SOCIALIZATION OF IMPLEMENTATION OF SOCIAL AND ENVIRONMENTAL GOVERNANCE (ESG) IN SUSTAINABLE FINANCING OF ISLAMIC BANKING FROM AN ISLAMIC PERSPECTIVE

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ABSTRACT In order to improve the services of Islamic banking institutions in their operational activities, especially in providing sustainable financing to environmentally friendly customers by implementing Environmental Social Governance, this service is the result of collaborative field research and documentaries to answer questions chronologically and systematically about the implementation of Environmental Social Governance (ESG) in sustainable financing while intensively and comprehensively reviewing the review of the maqashid sharia of Asy-Syathibi's thoughts. This research is a field research. The research method used in this study is an inductive method that starts from empirical data equipped with data related to the discussion of environmental social governance in sustainable financing through descriptive analytical review and tracing, namely presenting and explaining data related to the main discussion of the concept and principles of ESG, then comprehensively describing the planned and sustainable action efforts carried out on sustainable financing provided by Bank Syariah Indonesia, using a normative legal approach. The data management technique used with the analysis method using analyzing the review of the maqashid sharia of Imam as-Syatibi's thoughts equipped with a verification model of applicable regulations. The results of the research are maximally attempted to achieve the research objectives, including being able to contribute to the thinking and development of science for the academic community of universities in general and in particular the academic community of IAIN Kediri in the field of Islamic banking and in particular the development of a review of the perspective of maqashid sharia related to environmental social governance in sustainable financing, as well as increasing the insight and discourse of all related parties (stakeholders) of Islamic banking in terms of funding or financing that implements ESG not only to pursue profit alone, but also to pay attention to the aspect of benefits for the environment, society, and government, and in particular as input for Islamic banking institutions to always implement environmental social governance in their operational activities. Green investment is analyzed with an Islamic review based on al-dhuriyat al-khams in order to form laws that emphasize protecting religion (hifzh al-din), guarding the soul (hifzh al-nafs), guarding the mind (hifzh al-'aql), guarding offspring (hifzh al-nasl), and guarding property (hifzh hifzh al-mal) according to the verse ar-Rum 41 and al-Baqarah: 22, Al-A’raf: 56.

KEYWORDS: *Environmental Social Governance; Sustainable Financing; Maqashid Syariah*

1. INTRODUCTION

Sustainable finance has become a serious topic so that the Indonesian government has created a sustainable finance roadmap as a concrete step. The roadmap was created by the Financial Services Authority (OJK) with a time span starting from 2015-2024 which has been implemented in accordance with the planned framework. This step must be evaluated to obtain a flashback and a strategy that is more progressive in nature. (Nilacakra, 2020)

The concept of sustainable finance is the answer to the gap from financial institutions that are required to make a profit while maintaining the climate of community welfare and the environment. Based on these regulations, Indonesia has created a sustainable finance roadmap (Sustainable Finance) which is implemented by the Financial Services Authority (OJK).

The roadmap will be a reference for OJK and financial services industry players and public banking who have an interest in sustainable development that has been initiated by the government. The Sustainable Finance Roadmap is a response to global trends and inclusiveness programs, reducing gas emissions, and economic growth. The main basis is to change the financial pattern from the dominance of neoclassical economic theory (maximizing profit and shareholder benefits), (Noble, B., & Nwanekezie, K. 2017). on sustainable development, green economy, low carbon economy, and climate change mitigation. (Hamdani, 2016)

The concept of Sustainable Finance is the answer to the gap in financial institutions that are required to make a profit while maintaining the climate and public welfare. (Tita Nurvita, 2021) The main concept of sustainable finance is to change the financial pattern from the dominance of neoclassical economic theory (maximizing profit and shareholder benefits) with the aim of making sustainable development, green economy, low carbon economy, and climate change mitigation a success. (Noble, B., & Nwanekezie, 2017), Therefore, it can be assumed that the concept of sustainable finance is a specialty of sustainable development, green economy and global climate change mitigation. (Hamdani, 2016)

The development of SDGs achievement globally has shown good progress. New phenomena in financial institutions supported by changes that prioritize the concept of green financing are a must in the midst of the world crisis. (Eny Prayugo, 2023) The concept and idea of sustainability or sustainable development has developed since several decades ago, precisely in the late 1960s and early 1970s, running well and continuing to experience significant development. (Mohammad, 2021) Indonesia is included in the category of countries that are seen to be serious in responding from the beginning of the ratification of the sustainable development agenda at the 71st United Nations General Assembly in New York, USA. In the agenda, Indonesia was represented by the Vice President of the Republic of Indonesia Jusuf Kalla, (Haron, 2020). This is a valuable lesson for Indonesia's delay in responding to the Millennium Development Goals (MDGs) in 2000 because there was still recovery from the 1998 crisis. This serious step can be seen from the existence of a roadmap for achieving Indonesia's SDGs after the ratification of the development agenda at the UN general assembly. (Biswas, 2020)

