore does not justify triumphalist language. Instead, it supports a more balanced conclusion: green banking in Islamic banking is already functioning as both a sustainability instrument and a Sharia-based ethical practice, but it still requires stronger institutional capacity, policy refinement, regulatory reinforcement, and more explicit *Maqāṣid* integration to achieve its intended long-term impact.

DISCUSSION

Green Financing and the Limits of Portfolio Transformation

The results indicate that green financing constitutes the most visible outward dimension of green banking at BSI. The study finds that sustainability-oriented financing has already entered the bank's portfolio logic, particularly through the support of environmentally preferable activities and the integration of environmental and social considerations into financing decisions. At the same time, the findings clearly show that this transformation remains partial rather than complete. The continued financing of the mining and quarrying sector demonstrates that green and non-green financing still coexist within the same institutional portfolio. This suggests that BSI has

not yet fully shifted from a mixed financing model to an exclusively sustainability-oriented one. The findings therefore portray green financing as a real but still transitional practice rather than a fully consolidated institutional paradigm.

This pattern is strongly supported by prior studies in Islamic banking. Research from Pakistan, Bangladesh, and Indonesia consistently describes green financing as a portfolio of instruments and governance mechanisms that remains constrained by capacity gaps, limited incentives, uneven regulatory support, and incomplete institutional scaling (Julia & Kassim, 2020; Karisma & Rani, 2023; Khan et al., 2023; Qureshi & Hussain, 2020; Sharmeen et al., 2019; Sharmeen & Yeaman, 2020). These studies likewise show that green portfolios often remain smaller than overall lending and therefore coexist with financing directed toward environmentally harmful sectors. In this sense, the present result is not an anomaly but part of a broader empirical pattern in which Islamic banks adopt green finance without yet displacing brown financing altogether. The contradiction is therefore structural rather than merely managerial.

Theoretically, this result confirms that green financing in Islamic banking should not be interpreted as a binary variable but as a gradual reorientation shaped by governance, incentives, and institutional maturity. Practically, it implies that banks require clearer internal screening criteria, stronger sustainability thresholds, and better integration between financing strategy and environmental accountability. At the policy level, the coexistence of green and non-green lending underscores the need for stronger taxonomies, disclosure regimes, and transition-finance rules capable of steering portfolios more decisively toward environmentally responsible sectors. From a Maqāṣid perspective, the result is especially important because it shows that ethical intent alone does not automatically reallocate capital. Normative aspiration must be translated into explicit portfolio discipline, measurable criteria, and enforceable institutional guidance.

Green Operations and the Problem of Inconsistent Environmental Performance

The results further show that BSI has implemented green operations through digital banking services, paperless initiatives, and broader efforts at operational efficiency. These findings are significant because they demonstrate that green banking at BSI is not confined to financing policy but also affects internal organizational practice. The expansion of digital services and paper-reducing measures indicates that sustainability has begun to influence routine service delivery and administrative behavior. However, the environmental-performance data complicate this positive assessment. Electricity, water, fuel, and paper usage fluctuate across reporting years, and several indicators increase rather than decline. As a result, the findings reveal a tension between the existence of operational green initiatives and the absence of consistently improving environmental performance indicators. Implementation is therefore evident, but its ecological effects remain unstable and uneven.

Earlier studies help explain this pattern. Prior research on green operations in Islamic and conventional banks reports that digital banking, paperless systems, and



resource-efficiency programs can reduce environmental burdens, but their effects are often mediated by organizational capability, monitoring quality, and governance integration (Baehaqie et al., 2017; Kataria & Kumar, 2024; Shafruddin & Shahimi, 2025; Tok & Yesuf, 2022; Zubair et al., 2023). Indonesian and regional studies also show that paperless banking and digital transformation may coexist with fluctuating performance indicators because environmental gains are not always immediate and may be offset by scale expansion, incomplete behavioral change, or weak reporting systems (Brescia et al., 2025; Karisma & Rani, 2023; Ramdani et al., 2023). The present findings are therefore consistent with a wider literature that treats operational greening as necessary but not self-sufficient.

