

Green *Murābahah* Financing and Eco-Theological Responsibility in Islamic Banking: A *Maqāṣid al-Sharī'ah* Framework from Indonesia

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Abstract: This study investigates the integration of ecological responsibility into *Murābahah* financing within Indonesian Islamic banking through the lens of *Maqāṣid al-Sharī'ah*. As climate change accelerates across Southeast Asia, the financial sector bears an ethical imperative to channel capital toward environmentally sustainable outcomes. Islamic banking, with its inherent moral foundations, is uniquely positioned to pioneer green financial instruments, yet the operationalization of green *Murābahah* remains critically underexplored. Employing a qualitative research design, this study draws upon semi-structured interviews with 28 senior Sharia scholars, Islamic banking practitioners, and environmental policy experts across six Indonesian provinces, supplemented by documentary analysis of 42 fatwas, policy circulars, and annual reports from Bank Indonesia, the Financial Services Authority (OJK), and the National Sharia Board (DSN-MUI). The analysis reveals three principal findings. First, contemporary *Murābahah* contracts in Indonesian Islamic banks lack explicit ecological conditionality, representing a significant departure from the holistic objectives of *Maqāṣid al-Sharī'ah*, particularly the preservation of life (*ḥifẓ al-nasl*) and the preservation of the environment (*ḥifẓ al-bī'ah*). Second, eco-theological narratives embedded in Qur'anic exegesis and Prophetic traditions provide a robust jurisprudential basis for reconceptualizing *Murābahah* as a green financing mechanism. Third, institutional, regulatory, and epistemic barriers impede the adoption of green *Murābahah*, including the absence of standardized green criteria in Sharia compliance audits and the predominance of profit-centric risk assessment models. The findings contribute to the growing discourse on Islamic green finance by proposing a *Maqāṣid*-based analytical framework that bridges eco-theological principles with practical banking operations. The study offers actionable recommendations for regulators, Sharia supervisory boards, and policymakers. This study is among the first to systematically examine green *Murābahah* financing through a *Maqāṣid al-Sharī'ah* framework in the Indonesian context, offering original theoretical and empirical contributions to the intersection of Islamic jurisprudence, ecological ethics, and sustainable banking.

Keywords: Green *Murābahah*, Islamic banking, *Maqāṣid al-Sharī'ah*, eco-theology, sustainable finance, Indonesia, Sharia-compliant financing, environmental responsibility.

Introduction

The intersection of financial systems and ecological sustainability has emerged as one of the most pressing scholarly and policy concerns of the twenty-first century (Schoenmaker, 2017). The Intergovernmental Panel on Climate Change (IPCC) has underscored that limiting global warming to 1.5°C requires rapid, far-reaching, and unprecedented transformations across all sectors, including finance (IPCC, 2023). Within this paradigm, the banking sector plays a pivotal intermediation role, as credit allocation decisions fundamentally shape the trajectory of economic activities and their associated environmental footprints (Campiglio, 2016). Islamic banking, which operates under the principles of *Sharī'ah*, is theoretically anchored in ethical norms that extend beyond mere profit maximization to encompass broader social welfare objectives (Asutay, 2007). This ethical orientation positions Islamic financial institutions as natural candidates for pioneering green financial instruments that align economic activity with environmental stewardship (Khan et al., 2022).

Indonesia represents a particularly compelling case for examining green Islamic finance. As the world's largest Muslim-majority nation, Indonesia hosts a rapidly expanding Islamic banking sector that accounted for 7.91 percent of the total banking market share by the end of 2023 (OJK, 2024). Simultaneously, Indonesia ranks among the most climate-vulnerable nations globally, facing deforestation, biodiversity loss, and rising sea levels that threaten the archipelago's ecological integrity (World Bank, 2023). The Indonesian government has articulated ambitious sustainability targets, including a commitment to achieving net-zero emissions by 2060 (Republic of Indonesia, 2022). The convergence of these dynamics a growing Islamic finance sector and acute environmental challenges creates a unique institutional context for exploring how Islamic banking can contribute to ecological sustainability.

Murābahah, a cost-plus financing arrangement in which the bank purchases an asset and sells it to the client at an agreed markup, constitutes the most widely utilized financing instrument in Islamic banking globally (Usmani, 2002). In Indonesia, *Murābahah* consistently represents approximately 55 to 60 percent of total Islamic bank financing portfolios (Bank Indonesia, 2023). Despite its dominance, *Murābahah* has been critiqued for its functional similarity to conventional interest-based lending and for its limited engagement with the broader socio-

economic objectives that Islamic finance purports to serve (El-Gamal, 2006). The prevailing practice of *Murābahah*, which focuses predominantly on commercial viability and Sharia compliance at the transactional level, has largely overlooked the ecological dimensions of the assets being financed (Dusuki & Abdullah, 2007).