Sustainability financing is defined as a step taken by banks to meet current funding needs while still considering the ability of generations to meet their living needs. The three main pillars that are the focus in the implementation of corporate sustainability are economic, environmental, and social or what is often referred to as the triple bottom line. (Abdul Aziz, 2020) In the context of corporate social responsibility (CSR), the implementation of these three pillars is called environmental, social and governance (ESG) performance. In recent years, the type of investment that prioritizes ESG aspects has attracted the interest of investors internationally. Investors have a positive perception of banks that have good ESG performance because it illustrates the idiosyncratic risk of banking that is well controlled. Meanwhile, banks that do not disclose ESG performance properly can be an indicator of poor investment, including business activities that pollute the environment or discriminatory treatment of their stakeholders. (Ain, 2020)

The infrastructure sector is one of the industrial sectors that is supported for the implementation of ESG aspects in its business operations. Indonesian Finance Minister Sri Mulyani said that connectivity will be improved and efforts to adapt and encourage ESG performance in infrastructure development will be supported as an effort to restore the economy. (Ani, 2017)

Despite the support and encouragement of ESG implementation in banking business lines, there are still many Indonesian banks that have not been able to implement the concept of sustainability or disclose this information to the public. Indonesia itself can still be classified as being at a progressive stage for implementing the concept of sustainability. At the International Association for Public Participation Indonesia in 2022, Indonesia's slow movement in implementing the concept of sustainability could be caused by challenges that must be faced such as suboptimal understanding, insufficient resources and high consulting costs for managing ESG aspects. With ESG disclosure and regulations from the authority, public understanding of sustainable investment is expected to continue to increase. From a banking perspective, the disclosure of ESG information can certainly attract investors who are looking at the sustainability aspect to invest funds in banking as an investment destination. ESG disclosure can also support the banking image (corporate identity) to be better. Improving the image and expanding the good name of banking certainly has the opportunity to attract consumers so that it has an impact on gaining the loyalty of the bank itself. (Desiana, 2021)

The maqashid sharia pattern that is made an index in determining the performance of Islamic banking to stakeholders is an important variable in the governance and risk aspects. Therefore, researchers are interested in studying the implementation of Environmental Social Governance (ESG) in sustainable financing at Bank Syariah Indonesia from the Maqashid Syariah Perspective.

2. METHOD

a. Method of Implementation

The method of implementing community service activities related to the implementation of Environmental Social Governance (ESG) in sustainable financing of Islamic banking can be implemented in various stages based on requests, including the objectives, targets, and context of the activity. Finding real problem phenomena through direct mapping in the field is an activity procedure used to support the realization of this service. In addition, a focused study of this problem and its resolution is needed considering the current phenomena. Furthermore, compiling a priority scale for the next implementation stages to help compile the flow of activity implementation, allocating appropriate resources, and ensuring that these stages are completed properly.

Another way to develop an understanding of Islamic banking related to the implementation of ESG in sustainable finance is to combine socialization with community service. The training process is carried out through preparation, practice, mentoring, evaluation, and follow-up, as well as through organizing or initiating a presentation on Environmental Social Governance (ESG) followed by socialization on sustainable financing or sustainable finance. Finally, conducting an evaluation and providing recommendations to entrepreneurs in developing sustainable finance or suggestions as guidelines for improving financing applications and subsequent investment transactions.

b. Time of Implementation

This community service activity was carried out in a hybrid offline and online manner via zoom media, on Saturday, October 19, 2024, and the material topics included the socialization of the implementation of Environmental Social Governance (ESG) followed by socialization on sustainable financing or sustainable finance for members of the UMKM Fatayat NU Surabaya community or home industry entrepreneurs in Surabaya in partnership with Bank Syariah Indonesia Surabaya and immigrants in Thailand.

c. Location of Activity

The location of community service is at the office of the NU Surabaya City Branch Leadership on Jl. Bubutan Gg VI No. 2 Surabaya for home industry entrepreneurs (P-IRT) or the NU Surabaya Fatayat UMKM community in partnership with Bank Syariah Indonesia Surabaya and immigrant UMKM entrepreneurs in Thailand.

