

Shariah compliance of green banking policy in Bangladesh

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Abstract

Purpose – This paper aims to critically evaluate whether the policies of green banking set by Bangladesh Bank are *Shariah* compliant; according to the main sources of the *Shariah* – Quran and Sunnah.

Design/methodology/approach – Green policy and guidelines have been divided into different categories such as environment protection, conservation of resources, risk management, educating people about green financing, transparency and disclosure and investing in green projects according to the common measures as stated in three different phases of the policy and guidelines. Subsequently, these major aspects of the green policy and guidelines are linked to the main references of the *Shariah*, i.e. the holy Quran and Sunnah of Prophet [peace be upon him (pbuh)].

Findings – Various verses of the holy Quran and teachings of Prophet (pbuh) related to the major categories of Green policy and guidelines are being presented to show the compliance with *Shariah*.

Practical implications – The Green policy and guidelines are very much in-line with *Shariah*. Though all types of banks in Bangladesh are bound to implement the green banking policy, however, *Shariah* compliance of green banking policy will be encouraging for all Islamic Banks of Bangladesh for their further and profounder involvement in it.

Social implications – As green policies are found to be *Shariah* complaint, the Islamic banks are expected to contribute more to the sustainable economic growth of the country by successfully implementing the green financing policies compare to their conventional counterpart.

Originality/value – Verses of holy Quran and authentic Hadiths related to environmental sustainability concept show that Islam is a green religion as well as green banking policy is Islamic.

Keywords Green banking, Green banking policy of Bangladesh, *Shariah* compliance

Paper type Research paper



1. Introduction

On February 27, 2011, the Bangladesh central bank, Bangladesh Bank (BB), introduced its “Policy Guidelines for Green Banking” (PGGB) that aimed to reduce its environmental impact globally as well as locally. This initiative was consistent with the sustainable development movement first manifested at the United Nations Conference on Environment and Development (UNCED), also known as the “Earth Summit”, in Rio

de Janeiro in 1992. The movement had been officially launched in 1987 when a sustainable development definition was initiated by the World Commission on Environment and Development, commonly known as the “Brundtland Commission”, as being the start of: “development that meets the need of the present without compromising the ability of future generations to meet their own needs” (United Nations, 1987). Since then, there have been numerous conferences, programs, activities and initiatives participated in by many world leaders in an effort to reduce carbon emissions and rising temperatures, but all initiatives to date have been non-binding in nature. However, in December 2015, 195 countries adopted the first universal, legally binding global climate deal at the Paris Climate Conference (COP21) (European Commission, 2015), and on April 22, 2016, a milestone agreement was achieved when representatives from 175 nations signed the Paris Climate Agreement to enforce the law in 2020 (United Nations, 2016). Bangladesh has been and continues to be a sincere participant in all environmental events, and the sustainable finance department of the Bangladesh central bank is seriously monitoring the green banking activities of all banks and non-bank financial institutions to meet the targets set by sustainable development goals.

The PGGB set by BB in 2011 is divided into three phases: foundation, intensification and diversification. Further divisions have been made in major areas identified within the three phases of the PGGB including: governance, environmental risks in credit risk management, in-house environmental management, climate risk funding, training, raising awareness, green events, disclosure, reporting and investing in green projects. *Shariah* compliance within the green guidelines will be judged based on these major aspects.

The world views in governing Islamic economics and conventional economics differ in several areas. The fundamentals of conventional economics are based on the theory of scarcity, namely, that resources are scarce and economic units strive to allocate and distribute these equally, though in many cases equal distribution seems impossible and the gap between the rich and the poor is widening; Islamic economics, however, believe in the abundance of resources and, consequently, equality and justice are the main principles when allocating and distributing resources in an Islamic economy. In the conventional economic system people are driven by self-interest and want, whereas in Islamic society people are driven by need, and this guides whatever purchase decisions they make. Above all, the belief in Islamic society is that human beings are the representatives of the Creator to take care of all of His creations, but, being the Creator of this universe, the ultimate authority belongs to Him and the *Quran* is concerned with, not only the welfare of human beings but also the well-being of the whole universe (Nasr, 2015). Accordingly, Islam is considered to be a “green” religion, as all Muslims are bound to consider the *Qur’an* and the *Sunnah* as the two main sources of *Shariah*, or laws and rules and regulations that offer guidance in the best ways humans should manage the environment and ensure sustainable development. Moreover, *Shariah* is the basis of the Islamic political economy and the theory of Islamic political economy is construed from the *Quran*, an interactive, integrative and evolutionary system that internally associates moral attributes with knowledge formation that focuses on the Oneness of God, carrying out its epistemological role in the creation of relations in world systems. Mercy and forgiveness together with love, justice, fairness and compassion are the attributes of knowledge formation in the Islamic political economy and taken as the elements of