Maqāṣid al-Sharī'ah, the objectives of Islamic law, provide a comprehensive normative framework that transcends transactional compliance to encompass the realization of human welfare in its entirety (Auda, 2008). Classical scholars, most notably Abū Hāmid al-Ghazzālī (d. 1111 CE) and Ibrāhīm al-Shāṭibī (d. 1388 CE), articulated a hierarchy of five essential objectives: the preservation of religion (ḥifẓ al-dīn), life (ḥifẓ al-nafs), intellect (ḥifẓ al-'aql), progeny (ḥifẓ al-nasl), and wealth (ḥifẓ al-māl) (Al-Ghazzālī, 2005; Al-Shāṭibī, 2003). Contemporary Maqāṣid scholars have expanded this framework to include the preservation of the environment (ḥifẓ al-bī'ah) as a sixth objective, arguing that ecological integrity is a prerequisite for the realization of all other objectives (Ibn 'Āshūr, 2006; Kamali, 2008). This expansion provides the theoretical foundation for reconceptualizing Islamic financial instruments, including *Murābahah*, as mechanisms for advancing environmental sustainability.

The concept of eco-theological responsibility in Islam draws upon a rich corpus of Qur'ānic verses and Prophetic traditions that establish environmental stewardship (khilāfah) as a sacred trust (amānah) (Ozdemir, 2003). The Qur'ān states: "And do not cause corruption on the earth after it has been set in order" (Al-A'rāf 7:56), a directive that carries profound implications for economic and financial activities (Khalid, 2002). The Prophet Muhammad (peace be upon him) established ecological ethics through practical injunctions, including the planting of trees, the conservation of water, and the prohibition of wanton destruction of natural resources (Saniotis, 2012). These eco-theological foundations, when operationalized through the Maqāṣid framework, create a compelling jurisprudential basis for requiring Islamic financial institutions to incorporate ecological considerations into their financing decisions.

Despite the theoretical promise of green Islamic finance, the academic literature reveals significant gaps. Existing studies have predominantly focused on green sukuk (Islamic bonds) as instruments for environmental financing (Aziz et al., 2020; Ng et al., 2020), while the potential for greening *Murābahah* the most prevalent Islamic financing instrument has received scant scholarly attention. Furthermore, the majority of studies on Islamic banking and sustainability have been conducted in the Gulf Cooperation Council (GCC) countries and Malaysia, with limited empirical investigation into the Indonesian context (Nugroho et al., 2021). This study addresses these gaps by posing the following research questions:

RQ1: How do contemporary *Murābahah* financing practices in Indonesian Islamic banking align with the *Maqāṣid al-Sharī'ah* objective of environmental preservation?

RQ2: What eco-theological foundations in Islamic jurisprudence support the reconceptualization of *Murābahah* as a green financing mechanism?

RQ3: What institutional, regulatory, and epistemic barriers impede the adoption of green *Murābahah* in Indonesia?

This study makes three principal contributions. First, it extends the *Maqāṣid al-Sharī'ah* framework by systematically incorporating ecological preservation as a central analytical criterion for evaluating Islamic financial instruments. Second, it provides original empirical evidence from Indonesia, drawing upon primary data from interviews with Sharia scholars, banking practitioners, and environmental policy experts. Third, it proposes a practical framework for green *Murābahah* that can inform regulatory policy, Sharia supervisory practices, and institutional strategies.

The remainder of this paper is structured as follows. Section 2 reviews the relevant literature on green finance, *Murābahah*, *Maqāṣid al-Sharī'ah*, and eco-theological responsibility. Section 3 delineates the qualitative research methodology. Section 4 presents the findings. Section 5 discusses the implications of the findings for theory and practice. Section 6 concludes the paper.

Literature Review

1. Green Finance and the Islamic Banking Imperative

The concept of green finance encompasses all financial instruments and institutional mechanisms that channel capital toward environmentally sustainable activities while managing climate-related financial risks (Lindenberg, 2014). The global green finance market has grown exponentially, with green bond issuances surpassing USD 500 billion annually by 2023 (Climate Bonds Initiative, 2024). However, this growth has been concentrated in conventional financial systems, with Islamic finance contributing a relatively modest share despite its ethical foundations (Zulhibri, 2021).

Islamic banking's ethical framework is theoretically more aligned with environmental objectives than conventional banking, as it prohibits transactions involving harm (*ḍarar*), excessive uncertainty (*gharar*), and activities deemed contrary to the public interest (*maslahah*) (Ayub, 2007). Several scholars have argued that these prohibitions implicitly require Islamic banks to consider the environmental impact of their financing activities

(Hassan & Aliyu, 2018). The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has emphasized that Sharia compliance should extend beyond transactional validity to encompass the broader objectives of Islamic law (AAOIFI, 2015). This position aligns with the broader movement within Islamic finance toward value-based intermediation (VBI), which seeks to ensure that Islamic financial institutions deliver tangible economic and social impact (Bank Negara Malaysia, 2018).

In the Indonesian context, the Financial Services Authority (OJK) issued Regulation No. 51/POJK.03/2017 on Sustainable Finance, which mandates financial institutions, including Islamic banks, to integrate sustainability considerations into their business strategies and risk management frameworks (OJK, 2017). Subsequently, OJK Regulation No. 12/POJK.01/2020 on the Governance of Commercial Banks further reinforced the requirement for banks to adopt sustainable business practices (OJK, 2020). Despite these regulatory developments, the implementation of green finance principles in Indonesian Islamic banking remains nascent and fragmented (Razmi et al., 2022).

2. *Murābahah* Financing: Mechanism, Dominance, and Critique

Murābahah, derived from the Arabic root *ribḥ* (profit), refers to a sale transaction in which the seller explicitly declares the cost price and adds an agreed-upon profit margin (Vogel & Hayes, 1998). In the banking context, *Murābahah* involves the bank purchasing a commodity or asset from a supplier and subsequently selling it to the client at a markup, with payment typically deferred over an agreed period (Usmani, 2002). This arrangement is distinguished from conventional interest-based lending by the requirement that the bank must assume ownership risk, even if momentarily, before transferring the asset to the client (El-Din, 2010).