3. RESULT AND DISCUSSION

A. Environmental Social Governance (ESG)

Environmental Social Governance or ESG is a banking standard in its investment practices consisting of three concepts or criteria, namely Environmental, Social and Governance. A bank that applies ESG principles in its business and investment practices means that it will also integrate and implement banking policies, so that they are in line with the sustainability of the three concepts. ESG is an initiative from the private sector that responds to the urgency to create sustainable economic development. (Hardiana, 2018)

National level with the introduction of Sustainable Finance for the banking industry. The definition of ESG is almost the same as CSR (Corporate Social Responsibility), but these two practices have striking differences ranging from objectives to implementation of principles. (Mulholland, 2019). ESG refers to three criteria that are closely related to the sustainability of banking. These three criteria are central factors in measuring the impact of sustainability and ethics in decision making in investing in certain businesses and banks. ESG refers to three criteria that are closely related to the sustainability of banking. These three criteria are central factors in measuring the impact of sustainability and ethics in decision making in investing in certain businesses and banking. The three main factors in the implementation of Environmental Social Governance are:

1. Environmental Criteria

Environment in ESG is a criterion that also discusses investor considerations regarding banking performance in an environmentally friendly manner. Examples of implications of the Environmental criteria include the use of clean energy in banking, waste management, pollution, conservation of natural resources, and behavior towards flora and fauna. Placing Environmental criteria in banking risk management will certainly also minimize the potential risks that arise from these environmental criteria. (Noble, 2017) Environmental criteria can also be used to evaluate a banking operation of a banking entity. Of course, the banking commitment to meeting these criteria will have a positive impact on the environment and banking. Banking will gain sustainability in its business operations if environmental conditions are good and supportive.

2. Social Criteria

The Social aspect in ESG is a criterion that discusses the banking commitment to managing relationships and their impact on society. Communities, society, suppliers, buyers, media, and other entities that have relationships, directly or indirectly, are factors that need to be considered through the Social criteria in ESG. (Pope, 2004)

Factors from the Social criteria can have an impact on the financial performance of a bank. (Putri, 2022) The image of a bank is influenced by whether or not the bank is ready to adapt its position to social issues. implementation:

a. Employee welfare. Decent working conditions, work-life balance, and general employee welfare. Human Rights. Compliance with human rights standards in the supply chain and banking operations.
b. Local communities. The impact of banking operations on local communities, including community development programs.

3. Banking Governance Criteria

Different from the Environment and Social criteria that discuss banking relations with external parties, the Governance criteria in ESG focus more on how a bank has a good and sustainable management process internally. (Ridwan, 2020)

The Governance criteria discuss banking activities, depending on the activities of the management and owners of the bank. Aspects that need to be considered in this criterion include banking policies, banking standards, culture, disclosure, information, audit processes and compliance. These factors can be a plus for banks that can provide potential investors with confidence to invest in the related bank. For example, transparent, legal and ethical financial governance of banks is certainly something that investors always take into account.

ESG Implementation Strategy for Banking ESG implementation is a type of investment approach that can be adopted in various types of activities and entities. Not only limited to investors, stakeholders, community activists, and policy makers can use Environmental, Social, and Governance criteria as their management model. Investments based on Environmental Social Governance can be done more easily by eliminating banks with negative sentiment and choosing banks that have positive environmental and social values. (Prasetiono, 2022)

The concept of green and sustainable investment by implementing ESG is not only to pursue profit, but also to pay attention to the benefits of banking for the environment, society, and government which in fact can increase the value of banking significantly in the long term. Of course, in investing funds in ESG-based banking, it is also necessary to implement a strategy so that the investment can run as desired. (Setyawati, 2021)

Environmental disclosure is an important element in human life. It greatly affects the quality of life and can guarantee human survival. Therefore, the environment must be protected from balance, sustainability and damage. (Hadi, 2018) Environmental responsibility means that banks must be willing to accept the environmental burden that arises from their operations, and are committed to producing environmentally friendly goods and services. Banks must be active in taking action for improvement, especially the impact of management on the surrounding environment. (Hardiana, 2018) So that banks are not only responsible for activities within banking. But more broadly, banking responsibility is also for the impact caused by banking on the environment. Environmental disclosure performance is the disclosure of information in the banking annual report which is related to the environment. (Mohammad, 2021)

Environmental disclosure is increasingly important due to the increasing demand for environmental performance information by stakeholders. The challenge of involving stakeholders in organizational management has grown significantly over the past ten years. More and more organizations are starting to disclose more information to stakeholders in terms of sustainability, especially environmental performance. (Masdar, 2021) Environmental disclosure practices involve various information including environmental pollution and the use of natural resources. Disclosure of banking environmental performance is a way to improve banking reputation and can reflect socially responsible behavior to improve sustainable performance. (Maftuchah, 2018)

Commitment to protecting the environment means maintaining core environmental disclosure with actions, (Muhamad, 2022) including:

1. Prevent and reduce pollution, land, water and air.
2. Use resources in the production process with resources that reflect sustainable and renewable principles.

