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Concerning Climate Change: Assessing the Potential of Islamic Business Entities to Promote Environmental Sustainability

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Abstract

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The current climate change has threatened human life, which has a negative impact on human health and the preservation of the natural environment. Therefore, this research aims to determine whether the existence of Islamic business entities can maintain environmental sustainability. The method used in this conceptual paper is a descriptive qualitative method that aims to answer the formulation of the problem: whether the concept of Islamic business entities can support environmental sustainability. The results of this conceptual paper are: (i) Islamic business entities have a strong commitment to environmental sustainability; (ii) The pillars of Islamic business entities include financial aspects, social aspects, environmental sustainability aspects, and spiritual aspects; (iii) The primary purpose of the existence of Islamic business entities is to provide safety in the world and happiness in the hereafter; and (iv) Islamic business entities aim to provide sustainable benefits to society and the environment. The implication of this conceptual paper is to provide scientific knowledge in environmental sustainability and Islamic economics.

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INTRODUCTION

Climate change has become the focus of governments worldwide. If climate change is not mitigated immediately, the impact of global warming will threaten human life, such as in the COVID-19 pandemic. Therefore, climate change mitigation is essential, and according to previous researchers (Amen et al., 2008; Giannakopoulos et al., 2009; Shen et al., 2020), several important things include:

- Climate change is an urgent and severe global issue affecting our planet. If no action is taken to reduce greenhouse gas emissions and mitigate their impacts, the consequences could be devastating and threaten human life and the environment.
- Global warming can contribute to rising temperatures and extreme climate change. This can have negative impacts on human health, including an increased risk of cardiovascular disease, respiratory disorders, infectious diseases, and a range of other chronic illnesses. The impact can increase the disease burden and medical care costs.
- Requiring climate change mitigation efforts, such as reducing greenhouse gas emissions, promoting renewable energy, reducing plastic waste, and maintaining healthy ecosystems, is essential. In addition, adaptation efforts are also needed to address existing climate change impacts, such as developing early warning systems and better public health planning.

As such, climate change is a real challenge that requires urgent action from governments, the global community, and individuals to mitigate its negative impacts and protect human health and our environment.

Furthermore, when viewed from the perspective of contributing countries to global warming based on greenhouse gas emissions as one of the leading causes of global warming, Indonesia is the seventh-ranked country in the world as a contributing country to the occurrence of global warming, as shown in the table below:

Table 1. Top Ten Countries Contributing to Global Warming in 2020

No	Country Name	MtCO ₂ e (million)
1	China	12399.6
2	United States	6018.2
3	European Union	3572.6
4	India	3366.1
5	Russia	2545.1
6	Japan	1186.6
7	Brazil	1042.5
8	Indonesia	965.3
9	Iran	827.9
10	Canada	722.8

Source: Pusparisa & Bayu (2021)

Referring to Table 1 above, China is the most significant contributor to greenhouse emissions globally, with 12,399.6 million metric tons of carbon dioxide equivalent (MtCO₂e). Second and third are the United States and the European Union. Meanwhile, Indonesia is ranked seventh globally, contributing 965.3 million MtCO₂e.

Therefore, based on Table 1 above, the challenge for all business actors, including the Islamic finance industry in Indonesia, is to reduce the current increase in global warming. On the other hand, the government is also promoting Indonesia's

program as the center of the world's Islamic economy and finance. Based on the phenomenon of global warming and the government program, this conceptual paper will discuss the formulation of the problem, namely whether the concept of Islamic business entities can support environmental sustainability. Furthermore, this conceptual paper aims to understand the existence of Islamic business entities with a focus on environmental sustainability. The implication of this conceptual paper is to provide scientific knowledge in environmental sustainability and Islamic economics.

RESEARCH METHODS

The method used in this conceptual paper is the descriptive-qualitative method. This method is suitable for answering questions or describing the concept of Islamic business entities that support environmental sustainability. Furthermore, the descriptive qualitative method is the right choice for this research that explores conceptual relationships and ideas in Islamic business and environmental sustainability because scientific sources and previous research, such as books, articles, and journals, support this type of research (Napitupulu et al., 2020; Oktris et al., 2022). In addition to descriptive qualitative research, the emphasis is on qualitative explanations rather than collecting quantitative data describing the relevant aspects of the Islamic business concept and its relationship with environmental sustainability.