The dominance of *Murābahah* in Islamic banking portfolios is a well-documented phenomenon. Globally, *Murābahah* constitutes approximately 70 to 80 percent of Islamic bank financing (Iqbal & Mirakhor, 2011). In Indonesia, Bank Indonesia data indicates that *Murābahah* has consistently maintained the largest share of Islamic bank financing, reflecting both client familiarity with the product and banks' preference for its relatively straightforward risk profile (Ascarya, 2012). The National Sharia Board of the Indonesian Council of Islamic Scholars (DSN-MUI) has issued several fatwas governing *Murābahah* transactions, most notably Fatwa No. 04/DSN-MUI/IV/2000 on *Murābahah*, which establishes the basic parameters of permissible *Murābahah* contracts (DSN-MUI, 2000).

Critical scholarship on *Murābahah* has raised several concerns relevant to the present study. El-Gamal (2006) has argued that the widespread practice of *Murābahah*, particularly the prevalent "*Murābahah* to the purchase orderer" (*Murābahah* li'l-āmīr bi'l-shirā) structure, has reduced Islamic banking to a formalistic exercise in contract compliance that fails to deliver the substantive economic justice that Islamic law envisions. Similarly, Asutay (2007) has critiqued the "Sharia compliance" approach for its narrow focus on legal form over socio-economic substance, arguing that this approach has alienated Islamic finance from its normative objectives. These critiques are directly relevant to the question of ecological responsibility, as they suggest that the current practice of *Murābahah* prioritizes contractual validity over the broader implications of financed activities for human welfare and environmental sustainability.

3. *Maqāṣid al-Sharī'ah* as an Analytical Framework for Green Finance

The *Maqāṣid al-Sharī'ah* framework provides a comprehensive normative architecture for evaluating the alignment of financial instruments with Islamic objectives. The classical articulation of *Maqāṣid* by al-Ghazzālī, later refined by al-Shāṭibī and other Andalusian scholars, established a hierarchy of necessities (*ḍarūriyyāt*), needs (*ḥājīyyāt*), and embellishments (*taḥsīniyyāt*) that govern the application of Islamic law (Al-Ghazzālī, 2005; Al-Shāṭibī, 2003). The five essential *Maqāṣid* religion, life, intellect, progeny, and wealth constitute the irreducible foundations upon which Islamic legal reasoning rests (Kamali, 2008).

The extension of *Maqāṣid* to encompass environmental preservation has been advocated by several contemporary scholars. Ibn 'Ashūr (2006), in his seminal treatise on *Maqāṣid*, emphasized that the preservation of the natural order (*niẓām al-kawn*) is integral to the realization of all other *Maqāṣid*. Auda (2008) further developed this argument by proposing a systems approach to *Maqāṣid* that recognizes the interconnectedness of all objectives, suggesting that environmental degradation undermines the entire *Maqāṣid* architecture. Mohammed et al. (2008) introduced a comprehensive *Maqāṣid* index for Islamic banks that includes measures of social and environmental performance, providing a practical tool for assessing the *Maqāṣid* compliance of financial institutions.

In the specific context of Islamic finance, Ahmed (2011) has argued that *Maqāṣid* provides the most appropriate framework for evaluating whether Islamic financial instruments fulfill their intended socio-economic purposes. This position is supported by Chapra (2008), who contended that the failure of Islamic finance to realize *Maqāṣid* objectives represents a fundamental shortcoming that must be addressed through institutional reform. The application of *Maqāṣid* to environmental finance has been explored by Hassan and Aliyu (2018), who demonstrated that Islamic financial institutions have a religious obligation to support environmental sustainability,

and by Alam et al. (2021), who developed a Maqāṣid-based sustainability index for Islamic banks.

4. Eco-Theological Foundations in Islamic Jurisprudence

Islamic environmental ethics are grounded in a comprehensive theological worldview that regards the natural world as a sign (āyah) of divine creation and a trust (amānah) entrusted to human beings as vicegerents (khulafā') on earth (Bagader et al., 1994). The Qur'ān contains numerous verses that establish the principles of environmental stewardship, including the prohibition of corruption (fasād) on earth: "And do not cause corruption on the earth after it has been set in order. That is better for you, if you are believers" (Al-A'rāf 7:85) (Al-Qaraḍāwī, 2001). The concept of mīzān (balance) in the Qur'ān further underscores the imperative to maintain ecological equilibrium: "And the earth — He has set it for all creatures. Therein are fruits and palm trees with sheaths, and grain with husks, and fragrant herbs. So which of the favors of your Lord will you deny?" (Al-Rahmān 55:10-13) (Nasr, 1996).

The Prophetic tradition (Sunnah) provides concrete exemplification of these eco-theological principles. The Prophet Muhammad established ḥimā (protected reserves), prohibited the wanton cutting of trees even during warfare, and instituted the practice of planting trees as a form of perpetual charity (ṣadaqah jāriyah) (Llewellyn, 2003). The hadith "If the Hour is about to be established and one of you has a sapling in his hand, if he can plant it before it is established, then let him plant it" (Reported by Ahmad) is frequently cited as evidence for the proactive obligation of environmental stewardship in Islam (Saniotis, 2012).