global ethics when considering the Islamic political economy (Choudhury, 2008). Even in the Islamic political economy, the ideologies are premised on the original epistemology of *Tawhid* (the monotheistic law) together with the *Sunnah* (teachings of the Prophet Muhammad) (Choudhury, 2014).

2. Green banking policy and guidelines by Bangladesh Bank

The green banking policy introduced by BB involves two approaches: first, “greening” the internal operations of banks, which means all banks need to adopt suitable ways of using renewable energy, automation and other procedures to lessen their carbon footprint. Second, approving environmentally responsible financing and before making any financing decisions, banks should maintain their environmental risk rating, in particular support and foster growth of “green” initiatives and projects.

In-house green activities include reducing dependency on grid power by shifting to solar power and other renewable energy sources to the maximum feasible extent following green architecture while constructing bank offices, using energy saving technologies, such as light emitting diodes and compact fluorescent lamps, using energy efficient digital devices, reducing use of paper by the adoption of online automated work practices and conducting energy audits regularly to monitor carbon footprints.

Green activities in financing include carrying out environmental risk assessments of projects, financing only those projects that meet environmental safeguards/sustainability guidelines, provide green loans to promote solar energy, biogas plants, effluent treatment plants and other energy saving output practices, such as Hybrid Hoffman Kilns in brick fields, developing green banking products for clients, promoting the growth of mobile banking and online banking, creating environmental sustainability support initiatives in corporate social responsibility (CSR) programs and offering financial support to climate risk funds.

BB's PGGB is divided into three phases. In Phase 1, individual banks should develop their own green banking policies and display a general commitment to the environment through their in-house performance. In Phase 2, banks are to formulate sector-wise specific environmental policies and guidelines for different environmentally sensitive sectors. In Phase 3, banks are likely to address environment friendly initiatives and introduce innovative products by considering whole eco-systems in their decision-making processes and publish independent Green Annual Reports following standard formatting (Islam, 2015). Three phase policies are as follows:

2.1 Phase 1

It includes the following nine policies that all financial institutions were bound to implement by the deadline of December 31, 2011. The policies are:

- (1) policy formulation and governance;
- (2) incorporation of environmental risk in CRM;
- (3) initiating in-house environment management;
- (4) introducing green finance;
- (5) creation of climate risk fund;
- (6) introducing green marketing;

- (7) online banking;
- (8) supporting employee training, consumer awareness and green events; and
- (9) disclosure and reporting of green banking activities.

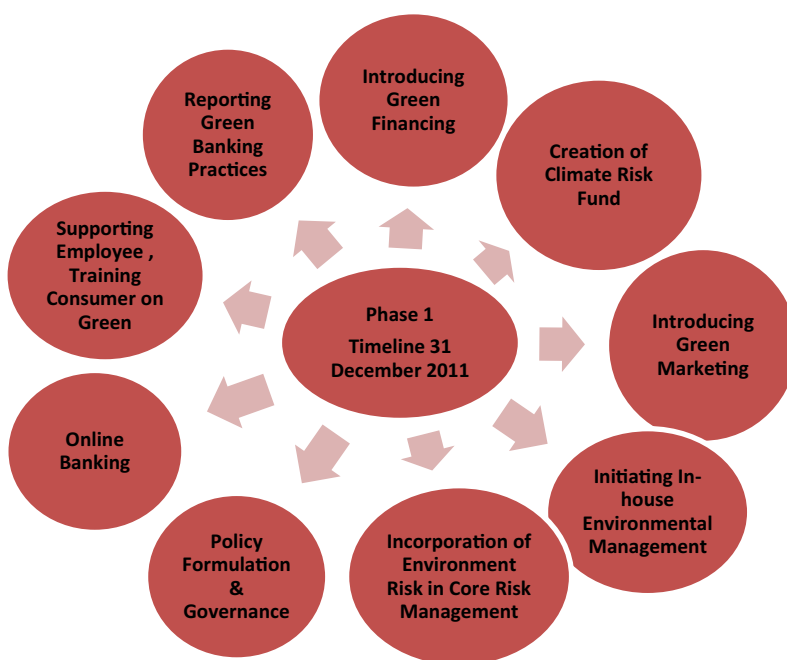
Figure 1 depicts all the sections of Phase 1 in one setting.