3. Protect and restore if there is an impact on the environment.
4. Save water in operations or production processes.
5. Use environmentally friendly production techniques and practices.
6. Use production techniques that can guarantee energy efficiency.
7. Use environmentally friendly technology and practices.
8. Conduct an evaluation of the supply of goods and services to ensure that it is environmentally friendly.
9. Comply with applicable laws to limit greenhouse emissions that cause climate change and consider ways to adapt to climate change that has already occurred.

Banking must be socially responsible both inside and outside banking. This responsibility has an impact on the development of banking by providing a good workplace and environment, skills training, welfare, and human rights. (Kusuma, 2018) Meanwhile, outside banking, this responsibility can create a good relationship between banking and the community by creating activities that support or help people's lives. It is important for banking to establish relationships with its stakeholders. The relationship that is established is not only to bring benefits to banking, but to create mutual benefits, both for banking and its public.

Disclosure of social disclosure performance is non-financial information related to banking activities and its image in the eyes of the community towards the environment, employees and their consumers. The contribution that manages from banking to the surrounding environment has caused a loss of public trust. With the loss of trust from the community, banking needs to disclose its social performance as a banking responsibility. (Revita, 2020) Social performance focuses on stakeholders that have an impact on banking. Includes training, public relations, product safety, employment, management, donations and so on.

Many banks adopt moral values such as integrity in their daily operational management and develop codes of ethics that describe responsible behavior. Thus, they become increasingly aware of the importance of their role as banks that act in solving socio-economic problems. In recent years there has been an increase in interest in social disclosure. Such as promoting the governance and safety of their employees, protecting the environment, combating corruption and respect for human rights in the communities in which they operate.

In the implementation of social responsibility practices, the implementation of social principles can be carried out through actions, such as:

1. Identifying the impacts of human rights violations due to banking operations.
2. Resolving complaints, creating a resolution mechanism if there are complaints related to human rights issues.

3. Banks will not take discriminatory actions against vulnerable or weak groups, such as the disabled, children and immigrant workers including their families.
4. Providing equal treatment to employees, customers, business partners and the like.
5. Protecting and considering the impact of human rights on banking operations, especially in risk conditions such as:
    a. Extreme political conflict or uncertainty
    b. Poverty, drought and natural disasters
    c. Involvement in activities that affect natural resources that can disrupt society.

1. Respect civil and political rights, respect individual rights in freedom of opinion and expression, assembly and association to seek and convey information.
2. Respect economic, social and cultural rights, respect individuals to obtain health, education, and culture.
3. Avoid violations of human rights.

Disclosure of social disclosure performance as a form of social responsibility towards society, in addition to its operational activities. (Alshubiri, 2020) Social performance refers to the ability of an individual or organization to interact effectively and responsibly with others in a social environment. It encompasses a range of behaviors and actions, including communication, collaboration, empathy, and respect for diversity. Strong social performance is essential to building positive relationships and achieving success in both personal and professional contexts. measures companies using a social disclosure score, which takes into account various factors such as disruption, community data leaks, facilities that cause social problems, and discrepancies between employee wages and what they should be. (Zahrawani, 2021)

Sometimes social performance does not have an impact on financial performance because the financial benefits of social practices depend on the level of investment made or the frequency with which social practices are called for. On the other hand, social performance can reduce a company's profitability because ESG standards can increase costs while reducing profitability. (Sutresna, 2019)

Governance disclosure is definitively a system for regulating and controlling banking that creates added value for stakeholders. Good governance disclosure in principle refers to how a business should be run. Banking is committed to implementing and practicing accountability and transparency at every level of management, as well as the emergence of leaders who are able to create an organizational culture by using the formulated creative value, and consistently carrying out management responsibilities in every decision making. (Hadi, 2018)

Governance disclosure can increase banking value, because with good governance disclosure, it will be able to reduce the risks that may be carried out by the board with decisions that benefit themselves, and generally governance can increase investor confidence. In general, there are five basic principles of governance disclosure, (Eny Prayugo, 2023), namely:

1. Transparency (information disclosure) Openness in carrying out the decision-making process and openness in presenting material and relevant information regarding banking.
2. Accountability (accountability) Clarity of functions, structures, systems, and responsibilities of banking organs so that banking management is carried out effectively.
3. Independence (independence) A condition where banking is managed professionally without conflicts of interest and influence from management that are not in accordance with applicable laws and regulations and healthy corporate principles.
4. Responsibility (accountability) Conformity in banking management to healthy corporate principles and applicable laws and regulations.
5. Fairness (equality and fairness) Fair and equal treatment in fulfilling stakeholder rights arising from agreements and applicable laws and regulations.