The implication is that operational green banking must be evaluated not only by the presence of initiatives but by the quality and consistency of measurable outcomes. Theoretically, this challenges any simplistic assumption that digitalization automatically generates environmental improvement. Practically, the result suggests that banks need stronger internal monitoring of energy, water, paper, and fuel use, as well as tighter links between digital transformation and ecological performance targets. At the policy level, sustainability reporting should not reward the adoption of green initiatives alone; it should also demand robust performance tracking and clearer evidence of reduction outcomes. For Islamic banking, this has further significance because operational greening should reflect a disciplined ethic of non-waste and stewardship, not merely technological modernization presented in environmental language.

Environmental and Social Risk Management as Institutionalized Green Banking

A third major finding of the study is that Environmental and Social Risk Management has become one of the most substantive channels through which green banking is implemented at BSI. Unlike symbolic sustainability claims, ESRM represents a procedural intervention in financing decisions. The results indicate that environmental and social risk considerations are increasingly integrated into the assessment of financing activities, suggesting that sustainability has entered the risk-governance architecture of the bank. This is especially important because it moves green banking from the level of aspiration to the level of institutional control. By incorporating environmental and social screening into financing decisions, the bank does not merely support green sectors; it also begins to manage the risk of environmentally harmful exposures. ESRM, therefore, appears as one of the most structurally significant results of the study.

This finding is strongly corroborated by previous studies. Research from Nepal, Bangladesh, Malaysia, and other emerging-market settings consistently identifies ESRM as a core mechanism for embedding sustainability into banking operations and credit governance (Bukhari et al., 2019; Moon & Hasan, 2022; Sohail et al., 2023; Tiwari, 2024; Tok & Yesuf, 2022). At the same time, the literature also emphasizes that ESRM alone does not guarantee better environmental outcomes. Its effectiveness depends on governance quality, staff capability, data integrity, and the extent to which

environmental criteria are genuinely internalized rather than treated as procedural checklists. This resonates with the present study, where ESRM is visible as a formal and substantive element of implementation, but where broader environmental outcomes remain mixed. In both the current study and prior literature, ESRM is necessary, but not sufficient by itself.

Theoretically, the findings support the view that green banking becomes most meaningful when sustainability enters the logic of risk management rather than remaining confined to financing labels or public reporting. Practically, this means that banks should strengthen ESRM through staff training, better environmental data, post-disbursement monitoring, and clearer risk classification frameworks. At the policy level, regulators should encourage ESRM not merely as compliance guidance but as an enforceable part of prudential supervision, especially in Islamic banks that claim alignment with welfare-oriented principles. The result also suggests that ESRM can serve as a bridge between sustainability discourse and Sharia-based banking ethics because it formalizes the obligation to prevent harm rather than merely to finance selected green opportunities.

Interpreting Green Banking through Maqāṣid al-Sharī'ah

The study's most distinctive result lies in its interpretation of green banking through Maqāṣid al-Sharī'ah. The findings suggest that green financing, greener operations, and ESRM collectively contribute to ḥifẓ al-nafs, ḥifẓ al-māl, and ḥifẓ al-nasl. In this reading, green banking is not only a sustainability strategy but also a means of protecting life, preserving wealth, and safeguarding the welfare of future generations. This interpretive move is important because it redefines the significance of green banking in Islamic banking: the issue is no longer simply whether environmental practices exist, but whether those practices contribute to public welfare in line with the higher objectives of Sharia. The results thus present BSI's green banking efforts as ethically meaningful, even if their institutional execution remains incomplete.

This interpretation is well supported by prior scholarship. A substantial body of literature uses Maqāṣid al-Sharī'ah as a lens for understanding sustainability-oriented practices in Islamic finance and banking, especially in relation to environmental stewardship, intergenerational welfare, and public benefit (Md. K. Alam et al., 2021; Md. M. Alam et al., 2023; Boudawara et al., 2023; Ishak & Asni, 2020; Mahyudin & Rosman, 2022; Syarifah et al., 2022; Tarique et al., 2021). These studies argue that green banking contributes to the protection of life by reducing environmental harm, to the protection of wealth by supporting resilient and responsible finance, and to the protection of future generations through long-term sustainability. At the same time, several authors caution that Maqāṣid alignment does not automatically follow from green labeling and must be demonstrated through governance, reporting, and measurable welfare outcomes. This caution closely matches the present study.