2.2 Phase 2

It contains six steps that financial institutions should have adopted by the deadline December 31, 2012. The policies are:

- (1) sector-specific environmental policies;
- (2) green strategic planning, setting up green branches;
- (3) improved in-house environment management;
- (4) formulation of bank-specific environmental risk management plan and guidelines;
- (5) rigorous programs to educate clients; and
- (6) disclosure and reporting of green banking activities.

Figure 2 shows each section in one graph.



Source: Bangladesh Bank PGGB, 2011

Figure 1.
Green banking
policies in Phase 1

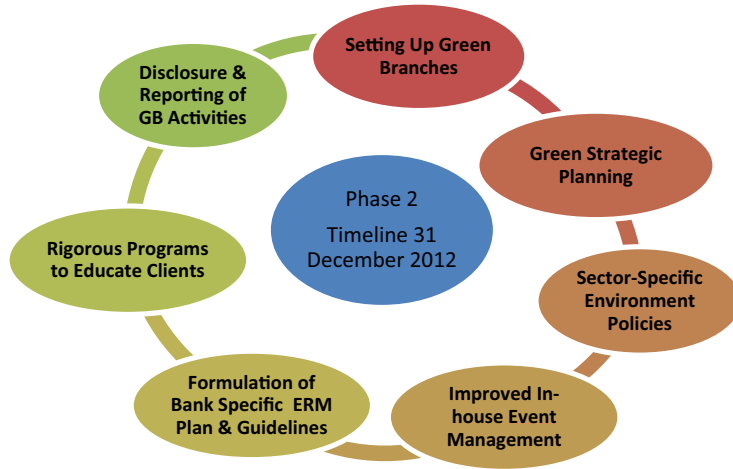


Figure 2.
Green banking policies in Phase 2

Source: Bangladesh Bank PGGB, 2011

2.3 Phase 3

It highlighted on the necessity of designing and introducing innovative products as well as reporting in standard format with external verification with a deadline of December 31, 2013 (BRPD circular No. 2, 2011) (Figure 3).

3. Compliancy of green policy with the *Quran* and *Sunnah*

This article attempts to follow the *Al-Tawhid* philosophy and consider the *Quran* and *Sunnah* as unique sources of knowledge while keeping in mind that Islamization permits rescuing people from western world views so they can struggle to reach the state of excellence in *Madinah* under the Divine Guidance during the age of the last Prophet [peace be upon him (*pbuh*)] of Islam (A. Rashid Moten, 1990). The practice of the *Al-Tawhid* ideologies concerning contracts proposes that all are just and free from features of *riba* and *gharar* and the absence of the *Al-Tawhid* concept in conventional micro financial institutions causes practices not suitable for Muslim micro entrepreneurs (Abdullah and Ismai, 2014). This is applicable, not only for micro

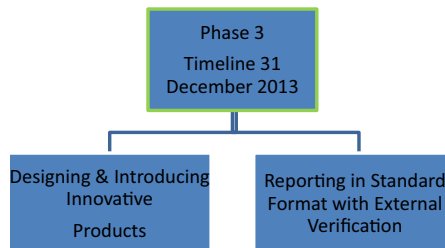


Figure 3.
Green banking policies in Phase 3

Source: Bangladesh Bank PGGB, 2011

financial institutions but also for every discipline of the financial system. This paper aims to follow the main sources of *Shariah* a reference in an effort to explore this concept further.

There are four sources of *Shariah*: *Quran*, *Sunnah*, *Ijma'* and *Qias*. The *Quran* and *Sunnah* are the most widely used and most authentic sources of *Shariah*. For this study, quotations or references of the *Quran* and *Sunnah* are used to prove the *Shariah* relevancy to the green policy of Bangladesh introduced by BB.