Forms of activities that are relevant to the implementation of the principle of governance disclosure, (Dewantara, 2019) include:

1. Organizations where the organizational culture practices the principles that have been formulated.
2. Comply with applicable regulations and laws, including complying with paying taxes to the government and helping the community where the bank operates.
3. Efficient in the use of financial resources, natural resources and human resources, and paying attention to minorities in holding positions.
4. Maintaining a balance between meeting banking needs and stakeholders, including attention to urgent needs and the needs of future generations.
5. Maintaining a balance between meeting banking needs and stakeholders, including attention to urgent needs and the needs of future generations.
6. Encouraging greater employee participation in decision-making related to social responsibility issues.
7. Delegating authority proportionally, to be responsible for activities on each side of the banking employees.
8. Keep track of decisions to ensure employee involvement and determine responsibility for positive or negative activity outcomes.

Governance is concerned with the rules governing interactions between stakeholders, managers, companies, creditors, governments, and employees. In addition to effectively monitoring performance metrics, skilled management is essential to evaluating a company's success.

Governance assessments are usually based on governance disclosure scores, which are derived from a variety of indicators including stakeholder rights, stakeholder-company relationships, division positions, director authority arrangements, management practices, and other relevant factors. Governance has a positive impact on financial performance. (Nilacakra, 2020) Governance has no impact on financial performance due to the lack of implementation of good corporate governance standards. (Tita Nurvita, 2021)

ESG generally means a broad range of environmental, social, and banking governance considerations that have the potential to impact banks' ability to implement their business strategies and build long-term value. (Putri, 2019)

As public awareness of social and environmental issues increases. Banking continues to be encouraged not only to seek profit, but also to pay attention to the impacts caused by banking operational activities, namely social and the surrounding environment. The government itself as the regulator also regulates the implementation of Sustainable Finance for Public Banking, which through the Financial Services Authority (OJK) has required issuers to provide their sustainability reports to the public in the form of economic, financial, social and environmental performance. Sustainability reports are applied to issuers based on their sectors from 2019 and will be implemented comprehensively in 2025. (Woro, 2022)

ESG disclosure is a disclosure of banking performance using ESG principles, namely environment, social and governance. In its implementation, it is hoped that banks will meet good corporate governance standards by upholding the principles of GCG in their operations, namely people, planet and profit. By implementing good and correct GCG, it will have a positive effect on banking itself, which can result in a good reputation in the eyes of the public and investors. In addition, increasing the reputation of banking can increase customer trust and in the future also have an impact on banking performance. Banking performance is a metric used by banks to determine the success of their profitability. Banking performance is its ability to explain its business activities. (Riwukore, 2022)

Banking performance describes the ability to manage and allocate resources owned so that it is something that must be achieved by every business actor. From here it can be concluded that banking performance is what has been achieved by banks in a certain period that is related to previously determined criteria. Banking performance must reflect measurable results and take into account the empirical conditions of banking on various agreed measures. Performance evaluation is carried out to determine the services provided by banks to their stakeholders. Through sustainable finance, Islamic banks can align ESG and SDG aspects so that a more sustainable business, social, and community environment is created. (Interview, 2024)

B. Sustainable Finance

The development of sustainable finance has been implemented in Indonesia through global agreements. (OJK, 2016) However, the theoretical basis behind it has also become a reference standard for stakeholders. (Elkington, 2013). The Triple Bottom Line Theory is the basis for the concept of sustainable finance that has developed in the world. This theory is based on a business perspective by looking at three main elements, namely: profit, social, and environment. The concept of environmental, social, governance (ESG). (Siswanti, 2017) The three concepts of business nature replace profit with governance. The existing assumption has emphasized that profit can be controlled through existing governance standards in banking. (Shrivastava, 2014)