Contemporary Islamic environmental scholarship has sought to systematize these theological and jurisprudential resources. Ozdemir (2003) has argued that Islamic environmental ethics offer a distinctive contribution to the global environmental discourse by grounding ecological responsibility in a transcendent moral framework rather than utilitarian calculation. Khalid (2002) has demonstrated that Islamic law contains sophisticated mechanisms for environmental protection, including the concepts of ḥaram (inviolable zones), ḥimā (conservation reserves), and al-akhḍh bi'l-yad (the authority's duty to prevent harm). Mangunjaya (2011) has examined the application of these principles in the Indonesian context, identifying both the potential and the challenges of mobilizing Islamic environmental ethics for conservation efforts.

5. Conceptual Framework

Drawing upon the preceding literature, this study proposes a conceptual framework that integrates three analytical dimensions. First, the *Maqāṣid al-Sharī'ah* framework, expanded to include ḥifẓ al-bī'ah (preservation of the environment), provides the normative criteria for evaluating *Murābaḥah* financing. Second, eco-theological principles derived from Qur'ānic exegesis and Prophetic traditions establish the jurisprudential basis for requiring ecological conditionality in Islamic financial contracts. Third, institutional analysis, informed by the literature on regulatory frameworks and organizational behavior, identifies the structural barriers and enablers of green *Murābaḥah* adoption.

The conceptual framework posits that green *Murābaḥah* defined as *Murābaḥah* financing that incorporates explicit environmental criteria in asset selection, contractual conditions, and post-disbursement monitoring is not merely permissible but is religiously commendable (mandūb) and arguably obligatory (wājib) under the expanded Maqāṣid framework when conventional *Murābaḥah* is found to contribute to environmental harm.

Conceptual Framework *Maqāṣid al-Sharī'ah*-Based Green *Murābaḥah* Model

ECO-THEOLOGICAL FOUNDATIONS

(Qur'an & Sunnah)

- Khilāfah (Stewardship)
 - Amānah (Trust)
 - Mīzān (Balance)
- Prevention of Fasād (Environmental Harm)

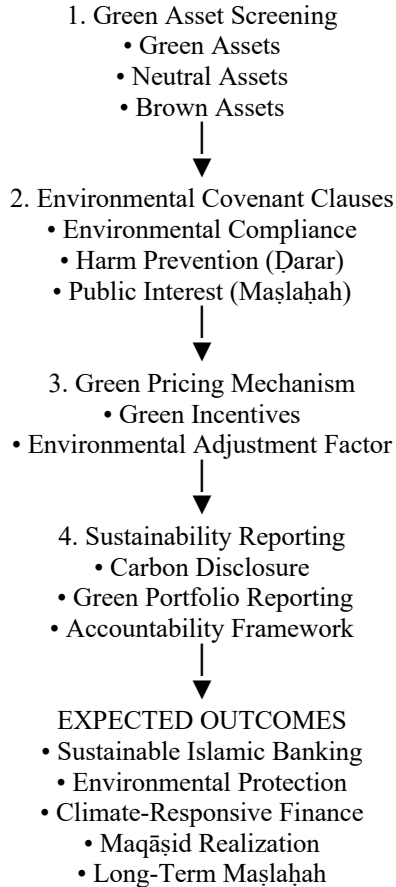


MAQĀṢID AL-SHARĪ'AH FRAMEWORK

- Ḥifẓ al-Dīn (Religion)
- Ḥifẓ al-Nafs (Life)
- Ḥifẓ al-'Aql (Intellect)
- Ḥifẓ al-Nasl (Progeny)
- Ḥifẓ al-Māl (Wealth)
- Ḥifẓ al-Bī'ah (Environment)



GREEN MURĀBAḤAH FINANCING MODEL



Method

1. Research Design

This study employs a qualitative research design, consistent with the interpretivist paradigm that seeks to understand the meanings, experiences, and perspectives of actors within their social and institutional contexts (Creswell & Poth, 2018). Qualitative methodology is particularly appropriate for this study because the research questions concern the interpretation of Sharia objectives, the operationalization of eco-theological principles, and the identification of institutional dynamics that cannot be adequately captured through quantitative measurement (Yin, 2018). The study adopts a multiple case study approach, examining the *Murābahah* practices of Islamic banks in Indonesia through the lens of the proposed Maqāṣid framework.

2. Data Collection

Primary data were collected through semi-structured interviews with 28 participants selected through purposive and snowball sampling techniques. The participants comprised three categories: (1) Sharia scholars and members of Sharia Supervisory Boards (SSBs) at Islamic banks (n=10); (2) senior practitioners in Islamic banking, including chief financing officers, *Murābahah* product managers, and risk analysts (n=12); and (3) environmental policy experts and representatives from the Ministry of Environment and Forestry (KLHK) and the National Council on Climate Change (DNPI) (n=6). Interviews were conducted across six provinces Jakarta, West Java, East Java, South Sulawesi, West Sumatra, and Aceh to capture regional variations in Islamic banking practices and environmental challenges.