3.1 Protection of the environment

Muslims must be concerned about the environment in which they live as well as work to design, preserve and protect it from any kind of harm or corruption as their moral obligation. From the Islamic viewpoint, the environment is considered holistic and comprehensive (Nouh, 2016). This concept is mentioned in the *Quran*:

In the creation of the heavens and the earth; in the alternation of the night and the day; in the sailing of the ships through the ocean for the profit of mankind; in the rain which Allah Sends down from the skies, and the life which He gives therewith to an earth that is dead; in the beasts of all kinds that He scatters through the earth; in the change of the winds, and the clouds which they Trail like their slaves between the sky and the earth; (Here) indeed are Signs for a people that are wise (*Al Baqara*: 164).

The *Quran* and *Sunnah* provide ideas about how to maintain sustainable development in Islamic countries as well as around the world. To reduce environmental pollution, human beings should evade all kinds of damage to and wastefulness of natural resources as commanded by Allah (SWT). Human beings are considered to be the trustees of the Almighty, and, as ambassadors, they have the right to use the property of others with the assurance that it will not be spoiled or demolished (Ally, 2016). In the *Quran*, Allah commanded followers to live a moderate life which can be difficult to maintain due to the pressure of worldly things, and often the greedy nature of human beings can influence them to become involved in corruption. There are verses in the *Quran* which state: "And do not desire corruption in the land. Indeed, God does not like corruptors" (*Al-Qasas*: 77). In verse 60 of *Al Baqarah*, the Almighty said to the whole of mankind: "And do not commit abuse on the earth, spreading corruption".

Normally, crime refers to acts such as political fraud, illegal banking systems and theft, but it can also refer to other acts including littering, deforestation, emitting toxic waste and pesticides and environmental corruption, which refers to engineering pollution, ecological damage and irresponsible mistreatment and mishandling of natural resources. These kinds of activities may cause severe harm to human life, even death, and the *Quran* also warns its readers not to become involved in such acts. As a human, our status is described in the *Quran* as:

Indeed, We (God) offered the Trust to the heavens and the earth and the mountains, and they declined to bear it and feared it; but man [undertook to] bear it. Indeed, he was unjust and ignorant (*Al-Ahzab*: 72).

Another verse of the *Quran* that is *ayat* 165 of *Surah Al-Anam* clearly portrays the role of humans in this earth by stating:

And it is He (God) who has made you successors (*khalaiifa*) upon the earth and has raised some of you above others in degrees [of rank] that He may try you through what He has given you. Indeed, your Lord is swift in penalty; but indeed, He is Forgiving and Merciful.

It is believed that the Almighty chooses a human being as His *khalifa*, a deputy, guardian, “friend of Earth”, viceroy or a stewardship. While being a *khalifa*, a man must take all the necessary steps to safeguard entrusted property so that it can be passed on to the next generation in as pure a form as possible. Islam declares each man to be a custodian of nature so that man should be able to discover how to live in harmony with other creatures. It is a Muslims’ duty to respect, cherish and renovate the environment, and it is believed that human beings are given short-term trust of and not long-term mastership on earth which only truly belongs to Almighty Allah (SWT) (Ally, 2016). Thus, at any cost, one should follow the trusteeship with the utmost honesty and avoid corruption and pollution by abusing their power.

Environmental aspects, such as resource conservation, land restoration and environmental cleanliness, are also dealt with under *Hadiths* or the traditions of the Prophet Muhammad (pbuh). The Prophet Muhammad (pbuh) stipulated moderation in all aspects of life and has been dismayed by examples of overconsumption, extravagance and lavishness. The most prevalent *Hadith* on the environment states: “The earth is green and beautiful and Allah has appointed you his stewards over it” which repeats the *Quran’s* instruction that human beings have been given the accountability of supervision over their natural environment.

During war, the demolition of trees and crops is forbidden by the Prophet (pbuh) unless their presence remains beneficial to the opponent. A high degree of importance has been given to the sustainable cultivation of land, the caring treatment of animals, the safeguarding of natural resources and the defense of wildlife by the Prophet (pbuh) (Zafar, 2014). Several sayings of Prophet Muhammad (pbuh) on environmental sustainability are: “The world is beautiful and verdant, and verily God, be He exalted, has made you His stewards in it, and He sees how you acquit yourselves” (Muslim), one of the authentic *Hadiths* of *Bukhari* is “If a Muslim plants a tree or sows seeds, and then a bird, or a person or an animal eats from it, it is regarded as a charitable gift (*sadaqah*) for him”. Again, another *Hadith* of *Musnad* informs readers that “Whoever plants a tree and diligently looks after it until it matures and bears fruit is rewarded”.