Sustainable finance is closely related to climate change, but is not limited to environmental aspects. This is because sustainable finance integrates environmental, social, and governance or ESG aspects into investment and financing decisions that are aligned with sustainable development goals (SDG). The SDGs program in Indonesia has been implemented well. This is evidenced by the SDGs roadmap prepared by the National Development Planning Agency (Bappenas) as the SDGs secretariat. The SDGs roadmap has used easy-to-understand principles, namely: concise, including challenges for each indicator, considering policy options, current situation analysis, and feasibility studies for achieving the 2030 agenda. (Ministry, 2004)

Therefore, the SDGs target from the beginning of its design until the target is achieved in 2030 must continue to be maximized by creating policies and program implementation schemes. (Pope, 2004) Therefore, sustainable development or SDGs carries 5 basic principles that balance the dimensions between the economy, social, and environment, namely; people, planet, prosperity, peace, and partnership. These five basic principles are known as the 5 Ps which encompass 17 objectives and 169 targets that are inseparable and interconnected. (Haron, 2020)

In the context of the Islamic financial industry, the focus of sustainable finance with ESG is in line with the objectives of sharia (maqashid sharia) which are the foundation of the Islamic banking business. (Muzlifah, 2013) In the environmental aspect, for example, the principle of responsible use of natural resources is in line with the principle of nature conservation. Based on this principle, Islamic banks can play an active role in financing environmentally friendly projects, developing green-based products and services, and implementing environmentally friendly practices in their offices.

Banks must issue products and run their businesses in accordance with ESG. Banks need capital to run their businesses and to invest, but then where this capital comes from is very important now. So access to sustainable finance in business is very important. So sustainable finance must be run by banks, not only financing, but also other instruments such as sukuk and green loans.

Islamic banks have the potential to contribute to sustainable finance. This is inseparable from the main principles of Islamic banks which prohibit usury and investment in things that are not in accordance with Islamic law, are detrimental to nature, and are unethical. (Rizki, 2017) This emphasis on investment can help drive sustainable finance by directing capital to socially responsible projects. Islamic banks encourage risk sharing and profit sharing, which can help increase financial inclusion by providing access to finance for underserved communities, in the social aspect, the principle that is encouraged is to promote social justice and community welfare. This has been done by Islamic banks through recipients of zakat, infaq, sedekah, and waqf and channeling them through philanthropic institutions. (Agus Tianto, 2015)

Islamic banks also encourage community empowerment programs and MSMEs. Then in terms of governance, the principle of sustainable finance supports transparency, accountability, and ethics in business activities. The same principle is upheld by Islamic banks in all their activities. In fact, there is supervision of business ethics according to Islamic principles carried out by the Sharia Supervisory Board. (Umam, 2017) The role of society is also very important as one of the stakeholders who can encourage businesses to be accountable and transparent. Therefore, collaboration and partnership are very important to make sustainable finance and ESG implemented properly.

So to optimize the existing potential, there are at least three things that Islamic banks need to do. First, educate the principles of sustainable finance and ESG to all stakeholders including customers, investors, and the community in collaboration with the government, regulators, and non-profit organizations. Second, formulate an ESG framework that will be used as a guideline for the implementation, measurement, and supervision of ESG in Islamic banks, including ESG certification and ratings. (Muhamad, 2022)

Third, increase the portion of financing in the ESG sector, while still implementing prudent risk management. In principle, Islamic banks should be one of the drivers of climate change prevention through sustainable finance. However, if Islamic banks do not try to adopt it, then Islamic banks will not only lose momentum, but also have the potential to lose market share and competitiveness in the future. In accordance with the letter al-A'raf: 56

وَلَا تُفْسِدُوْا فِى الْاَرْضِ بَعْدَ اِصْلَاحِهَا وَادْعُوْهُ خَوْفًا وَّطَمَعًاۗ اِنَّ رَحْمَتَ اللّٰهِ قَرِيْبٌ مِّنَ الْمُحْسِنِيْنَ

Meaning: Do not cause damage to the earth after it has been properly regulated. Pray to Him with fear and hope. Indeed, Allah's mercy is very close to those who do good (QS. Al-A'raf: 56) (Indonesian Ministry of Religion, 2016)

C. Maqashid Syariah

In Islam, Allah has regulated all aspects of human life, aspects of worship (human relations with Allah) and aspects of muamalah. (human relations with humans), especially Islamic Economics. (Sulistyowati, 2023) Islamic Economics is very necessary in creating and improving human welfare, (Arin, 2023) in meeting the needs of life and increasing faith in the afterlife. (Rahmayati, 2022) Faith is the most important pillar in determining the application of the basic sharia, (Arif, 2022) Humans have an active role in the process of economic activities, especially reciprocal transactions and are responsible for encouraging the spirit to achieve mutual success. (Sulistyowati, 2022)