The interview protocol was developed based on the conceptual framework and comprised open-ended questions organized around four themes: (a) current *Murābahah* practices and environmental considerations; (b) interpretation of *Maqāṣid al-Sharī'ah* in relation to environmental preservation; (c) eco-theological understanding of banking responsibility; and (d) barriers to and enablers of green *Murābahah* adoption. All interviews were conducted in Bahasa Indonesia, audio-recorded with consent, and lasted between 45 and 90 minutes.

Secondary data were collected through documentary analysis of 42 documents, including: DSN-MUI fatwas related to *Murābahah* and environmental matters (n=8); OJK regulations and circulars on sustainable finance (n=7); Bank Indonesia policy documents (n=5); annual reports and sustainability reports of the ten largest Islamic

commercial banks (Bank Umum Syariah/BUS) in Indonesia (n=14); and AAOIFI Sharia standards relevant to *Murābahah* and social responsibility (n=8).

3. Data Analysis

Data were analyzed using thematic analysis following the six-phase approach of Braun and Clarke (2006): familiarization with data, generation of initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report. The analysis was conducted both inductively allowing themes to emerge from the data and deductively guided by the conceptual framework's three analytical dimensions (*Maqāṣid* compliance, eco-theological foundations, and institutional barriers). NVivo 14 software was used to manage the coding process and facilitate theme development.

4. Trustworthiness

To ensure the trustworthiness of the findings, the study employed several strategies recommended by Lincoln and Guba (1985). Credibility was established through triangulation of data sources (interviews with multiple stakeholder groups, documentary analysis), member checking (sharing preliminary findings with five participants for validation), and prolonged engagement with the research context through the researcher's extensive experience in Indonesian Islamic banking. Transferability was enhanced by providing thick description of the research context, participants, and findings. Dependability was supported by maintaining an audit trail of all analytical decisions. Confirmability was strengthened through reflexive journaling and peer debriefing with two senior academics specializing in Islamic finance.

5. Ethical Considerations

Ethical approval was obtained from the institutional review board. All participants provided informed consent and were assured of anonymity and confidentiality. Participants are identified by codes (e.g., SS-01 for Sharia scholars, BP-01 for banking practitioners, EP-01 for environmental policy experts) to preserve anonymity.

Results and Discussion

The thematic analysis yielded four major themes that address the research questions: (1) the absence of ecological conditionality in contemporary *Murābahah*; (2) *Maqāṣid al-Sharī'ah* gaps in environmental preservation; (3) eco-theological justification for green *Murābahah*; and (4) institutional barriers to adoption.

1. Theme 1: The Absence of Ecological Conditionality in Contemporary *Murābahah*

The findings reveal a stark disconnect between the theoretical ethical orientation of Islamic banking and the actual practice of *Murābahah* financing. All 12 banking practitioners interviewed confirmed that their institutions do not incorporate explicit environmental criteria into *Murābahah* financing decisions. The assessment of *Murābahah* applications focuses exclusively on the financial viability of the transaction, the creditworthiness of the client, and compliance with Sharia requirements at the contractual level.

BP-03, a Chief Financing Officer at a major Islamic bank in Jakarta, stated: "In our *Murābahah* assessment, we look at the financial ratios, the collateral, the business viability, and of course the Sharia compliance of the asset itself whether it is *ḥalāl*. But honestly, we do not have a checklist that asks: 'What is the environmental impact of this asset?'" This sentiment was echoed across all practitioner interviews, suggesting that the absence of environmental criteria is systemic rather than institution-specific.

The documentary analysis corroborates this finding. A review of the ten largest Islamic banks' annual reports revealed that while seven banks mentioned sustainability or environmental commitment in their corporate social responsibility (CSR) sections, none had integrated environmental criteria into their core *Murābahah* financing policies. The DSN-MUI fatwas on *Murābahah* (Fatwa No. 04/DSN-MUI/IV/2000 and Fatwa No. 12/DSN-MUI/IV/2000) make no reference to environmental considerations, focusing exclusively on the contractual mechanics of the transaction (DSN-MUI, 2000).

This finding aligns with the critique articulated by El-Gamal (2006) regarding the formalistic approach to Sharia compliance in Islamic banking. The current practice treats environmental impact as external to the Sharia compliance assessment, effectively divorcing the transactional validity of *Murābahah* from its broader socio-ecological consequences. As SS-05, a prominent Sharia scholar, observed: "We have reduced Sharia compliance to a checklist of contract mechanics. But Sharia is not just about the form of the contract; it is about the outcome. If a *Murābahah* finances a factory that poisons a river, can we truly say this transaction is Sharia-compliant?"

2. Theme 2: *Maqāṣid al-Sharī'ah* Gaps in Environmental Preservation

The analysis reveals a significant gap between the expanded *Maqāṣid al-Sharī'ah* framework and the operational practices of Islamic banks. When presented with the expanded *Maqāṣid* framework that includes *ḥifẓ*

al-bī'ah, all ten Sharia scholars interviewed agreed that environmental preservation is integral to the objectives of Sharī'ah. However, eight of the ten scholars acknowledged that this dimension is not currently reflected in the Sharia audit and compliance frameworks of Islamic banks.

SS-02, a member of multiple Sharia Supervisory Boards, explained: "When we conduct the Sharia audit, we look at the contract documentation, the compliance with AAOIFI standards, the absence of ribā, gharar, and maysīr. We do not have a standard protocol to assess whether the financed asset or activity contributes to environmental harm. This is a gap that we must address."