The theoretical implication is that Maqāṣid al-Sharī'ah provides a more contextually appropriate evaluative framework for Islamic green banking than ESG alone, because it captures welfare, justice, and moral responsibility in ways that



conventional sustainability metrics may overlook. Practically, the findings encourage Islamic banks to move beyond symbolic ethical claims and to translate Maqāṣid into institutional indicators, financing criteria, and operational benchmarks. At the policy level, they suggest that regulators and standard-setters should consider integrating Maqāṣid-based performance logic into sustainability reporting and Islamic banking governance. In this sense, the study contributes not only to empirical knowledge about BSI, but also to the broader debate on how Islamic banking should define and assess environmental responsibility in its own normative language.

Incomplete Institutional Integration and the Need for Stronger Support

The final point emerging from the results is that green banking at BSI is present, substantive, and multidimensional, but still constrained by incomplete institutional integration. The study identifies limited environmental literacy, the need for stronger policy optimization, and the need for more systematic incorporation of Maqāṣid al-Sharī'ah into strategy and implementation. These constraints are not peripheral; they help explain why green financing remains mixed, why operational indicators fluctuate, and why sustainability outcomes remain uneven despite visible initiatives. The results therefore suggest that BSI is in an intermediate stage of green banking development: beyond symbolic adoption, yet still short of deep institutional consolidation. This is an important conclusion because it prevents overstatement and situates the findings within a realistic developmental trajectory.

This conclusion is strongly aligned with earlier studies. Prior research repeatedly finds that green banking implementation in Islamic finance is constrained by weak environmental literacy, partial organizational embedding, uneven governance, and insufficient regulatory force (Akbar & Siti-Nabiha, 2022; Ayub et al., 2024; Faizi et al., 2024; Harahap et al., 2023; Qureshi & Hussain, 2020, 2022; Shafruddin & Shahimi, 2025). These studies show that sustainability initiatives may exist at the level of policy and disclosure without yet becoming fully integrated into decision-making culture, staff competence, or institutional routines. In that respect, the present findings reinforce rather than contradict the prevailing literature. The main challenge is not the absence of green banking, but the difficulty of making it systematic, measurable, and internally coherent.

The implications are broad. Theoretically, the results support a view of green banking as an evolving institutional process rather than a finished model. Practically, they point to the need for staff development, stronger cross-departmental integration, clearer performance measurement, and better alignment between sustainability objectives and operational routines. At the policy level, they suggest that green banking in Islamic institutions requires more than general encouragement; it requires regulatory frameworks that support measurement, enforcement, capacity building, and clearer sustainability taxonomies. Most importantly, the study implies that Islamic banks should treat environmental literacy and Maqāṣid integration not as optional ethical enhancements but as central conditions for making green banking substantive. Only then can implementation move from fragmented progress toward a more coherent and durable institutional model.

CONCLUSION

This study demonstrates that green banking at Bank Syariah Indonesia is no longer a purely declarative commitment, but an emerging institutional practice expressed through three interrelated domains: green financing, green operations, and environmental and social risk management. The findings show that BSI has begun to incorporate sustainability into financing decisions, digital service delivery, paper-reduction efforts, and risk assessment procedures. At the same time, implementation remains uneven. Green financing still coexists with exposure to environmentally harmful sectors, while operational efficiency indicators show fluctuation rather than a stable downward trend in resource use. These results suggest that green banking in Islamic banking should be understood as a gradual organizational transition rather than a completed transformation.

The discussion further indicates that the significance of these findings lies not only in the identification of green banking practices, but in their interpretation through the framework of *Maqāṣid al-Sharī'ah*. The study shows that sustainability-oriented banking practices can be meaningfully linked to the protection of life, wealth, and future generations, thereby situating green banking within the ethical architecture of Islamic finance. This perspective extends the discussion beyond conventional ESG evaluation by emphasizing welfare, stewardship, and long-term public benefit. At the same time, the study confirms that ethical alignment does not automatically guarantee full institutional integration. Implementation depends on governance quality, environmental literacy, internal coordination, and the presence of more consistent strategic direction.

This study contributes to the existing body of knowledge in three important ways. First, it provides a branch-level and practice-oriented reading of green banking in an Islamic banking institution, an area still underexplored in the literature. Second, it advances *Maqāṣid al-Sharī'ah* as an evaluative framework for understanding sustainability in Islamic banking, rather than treating it as a merely symbolic ethical reference. Third, it shows that the coexistence of sustainability initiatives and implementation gaps is itself an important empirical reality. The study therefore contributes to a more nuanced understanding of Islamic green banking as an evolving institutional process. Its broader significance lies in showing that the future credibility of Islamic banking depends not only on Sharia compliance, but also on its capacity to institutionalize environmental responsibility in measurable and ethically coherent ways.