Muamalah transactions are carried out based on an agreement or contract, which concerns the main contract where the transaction contract is made to meet needs, especially in terms of finance. (Sulistyowati, 2021) Sustainable finance is comprehensive support from the financial services industry for sustainable growth resulting from the harmony between economic, social, and environmental interests. This is intended so that the planned SDGs targets to reduce gas emissions, eliminate poverty, reduce social inequality, and maintain environmental aspects can run well through the financial sector. (Siswanti, 2017)

The relevance of sustainable finance to Islamic finance. This is a study using the literature study method in analyzing the opportunities for the relationship between Islamic finance and sustainable finance. This study aims to conduct further studies on a population scale with welfare indicators. (Riwajanti, 2019) The results state that the development of sustainable environmental goals cannot be achieved if it is not balanced with Islamic financial indicators. (Tahiri Jouti, 2019)

However, another indicator that can influence it is the development of war in the world. Therefore, the resilience sector of Islamic banking in the form of GCG and RM must be properly regulated. (Ain, 2020) SDGs in the environmental concept have been mentioned in the letter al-Baqarah verse 22 which reads:

الَّذِى جَعَلَ لَكُمُ الاَرضَ فِرَاشًا وَّالسَّمَاءَ بِنَاءً وَّاَنزَلَ مِنَ السَّمَاءِ مَاءً فَاَخرَجَ بِه مِنَ الثَّمَرٰتِ رِزقًا لَّكُم فَلَا تَجعَلُو لِلّٰهِ

اَندَادًا وَّاَنتُم تَعلَمُونَ

Meaning: (It is He) Who made the earth a resting place for you and the sky a canopy, and sent down water (rain) from the sky and brought forth thereby fruits as a sustenance for you. Therefore do not set up rivals to Allah while you know. (QS. Al-Baqarah: 22) (Ministry of Religion, 2018)

Maqashid al-Syari'ah is an important thing in the Islamic economic system There are various reasons to state that maqashid is the core of all economic analysis, especially those related to poverty, wealth distribution, and economic development. (Rizki, 2017) On the other hand, it provides all adequate incentives and can be accessed by all members of society so that they can enjoy all available resources and achieve a prosperous life. Al-Syatibi as the father of maqashid al-syari'ah explained the principle of maqashid al-syari'ah which is now widely applied in Islamic economics & finance. (Agus Tianto, 2015)

The application of maqashid al-syari'ah in Islamic banking which is useful for academics, practitioners, and the general public. The Qur'an is an explanation of Allah SWT, about sharia so it is called al-bayan (explanation). (Umam, 2107) The explanation in general has four ways and one of them is Al-Syatibi explaining that all legal provisions consist of five main parts known as al-dhuriyat al-khams in order to form a law that is emphasized to be maintained, namely maintaining religion (hifzh al-din), maintaining the soul (hifzh al-nafs), maintaining reason (hifzh al-'aql), maintaining descendants (hifzh al-nasl), and maintaining property (hifzh hifzh al-mal). (Ahmad Imam Mawardi, 2010)

From an Islamic perspective, the implementation of environmental social governance (ESG) activities in sustainable financing has become a real rule before the concept of green banking existed, Islamic banks should be at the forefront of implementing environmental social governance (ESG). Especially in terms of sustainable financing, Islamic banks are quite selective in providing financing so that it is right on target and of course does not damage the environment. In the operational policies and procedures for financing and investment of Islamic banks, the financing and investment screening mechanism establishes a negative list of haram businesses such as alcoholic beverages, weapons, gambling, businesses that have an impact that threatens environmental sustainability. Bank Indonesia will issue a PBI on environmentally friendly banks. This is supported by the theory of al-Maqashid al-syariah which expresses the welfare of the people, both in the world and in the hereafter. As in the Qur'an:

الدُّنْيَا وَالْاٰخِرَةِ ۗ وَيَسْـَٔلُوْنَكَ عَنِ الْيَتٰمٰى ۗ قُلْ اِصْلَاحٌ لَّهُمْ خَيْرٌ ۗ وَاِنْ تُخَالِطُوْهُمْ فَاِخْوَانُكُمْ ۗ وَاللّٰهُ يَعْلَمُ الْمُفْسِدَ مِنَ الْمُصْلِحِ ۗ وَلَوْ

شَاۤءَ اللّٰهُ لَاَعْنَتَكُمْ ۗ اِنَّ اللّٰهَ عَزِيْزٌ حَكِيْمٌ

Meaning: About the world and the hereafter. They ask you (Muhammad) about orphans. Say, "Improving their situation is good!" And if you associate with them, then they are your brothers. Allah knows those who do harm and those who do good. And if Allah wills, He will surely bring you difficulties. Indeed, Allah is all-powerful, all-wise. (QS. Al-Baqarah: 220) (Depag, 2018).