The thematic analysis further reveals that the hierarchy of Maqāṣid with ḥifẓ al-dīn and ḥifẓ al-naḥs traditionally occupying the highest positions has not been reinterpreted to accommodate the contemporary understanding that environmental degradation threatens all five classical Maqāṣid simultaneously. As SS-08 stated: "Climate change does not just threaten wealth; it threatens life, health, social stability, and even our ability to practice religion. When we understand Maqāṣid as interconnected, then environmental preservation becomes not just one objective among others but the foundation upon which all others depend."

This interconnected understanding of Maqāṣid is supported by the systems approach advocated by Auda (2008), who argued that the five Maqāṣid should be understood not as isolated categories but as an integrated system in which the fulfillment of each objective depends on the fulfillment of all others. The findings suggest that this systems perspective has not been operationalized in the Sharia governance frameworks of Indonesian Islamic banks.

3. Theme 3: Eco-Theological Justification for Green *Murābaḥah*

The third theme addresses the jurisprudential basis for reconceptualizing *Murābaḥah* as a green financing instrument. The analysis reveals strong eco-theological support among Sharia scholars for incorporating environmental criteria into *Murābaḥah* contracts. Several scholars invoked the principle of sadd al-dharī'ah (blocking the means to harm) as a basis for restricting *Murābaḥah* financing for environmentally harmful activities.

SS-04 explained: "The principle of sadd al-dharī'ah is well-established in our fiqh. If a transaction, even if valid in its form, leads to harm and environmental destruction is clearly harm (ḍarar) then the Sharia supervisory board has the authority to restrict or condition that transaction." This position was supported by SS-07, who cited the Qur'ānic prohibition of fasād (corruption/mischief) on earth as directly applicable to financing decisions: "When an Islamic bank finances a coal-powered facility through *Murābaḥah*, it is indirectly contributing to fasād. The Qur'ān says 'Allah does not love those who cause corruption' (Al-Qaṣaṣ 28:77). This is not just a spiritual matter; it has concrete implications for our banking practices."

The analysis also reveals an emergent jurisprudential argument that green *Murābaḥah* could be elevated from the status of mandūb (recommended) to wājib (obligatory) based on the principle of maṣlaḥah mursalah (unrestricted public interest). SS-01 articulated this position: "When the environmental crisis reaches a level where it threatens the fundamental objectives of Sharī'ah the preservation of life, health, and social order then taking action to prevent environmental harm through our financial instruments becomes an obligation, not merely a recommendation."

Environmental policy experts reinforced this theological framework from a practical perspective. EP-02, a senior official at the Ministry of Environment and Forestry, stated: "We have been trying to engage the Islamic finance sector because we recognize the power of the religious narrative. When people hear that protecting the environment is part of their religious duty, it creates a much stronger motivation than simply citing scientific data on climate change."

The documentary analysis reveals nascent institutional support for this eco-theological approach. In 2021, the Indonesian Ulema Council (MUI) issued a fatwa on environmental protection (Fatwa No. 47/2021) that, while not specifically addressing banking, establishes the principle that environmental destruction is religiously prohibited (ḥarām) (MUI, 2021). This fatwa provides an important precedent for extending environmental criteria to Islamic financial transactions.

4. Theme 4: Institutional Barriers to Green *Murābaḥah* Adoption

The analysis identifies four categories of barriers that impede the adoption of green *Murābaḥah* in Indonesian Islamic banking: regulatory ambiguity, epistemic limitations, institutional inertia, and market disincentives.

a) Regulatory Ambiguity

Despite OJK's sustainable finance regulations, the specific guidance for Islamic banks remains insufficient. OJK Regulation No. 51/POJK.03/2017 mandates sustainable finance but does not provide specific criteria for green *Murābaḥah* or require Islamic banks to integrate environmental considerations into Sharia compliance frameworks (OJK, 2017). BP-08 noted: "The regulation tells us to be sustainable, but it does not tell us how. There

are no specific green criteria for *Murābahah*, no taxonomy of what constitutes a 'green' asset in the Islamic banking context."

b) Epistemic Limitations

The findings reveal a significant knowledge gap among both Sharia scholars and banking practitioners regarding environmental science and green finance. Six of the ten Sharia scholars admitted that they lacked the technical expertise to assess the environmental impact of financed assets. SS-09 acknowledged: "We are trained in *fiqh* and *uṣūl al-fiqh*, not in environmental science. When a bank presents a *Murābahah* application for an industrial asset, we can assess whether the contract is valid, but we cannot assess the carbon footprint of the asset."

c) Institutional Inertia

The dominance of *Murābahah* as the primary revenue-generating instrument for Islamic banks creates institutional resistance to changes that might reduce the volume of *Murābahah* transactions. BP-05 stated: "Introducing environmental criteria will inevitably reduce our eligible *Murābahah* portfolio, at least in the short term. For banks that are already struggling to compete with conventional banks, this is a difficult proposition."

d) Market Disincentives

The absence of market incentives for green *Murābahah*, including preferential regulatory treatment, tax incentives, or consumer demand, further discourages adoption. EP-04 explained: "In the conventional sector, green bonds and green loans benefit from regulatory incentives and growing investor demand. In the Islamic banking sector, there are no comparable incentives for green *Murābahah*."