Limitation of the Study

This study has several limitations that should be acknowledged. First, it is based on a qualitative and institutionally focused design, which allows for contextual depth but limits generalizability across the wider Islamic banking sector. The analysis concentrates on one institutional setting and therefore cannot claim to represent all Islamic banks in Indonesia or other jurisdictions. Second, the empirical material



available in the source document reflects a proposal-stage and findings-oriented structure rather than a fully elaborated dissertation dataset with extensive comparative field evidence. As a result, some dimensions of implementation, especially the operational details of branch-level execution and internal decision-making processes, are interpreted from the available findings rather than reconstructed from a large body of interview transcripts or longitudinal observational data.

A further limitation concerns measurement and temporal scope. The study evaluates green banking largely through documented institutional practices, selected environmental indicators, and normative interpretation through *Maqāṣid al-Sharī'ah*. While this approach is analytically useful, it does not provide a long-term causal test of whether green banking practices produce stable environmental improvements or measurable welfare outcomes over time. In addition, the use of a *Maqāṣid*-based interpretive framework, while valuable, depends on analytical judgment and cannot fully eliminate the possibility of variation in how Islamic ethical objectives are operationalized by different scholars or institutions. These limitations do not weaken the central argument of the study, but they do indicate that its conclusions should be read as context-sensitive, exploratory, and theory-building rather than universally definitive.

Recommendations for Future Research

Future research should expand the empirical scope of Islamic green banking by moving beyond single-institution analysis toward comparative, multi-site, and multi-level designs. Comparative studies across Islamic banks, regions, or countries would help determine whether the patterns identified in this study are institution-specific or structurally widespread. In particular, branch-level research remains necessary because green banking is often announced at the corporate level but implemented unevenly across operational units. Future scholars should therefore combine interviews, direct observation, internal policy analysis, and quantitative branch-level data to examine how sustainability commitments are translated into concrete financing, monitoring, and administrative routines. Such work would allow for a more detailed understanding of the organizational conditions that strengthen or weaken implementation.

Further research should also deepen the measurement of sustainability in Islamic banking by developing tools that connect environmental performance, social welfare, and *Maqāṣid al-Sharī'ah* in a more systematic manner. There is a clear need for longitudinal studies that test whether green financing, ESRM, and digital operations lead to durable improvements in environmental outcomes and institutional behavior. Quantitative or mixed-methods studies could complement qualitative findings by examining the relationship between sustainability policies, portfolio shifts, resource-efficiency indicators, and welfare-oriented performance measures. Finally, future research should explore how regulators, Sharia supervisory bodies, and bank management can translate Islamic ethical objectives into operational standards and reporting frameworks. Such work would strengthen the conceptual and policy relevance of green banking within the broader future of Islamic finance.

Author Contributions

Conceptualization	K.M., N.D.S., & N.	Resources	K.M., N.D.S., & N.
Data curation	K.M., N.D.S., & N.	Software	K.M., N.D.S., & N.
Formal analysis	K.M., N.D.S., & N.	Supervision	K.M., N.D.S., & N.
Funding acquisition	K.M., N.D.S., & N.	Validation	K.M., N.D.S., & N.
Investigation	K.M., N.D.S., & N.	Visualization	K.M., N.D.S., & N.
Methodology	K.M., N.D.S., & N.	Writing – original draft	K.M., N.D.S., & N.
Project administration	K.M., N.D.S., & N.	Writing – review & editing	K.M., N.D.S., & N.

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Informed Consent Statement

Informed consent was obtained before respondents filled out the questionnaire for this study.

Data Availability Statement

The data presented in this study are available on request from the corresponding author.

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Conflicts of Interest

The authors declare no conflicts of interest.

Declaration of Generative AI and AI-Assisted Technologies in the Writing Process

During the preparation of this work the authors used ChatGPT, DeepL, Grammarly, and PaperPal in order to translate from Bahasa Indonesia into American English, and to improve clarity of the language and readability of the article. After using these tools, the authors reviewed and edited the content as needed and take full responsibility for the content of the published article.

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