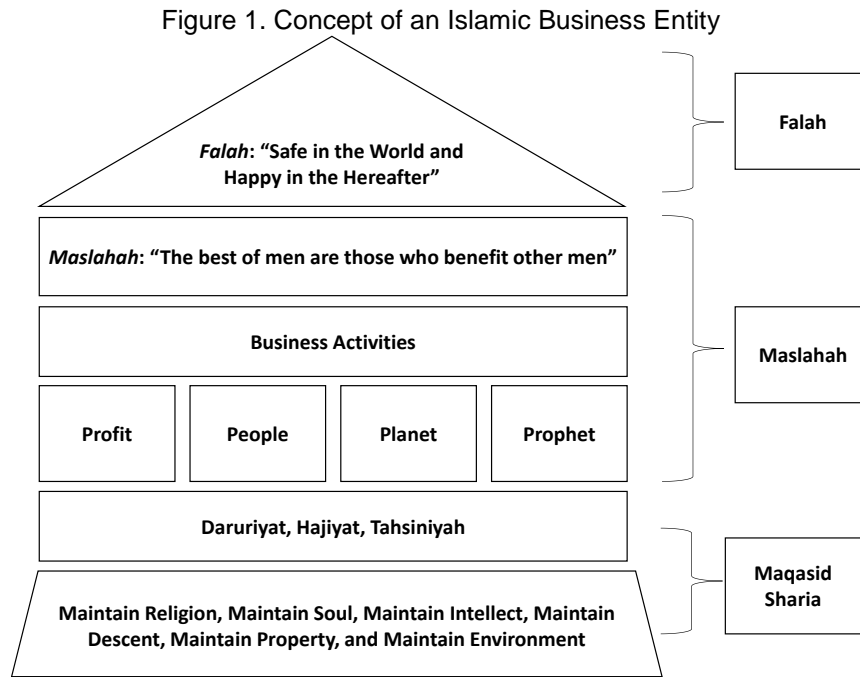
RESULT AND DISCUSSION

Understanding the concepts and principles of Islamic business entities is very important as a first step to assessing the extent to which the business entity is concerned with environmental sustainability. Furthermore, according to previous researchers (Aribi & Gao, 2011; Nugroho et al., 2020; Nugroho, Utami, et al., 2023; Nugroho & Mariyanti, 2021; Rice, 1999) below are the essential principles of Islamic business entities, namely:

- Islamic business is based on Islamic principles, including the provisions of ethics, morality, and justice. These principles include Tawhid (belief in one God), fairness in business, avoiding riba (interest), maysir (gambling and speculation), and gharar (uncertainty). In addition, Islamic business entities also respect the rights of individuals and society.
- Tawhid String Relationship (TSR) refers to integrality in Islamic business practices. It shows that business must involve aspects of life as a whole and must be carried out with respect for Islamic principles. TSR is based on the teachings of the Qur'an, Hadith, Ijma (consensus of scholars), and Ijtihad (interpretation of Islamic law).
- Shariah principles also include social and environmental responsibility. In Islam, protecting the environment is an obligation. This includes caring for nature, avoiding waste, and using resources sustainably. Islamic business entities are, therefore, obliged to consider the environmental impact of their business decisions.
- Islamic business entities are also expected to undergo good auditing and reporting, including environmental and social aspects. Implementing good auditing and reporting enables transparency and accountability in the implementation of sharia principles as well as environmental responsibility.

By understanding the basic principles of Islamic business, including social and environmental responsibility, we can assess how much Islamic business entities care about environmental sustainability and whether they take concrete actions to

safeguard the environment following Islamic principles. These measures are essential to promote sustainable and ethical business in the context of Shariah. Therefore, the concept of an Islamic business entity can be illustrated in the figure below:



Sumber: Nugroho (2023)

Following Figure 1 above and some previous research the concept of Islamic business entities can be explained as follows:

- Maqasid Sharia principles serve as a critical foundation for Islamic business organizations. Maqasid Sharia pertains to Islamic law's fundamental principles and objectives that business entities must observe and consider to satisfy the demands (Daruriyat, Hajiyat, and Tahsiniyah) of diverse business stakeholders and society at large (Azhar Rosly, 2010; Nugraha et al., 2020; Nugroho, 2022b, 2022a). Moreover, the subsequent elucidates the Maqasid Syariah principles that Islamic business entities are obligated to contemplate:
 1. Preserving Religion (Hifz al-Din): This principle demands that Islamic businesses maintain the integrity and values of the Islamic religion in every aspect of their business activities, including ensuring that their businesses do not engage in activities that contradict religious principles.
 2. Safeguarding the Soul (Hifz al-Nafs): This principle emphasizes the importance of individual safety and health. Islamic businesses must ensure that their products or services do not harm human life.
 3. Safeguarding the Intellect (Hifz al-Aql): This principle involves protecting and maintaining human intellect. Islamic businesses should avoid practices that may damage the intellect or result in intellectual harm.
 4. Safeguarding Descent (Hifz al-Nasl): This is concerned with safeguarding the family, marriage, and offspring in society. Islamic businesses should consider the impact of their activities on families and society and contribute to healthy and sustainable families.