These barriers collectively constitute what may be termed a "green *Murābahah* implementation gap" the distance between the theoretical availability of the *Maqāṣid* and eco-theological frameworks and the practical conditions necessary for their operationalization in banking practice. The following section discusses the implications of these findings and proposes a framework for bridging this gap.

Discussion

1. Theorizing Green *Murābahah*: Beyond Transactional Compliance

The findings of this study contribute to the growing body of literature that challenges the formalistic approach to Sharia compliance in Islamic banking (El-Gamal, 2006; Asutay, 2007; Dusuki & Abdullah, 2007). The absence of ecological conditionality in contemporary *Murābahah* financing represents a fundamental misalignment between the practice of Islamic banking and the holistic objectives of *Sharī'ah*. This misalignment is not merely an oversight but reflects a deeper structural problem: the decoupling of Sharia compliance from the substantive outcomes of financial transactions.

The concept of green *Murābahah* proposed in this study seeks to re-embed ecological responsibility within the *Murābahah* contract through three mechanisms. First, asset-level screening that excludes financing for activities with significant negative environmental impacts, analogous to the negative screening already applied for *ḥarām* activities such as alcohol and gambling. Second, contractual conditionality that requires *Murābahah* clients to meet minimum environmental standards, enforced through covenant clauses and post-disbursement monitoring. Third, preferential pricing (reduced markup) for *Murābahah* transactions involving certified green assets, creating a financial incentive for environmentally sustainable consumption.

This reconceptualization aligns with the "value-based Islamic banking" framework proposed by Asutay (2012), which advocates for a paradigm shift from Sharia compliance to Sharia authenticity a model in which Islamic financial institutions actively pursue the realization of *Maqāṣid* objectives rather than merely avoiding contractual violations. The findings demonstrate that the expanded *Maqāṣid* framework, incorporating *ḥifẓ al-bī'ah*, provides the normative foundation for this paradigm shift.

2. *Maqāṣid al-Sharī'ah* and the Environmental Imperative

The study's findings reinforce the argument that environmental preservation should be recognized as a central rather than peripheral component of the *Maqāṣid* framework. The interconnected nature of the *Maqāṣid*, as conceptualized by Auda (2008), means that environmental degradation simultaneously undermines the preservation of life (through health impacts), intellect (through reduced cognitive capacity associated with pollution), progeny (through intergenerational harm), and wealth (through the destruction of natural capital). This systemic understanding elevates *ḥifẓ al-bī'ah* from a subsidiary consideration to a foundational prerequisite for the realization of all other *Maqāṣid*.

The jurisprudential implications of this elevation are significant. Under the principles of Islamic jurisprudence (*uṣūl al-fiqh*), when an action is found to threaten the essential *Maqāṣid*, the legal authority (*walī al-amr*) has an obligation to intervene through regulatory measures (Ibn 'Āshūr, 2006). In the context of Islamic banking, this obligation falls upon Sharia Supervisory Boards, regulatory authorities (OJK, Bank Indonesia), and the National Sharia Board (DSN-MUI). The failure to incorporate environmental criteria into *Murābahah* financing may thus constitute a neglect of the *Maqāṣid*-based duty of care that these institutions bear.

The finding that the principle of sadd al-dharī'ah can serve as a jurisprudential basis for restricting environmentally harmful *Murābahah* transactions represents an original contribution to the Islamic finance literature. While sadd al-dharī'ah has been extensively discussed in the context of financial speculation and illicit activities (Al-Zuhayli, 2006), its application to environmental impact assessment in Islamic banking represents a novel extension that warrants further scholarly examination.

3. Eco-Theological Responsibility: From Theory to Practice

The eco-theological foundations identified in this study the concepts of khilāfah (vicegerency), amānah (trust), mīzān (balance), and the prohibition of fasād (corruption) provide a rich theological vocabulary for articulating the environmental responsibilities of Islamic financial institutions. These concepts transcend the utilitarian calculus of conventional environmental economics by grounding ecological responsibility in a transcendent moral order (Ozdemir, 2003).

However, the findings reveal a critical gap between theological availability and practical operationalization. While Sharia scholars affirm the environmental dimensions of Islamic teachings, the translation of these principles into banking practice is impeded by the epistemic limitations identified in Theme 4. This gap suggests the need for a new generation of Sharia scholars who are trained in both Islamic jurisprudence and environmental science, or alternatively, for the creation of multi-disciplinary Sharia audit teams that include environmental experts.

The MUI fatwa on environmental protection (Fatwa No. 47/2021) represents an important milestone in bridging this gap, as it establishes a religious prohibition on environmental destruction that can serve as a precedent for extending environmental criteria to financial transactions. However, the fatwa's impact is limited by its general nature and the absence of specific guidelines for the banking sector. This study recommends that DSN-MUI issue a dedicated fatwa on green *Murābahah* that provides actionable criteria for environmental conditionality in *Murābahah* contracts.

4. Comparative Analysis with Green Sukuk

The emerging literature on green sukuk provides a useful comparative reference point for assessing the feasibility of green *Murābahah*. Indonesia issued the world's first sovereign green sukuk in 2018, raising USD 1.25 billion for environmental projects (World Bank, 2018). The success of this issuance demonstrates that there is investor appetite for Islamic green financial instruments and that the necessary institutional infrastructure (green certification, impact reporting) can be developed within the Islamic finance ecosystem (Aziz et al., 2020).