Environmental social governance (ESG) practices in environmentally friendly sustainable financing in the context of protecting the soul (al-nafs), namely issues related to maintaining a person's mental health by not causing pain and illness, both physical and psychological, which can interfere with achieving prosperity and welfare. With the existence of environmentally friendly digitized financial services, reducing the use of motorized vehicles thereby preventing carbon emissions so that it does not cause pollution, and reducing the use of paper automatically reduces the cutting down of trees so that greenery is maintained so that the oxygen content is maintained. So that the air remains fresh, automatically the main customers are healthy people and their respiratory system is not disturbed, so that the health of the lungs, heart and other body organs is maintained and healthy, with a healthy physique, activities can run smoothly. (Sulis, 2023)

If the air is full of pollution or carbon emissions, it will disrupt the respiratory system and can cause shortness of breath and lung disease. If many people, especially customers, are sick, banking transaction activities will experience problems. If your body and soul are healthy, you will be calm, cheerful, precise and careful when carrying out your activities.

يَٰٓأَيَّتُهَا ٱلنَّفْسُ ٱلْمُطْمَئِنَّةُ

ٱرْجِعِىٓ إِلَىٰ رَبِّكِ رَاضِيَةً مَّرْضِيَّةً

فَٱدْخُلِى فِى عِبَٰدِى

وَٱدْخُلِى جَنَّتِى

Meaning: A clean soul is also called a calm soul (al-nafs al-muthmainnah). "O serene soul, return to your Lord in a position of joy and favor. So join My servants and enter My heaven (QS. Al-Fajr 27-30) (Depag, 2018).

Third, to maintain common sense, banking practices that implement environmentally friendly ESG in sustainable financial services, can operate internet banking applications, mobile banking and digital banking applications, thinking and brain training is needed in operating digital banking applications, so that automatically there is a demand to always maintain common sense. to always think and think continuously, so that humans always maintain and hone the sharpness and intelligence of the brain, and the thought process (using reason) is very necessary to understand the relationship between nature and the natural creator. Therefore in the Qur'an:

وَمِنَ النَّاسِ مَنْ يَّتَّخِذُ مِنْ دُوْنِ اللّٰهِ اَنْدَادًا يُّحِبُّوْنَهُمْ كَحُبِّ اللّٰ وَالَّذِيْنَ اٰمَنُوْٓا اَشَدُّ حُبًّا لِّلّٰهِ ۗ وَلَوْ يَرَى الَّذِيْنَ ظَلَمُوْٓا

اِذْ يَرَوْنَ الْعَذَابَ اَنَّ الْقُوَّةَ لِلّٰهِ جَمِيْعًا ۙوَّاَنَّ اللّٰهَ شَدِيْدُ الْعَذَابِ

Meaning: Verily, in the occurrence of the heavens and the earth; and the exchange of night and day; and (on) ships sailing at sea carrying objects useful to humans; likewise (in) the rainwater that Allah sends down from the sky, then Allah gives life to the plants on the earth after they die, and He breeds various kinds of animals from them; likewise (in) the circulation of winds and clouds which are subject (to the power of Allah) floating between the heavens and the earth; Indeed, there are signs (which prove the oneness of Allah, His power, His wisdom, and the breadth of His mercy) for people who use reason (liqaumiy ya'qiluun) (QS. Al-baqarah: 165) (Depag, 2018).

4. CONCLUSION

Implementation is related to environmental social governance in sustainable financing of sharia banking in terms of funding or financing that implements ESG not only to pursue profits alone, but also to pay attention to aspects of benefits for the environment, society and government, and especially as input for sharia banking institutions to always implement environmental social governance in financing activities with green investment analyzed with an Islamic perspective. In the operational policies and procedures for sharia bank financing and investment, the financing and investment screening mechanism determines a negative list of haram businesses such as alcoholic drinks, weapons, gambling, businesses that have an impact on environmental sustainability. Bank Indonesia will issue a PBI regarding environmentally friendly banks. This is in accordance with the theory of al-Maqashid al-syariah which expresses the benefit of the people, both in the world and in the afterlife according to verses ar-Rum 41 and al-Baqarah: 22, Al-A'raf: 56

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