5. Safeguarding Wealth (Hifz al-Mal): This principle requires Islamic businesses to conduct their financial activities fairly and honestly and to avoid theft, fraud, or harmful financial practices.
6. Preserving the Environment (Hifz al-Bay'): This principle involves protecting and maintaining the natural environment. Islamic businesses are expected to consider the environmental impact of their activities, avoid pollution and environmental damage, and contribute to preserving nature.

Thus, Islamic entities considering these Maqasid Shariah principles are expected to carry out their business activities by implementing high social responsibility and complying with ethics based on Islamic values. Therefore, Islamic business entities focus on sustainable and ethical business practices to benefit society and fulfill stakeholder needs in a balanced manner.

- Quard P (Profit, People, Planet, Prophet) is an approach that covers four critical dimensions in Islamic business activities and the concept of sustainability (Beekun & Badawi, 2005; Litardi et al., 2019; Nugroho et al., 2018). These dimensions reflect the Maqasid Shariah principles as the operational foundation of Islamic business entities and incorporate financial, social, environmental, and spiritual aspects in Islamic business operations. Further, below is an explanation of each of these dimensions:

1. Profit: The profit aspect reflects the financial aspect of an Islamic business. Islamic businesses should strive to earn legitimate (halal) and fair profits. These profits are used to meet the needs of the company and its shareholders and support the business's development and growth.
2. People (Social): The social aspect emphasizes the importance of paying attention to social welfare and justice in Islamic business. Businesses must consider the social impact of their activities, including the well-being of employees, communities, and consumers. This includes fair business practices, community building, and support for the social needs of society.
3. Planet (Environment): The aspect of environmental sustainability reflects the responsibility of businesses towards the natural environment. Islamic businesses should minimize their negative impact on the environment, avoid pollution, promote sustainable use of resources, and support environmentally friendly business practices.
4. Prophet/Spiritual: The spiritual aspect indicates the application of morals in Islamic business. Islamic business entities must, therefore, adhere to the principles of Islamic ethics, integrity, and morality in all their activities. This includes upholding the values advocated by religious teachings and discouraging practices contrary to Islamic ethics.

The Quard P concept reflects the commitment of Islamic businesses to a balanced and holistic concept of sustainability, where businesses focus not only on financial aspects but also on social welfare, environmental sustainability, and morality in their activities. This is to the Maqasid Shariah principle, whose goal is to maximize *maslahah*, or the welfare of society, in all aspects of life.

- Therefore, according to some previous research (Hassan, 2016; Husaeni & Jayengsari, 2020; Kader, 2021; Nugroho et al., 2022; Nugroho, Cetin, et al., 2023), the existence of Islamic business entities is part of the implementation of the teachings of Islam in totality due to the following points:

1. Islamic business entities are committed to supporting Muslims in practicing the teachings of Islam in *kafah* or totality because Islamic business entities cover economic and social aspects. In addition, Islamic business entities strive to provide financial solutions that follow the principles of sharia and Islamic ethics.

2. Islamic business entities have a higher goal: to realize society's benefit (maslahah). They strive to provide financial services that comply with Sharia principles and benefit Muslims and humanity universally.
3. The primary purpose of Islamic business entities is to help Muslims achieve salvation and happiness in the hereafter. This reflects their vision to provide more comprehensive financial, social, and spiritual benefits.
4. Islamic business entities must consider sustainability and preserving nature. Islamic business entities should conduct their business activities with due regard to environmental impacts and encourage environmentally friendly business practices to support the sustainability of nature.
5. Islamic business entities exist not only for the current generation but also for future generations. Islamic business entities should consider the long-term impact of their business activities on society, the environment, and the economy to ensure sustainable survival.

CONCLUSION

Based on the results and discussion above, the conclusions of this conceptual paper include the following:

- Islamic business entities have a strong commitment to environmental sustainability. This is due to the Maqasid Shariah operational foundation that underlies their business activities, including profit, people, planet, and prophet (Quard P).
- The pillars of Islamic business entities include financial aspects, social aspects, environmental sustainability aspects, and spiritual aspects. The pillars of Islamic business entities reflect a holistic approach that covers various aspects of life and community welfare, so the existence of Islamic business entities seeks to provide benefits beyond financial aspects alone.
- The primary purpose of Islamic business entities is to provide safety in the world and happiness in the hereafter. Sharia business entities are the business activities of Muslims as a means to achieve benefits for humanity.
- Islamic business entities aim to provide sustainable benefits to society and the environment, not only for the current generation but also for future generations.

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