However, green sukuk and green *Murābahah* operate in fundamentally different market segments. Sukuk are capital market instruments used primarily for large-scale infrastructure and project finance, whereas *Murābahah* is a retail and commercial banking product used for a much broader range of everyday financing needs. This distinction means that greening *Murābahah* has the potential to impact a far larger share of Islamic banking activity than green sukuk, making it arguably the more consequential intervention for environmental sustainability.

5. Proposed Framework: The Maqāṣid-Based Green *Murābahah* Model

Based on the findings, this study proposes a Maqāṣid-Based Green *Murābahah* Model (MGBM) comprising four pillars:

Pillar 1. Maqāṣid-Aligned Asset Screening: All *Murābahah* assets should be screened against a green taxonomy that classifies assets as green (eligible for preferential terms), neutral (standard terms), or brown (excluded or requiring enhanced due diligence). This screening should be integrated into the existing Sharia compliance review process.

Pillar 2. Eco-Theological Covenant Clauses: *Murābahah* contracts should include covenant clauses requiring borrowers to comply with minimum environmental standards during the financing period, drawing upon the Islamic legal principles of 'urf (customary practice), ḍarar (harm prevention), and maṣlaḥah (public interest).

Pillar 3. Maqāṣid-Based Pricing Mechanism: The *Murābahah* markup should incorporate an environmental adjustment factor, with reduced margins for green assets and potentially enhanced margins for high-impact assets that undergo approved environmental remediation plans.

Pillar 4. Maqāṣid Reporting and Accountability: Islamic banks should publish annual Maqāṣid impact reports that disclose the environmental footprint of their *Murābahah* portfolios, including metrics on carbon emissions avoided, green assets financed, and environmental conditionality enforcement.

This framework is informed by the principles of value-based intermediation advocated by Bank Negara Malaysia (2018) and the sustainable finance frameworks of the OJK (2017), adapted to the specific characteristics of *Murābahah* financing. The MGBM is designed to be incrementally implementable, recognizing that a wholesale transformation of *Murābahah* practice will require phased regulatory support, capacity building, and market development.

Conclusion

This study has investigated the integration of ecological responsibility into *Murābahah* financing within Indonesian Islamic banking through the lens of *Maqāṣid al-Sharī'ah*. The findings reveal that contemporary *Murābahah* practices are characterized by a fundamental disconnect between the ethical aspirations of Islamic finance and the operational realities of banking practice. The absence of environmental criteria in *Murābahah* financing decisions, Sharia compliance assessments, and regulatory frameworks represents a significant departure from the holistic objectives of *Maqāṣid al-Sharī'ah*, particularly the preservation of the environment (*ḥifẓ al-bī'ah*).

At the same time, the study demonstrates that both the normative resources the expanded *Maqāṣid* framework, eco-theological principles, and jurisprudential mechanisms such as *sadd al-dharī'ah* and the institutional preconditions regulatory frameworks, Sharia governance structures, and policy precedents exist to support the reconceptualization of *Murābahah* as a green financing instrument. The proposed *Maqāṣid*-Based Green *Murābahah* Model (MGBM) provides a practical framework for operationalizing this reconceptualization through asset screening, covenant clauses, pricing mechanisms, and reporting requirements.

The study makes three principal theoretical contributions. First, it extends the *Maqāṣid al-Sharī'ah* framework by systematically incorporating *ḥifẓ al-bī'ah* as a central analytical criterion for evaluating Islamic financial instruments. Second, it demonstrates the applicability of the principle of *sadd al-dharī'ah* as a jurisprudential basis for environmental conditionality in Islamic banking contracts. Third, it bridges the gap between eco-theological theory and banking practice by identifying specific mechanisms through which Islamic environmental ethics can be operationalized in financial transactions.

From a practical perspective, the study offers actionable recommendations for three stakeholder groups. For regulators (OJK, Bank Indonesia), the study recommends the development of a green taxonomy specifically designed for Islamic banking instruments and the introduction of regulatory incentives for green *Murābahah*, including capital adequacy relief and preferential reserve requirements. For Sharia governance bodies (DSN-MUI, Sharia Supervisory Boards), the study recommends the issuance of a dedicated fatwa on green *Murābahah* and the integration of environmental expertise into Sharia audit processes. For Islamic banks, the study recommends the adoption of the MGBM framework and the development of green *Murābahah* products as a differentiating strategy in an increasingly competitive market.

This study is subject to several limitations that should be acknowledged. First, the qualitative methodology, while appropriate for the research questions, does not allow for statistical generalization. Future research should employ quantitative or mixed methods to test the feasibility and impact of green *Murābahah* at scale. Second, the study focuses exclusively on Indonesia; comparative studies across Muslim-majority countries would enhance the generalizability of the findings. Third, the proposed MGBM framework requires empirical validation through pilot implementation, which should be the subject of future action research. Finally, the study does not address the potential tension between green *Murābahah* and the financial competitiveness of Islamic banks, a question that warrants dedicated economic analysis.

Despite these limitations, this study contributes to the growing recognition that Islamic finance, far from being merely an alternative to conventional banking, has the potential to pioneer a paradigm of financial intermediation that is simultaneously economically viable, socially responsible, and ecologically sustainable. The green *Murābahah* concept proposed herein represents one pathway toward realizing this potential, grounded in the rich intellectual tradition of *Maqāṣid al-Sharī'ah* and the profound eco-theological heritage of Islam.

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