Overexploitation of natural possessions has been forbidden by the Prophet (pbuh), and in his lifetime, two forbidden areas were created to retain the properties that remained intact, called *haram and hima*, to defend land, forests and wildlife. To avoid groundwater caused by over-pumping, *haram* areas were designed around wells and water sources. To protect the wildlife, *hima* was applied as an area of land where grazing and woodcutting was controlled, or where certain animal species (such as camels) that were threatened were able to graze safely. The Prophet Muhammad’s (pbuh) role in the creation of unfringeable zones shows the importance of the sustainable use of natural resources and the protection of wildlife and agricultural land.

Hence, the effort of BB to create green banking policies and guidelines to protect the environment by financing activities is an act similar to *khalifah*. Green financing simply means financing environmentally friendly projects and those projects that will ensure carbon footprints are minimized and contribute to the recovery of the environment conditions that are currently creating immense health problems in Bangladesh. BB has made it mandatory for all banks and non-banking financial institutions in Bangladesh to create green guidelines and policies in addition to green units or branches of their own within a specific period to accelerate green activities. The ultimate aim of green financing is to promote environmentally friendly practices through financing which will

have long-term positive impact on the environment. Considering environmental risks in credit risk management as well as creating climate risk funds, both facilitate positive environmental practices through banks financing activities.

For Muslims, the *Quran* is the ultimate green guide and is conscientiously read by Muslims to better understand their religion. Muslims believe that everything in this world is created by Allah (SWT), and they should take care of the environment, nature and wildlife, as they would a human being as part of their good faith toward humanity.

3.2 Conservation of resources

The present difficult environmental conditions can be blamed on being the product of humans' carelessness; in an attempt to alleviate the situation from deteriorating further, humans have begun reducing, reusing and recycling waste as well as attempting to lessen waste by reusing it in a productive way. The *Quran* instructs humans to be conservative in their use of natural resources and also warns that environmental damage and mismanagement of natural resources is not acceptable. According to the *Quran*, people are instructed to: "Eat and drink: But be not excessive. Indeed, God does not like those who commit excess" (*Surah Al-A'raf*: 31; *Al-An'am*: 141). In the *Quran*, it is also stressed that "The wasteful are brothers of the devils, and ever has Satan been to his Lord ungrateful" (*Surah Al-Isra'*: 27 and 29; *Al-Furqan*: 67). According to these statements, it is mandatory to avoid misusing natural resources. Indeed, in Islamic countries, the *Quran* and the laws that have been derived from it can play an important role in promoting sustainable development.

Muslims are even instructed to be conservative in the use of water for their ablutions and bathing and this conservation is considered an act of worship. During a person's ablutions, one needs to be self-disciplined in the use of water, even if a river is at his or her disposal. During the time, when the rule was formulated, its real benefit may have been mystifying, but currently, it is all too vibrant. As a provision this rule must, over time, be nurtured due respect for water and other natural resources by not only Muslims but by all human beings.

The *Quran* offers guidelines about the Islamic view of the role of the air, land and soil in the environment and demonstrates that, for the protection and persistence of life, the maintenance of these vital elements is essential. The air is just as important as water for survival as nearly all forms of life are dependent on air. Air is not only vital for the existence of humankind but also necessary for definite purposes, such as the absolutely important role of the winds in its contribution to pollination, just as Allah said: "And we send the fertilizing winds [...]" (*Al-Hijir*: 22). The wind is also a clear indication of Allah's sovereignty and sophistication and the faultlessness in creations' design and He has said:

And He it is Who sends the winds as tidings heralding His grace: until when they have raised a heavy-laden cloud, We drive it to a dead land and cause the rain to descend upon it, and thereby bring forth fruits of every kind (*Al-Araaf*: 57).

As the atmosphere executes all the organic and communal purposes, its preservation, pure and uncontaminated, is a vital aspect of life itself, which is one of the main objectives of Islamic law. For the preservation of human lives as well as lives of other creatures, there is also a need of land and soil. Moreover, it is believed that humans, and all living animals and plants, are created from the earth and so constituents of bodies are

derived from the minerals of the earth (Bagader *et al.*, 2006). The Almighty mentioned in the Quran: “And the earth He has established for living creatures” (*Ar-Rahman*: 10); and “And among His signs is that He has created you from dust; then behold, you are humans scattered widely” (*Ar-Rum*: 20).

Land is home to many creatures and is also the source of nourishment and even income. The lives of humans and animals are dependent on the vegetation grown in fertile soil and the *Quran* states that rain is the source of all water that also acts as a pillar of the earth to stabilize its crust: “And God has made you grow, as a plant from the earth; then to it He returns you, and He will bring you forth a new [...]” and “[...] and God has made the earth a wide expanse, that you may traverse its open ways” (*Nuh*: 17-20). Again, in *surah Mursalat* verses 25-27, it is mentioned that:

Have We not made the earth a vessel to hold the living and the dead? And we have made in its lofty mountains and provided you sweet water to drink.

Furthermore, verses 30-33 of *surah An-Nazi'at*, states:

And the earth, after that He has spread it out; from it He has brought forth its waters and its pastures, and He has made fast the mountains, a provision for you and for your cattle.

It is believed that the Almighty has created air, water, land, mountains, vast areas of forest and sea as well as rivers for the smooth operation of our life. In other verses of the *Quran*, it is mentioned that mountains were created to be pillars of the earth, but the modern exploitation of the earth's resources by cutting down forests, destroying the hills and high lands, is damaging the eco-balance which in the long run is proving to have alarming repercussions. Now is the time to take action to mitigate the detrimental environmental conditions and follow the instructions stated by Allah (SWT) in an effort to preserve it. BB's in-house green management policy is concerned with reducing paper and water use, reusing waste, emphasizing on renewable energy sources for electricity production to reduce the pressure on using nonrenewable energy, such as gas and coal, for electricity production. Creating solar power branches as well as designing branches in such a way so that maximum daylight can be used is also a concern of BB's in-house green performance as is focusing on online, SMS or mobile banking and also focusing on reducing paper use. Moreover, by following these practices, banks are improving their performance and providing more efficient services to consumers. Financial institutions and banks promoting paperless banking efforts, and the conservative use of all the utilities such as water, waste and electricity are very much *Shariah* compliant, as *Shariah* discourages wastefulness and encourages the best use of natural resources.

3.3 Risk management

Verses 115 to 119 of *surah Ta Ha* of the *Quran* essentially states that human beings have been created in an environment of risk so intrinsically they are at risk and should know how to overcome those risks rather avoiding them. There are different types of risks: permissible, non-permissible and manageable. *Gharar* (uncertainty) and *mysir* (gambling) are non-permissible risks that should be avoided while doing business transactions. Other than these two, *riba* (interest) and doing business with prohibited good is *haram*, or forbidden. *Quranic* verses encourage us to do trade or business and business is risky but even the Prophet Muhammad (pbuh) practiced *Mudarabah* and *Musharakah* types of financing, and these are considered the best practices that should be followed.

In business, as both the chance of gains and losses is equal, the parties involved in business as partners are very cognizant of this at the beginning of a working relationship which brings satisfactory end results. Moreover, both parties share the gains and losses which make the parties equally responsible and active to bring about ultimate gains and to also reduce the burden from one party to bear the whole loss of the business which facilitates creativity. The *Quran* warns us to be calculative in taking risks and attempts to motivate us to risk management:

And spend in the way of Allah and do not throw [yourselves] with your [own] hands into destruction [by refraining]. And do good; indeed, Allah loves the doers of good (*Al-Baqarah: 195*), moreover, He assures humans by saying And Allah invites to the Home of Peace and guides whom He wills to a straight path (*Yunus: 25*).

The Prophet Muhammad (pbuh) advised us to manage risk and states that first we should give our efforts to manage risk, then we should rely on Allah (SWT). The following two *Hadiths* address the issue succinctly: A man asked the Prophet (SAW) “Oh the Messenger of Allah! Should I leave my camel (without tying it) and put trust (depend) on Allah (*Tawakkal ‘alAllah*) or should I tie it then depend on Allah?” He (the Messenger of Allah) said, “Rather tie it and then depend on Allah ” (Narrated by Tirmizi), another *Hadith* of Tirmizi narrates that Umar (r.a.) said:

I heard the Messenger of Allah said, If you depend on Allah (*Tawakkal ‘alAllah*) truly, He will provide you with sustenance the way He provides to a bird, which flies out hungry in the morning, and comes back to nest in the evening with the stomach full.

These two *Hadiths* introduce two features of full dependence and faith in Allah. First, it is believed that one should follow the rules of the world before placing reliance on Allah (SWT). Second, not fulfilling all required things before placing belief and hope in Allah, by thinking that Allah will accomplish all, is wrong. Conversely, there are few unlikely risks in conventional business, and so it is permissible for a bank not to attain risky projects in an effort to manage their risk exposure. Again, from an Islamic perspective, a person should manage risk using worldly tools rather than relying on the Almighty for protection and guidance.

The second *Hadith* gives the idea that Allah (SWT) is the ultimate provider. He provides food to every living creature, and either they attempt to attain it or not, for example, Allah (SWT) assures the *rizq* or survival of all newborns. An additional lesson of these two *Hadiths* is that an organization does not have to offer solutions for every single risk. It is just anticipated that it will try to do its best in risk management (*Zahid, 2010*).

Environmental risk management while considering credit risks and climate risk funds are two of the most important green policies. In light of the verses of *Quran* and the *Hadith*, if we justify them, we find them *Shariah* compliant. Banks are now incorporating an Environmental Risk Rating (EnvRR) into their Core Risk Management (CRM) and are prioritizing those projects that have low EnvRR. Environmental risk is not a part of credit risk; rather, it is a facilitating element of credit risk when it is linked with credit risk due to environmental conditions or climate change. Even though a project may have a high rating overall but, because of high environmental risks, it may be ranked lower than it would otherwise be. Environmental risk in this case has a greater impact over credit risk in the overall credit risk methodology. As a result, environmental risk is required to be incorporated in CRM. Incorporation of

environmental risk in CRM is also important for the computation of adequate capital under risk-based capital adequacy, and so banks are now assessing EnvRR following the Environmental Due Diligence Checklist of Environmental Risk Management guidelines. Bangladesh is vulnerable to natural calamities because of its geographic location, so to keep a certain amount of funds aside to meet the contingent liabilities due to climate risk is the responsibility of all financial institutions. As part of their CSR, banks are maintaining climate risk funds in two ways: one, as part of CSR events and, two, as CSR projects. Finally, it is probable that, concerning environmental risk in credit risk assessments and maintaining climate risk funds, both activities are fundamentally *Shariah* compliant.

3.4 Maintain transparency and disclosure of reports

The *Quran* informs us to be transparent and maintain proper documentation in business dealings. Moreover, it has been proven by the act of the Prophet (pbuh) and by the *Quran* that a person should be honest, transparent and maintain proper documentation while doing business transactions. According to Allah (SWT): “O Believers! Whenever you lend money for a particular period, write and someone among you must write it justly. And the one who can write must not refuse” (*Al-Baqarah*: 282). The Almighty has forbidden us not to take the property of others unlawfully:

And do not consume one another’s wealth unjustly or send it [in bribery] to the rulers in order that [they might aid] you [to] consume a portion of the wealth of the people in sin, while you know [it is unlawful] (*Al-Baqarah*: 18).

The Prophet (pbuh) says: “Each one of you is a guardian and each guardian is accountable to everything under his care”. He also states that: “Almighty Allah’s mercy descends on one who is gentle at the time of buying, selling, and requesting payment” (Tirmizi). According to *Ibn-e-Maja*, the Prophet Muhammad (pbuh) said: “Whosoever sells a defective product without disclosing its defect to the purchaser, shall earn the permanent anger of Almighty Allah and the angels continuously curse such a person”. Another authentic *Hadith*. No. 1,937 of *Bukhari*, mentioned that the Prophet Muhammad (pbuh) said:

The seller and the buyer have the right to keep or return the goods as long as they have not parted or till they part; and if both the parties spoke the truth and described the defects and qualities [of the goods], then they would be blessed in their transaction, and if they told lies or hid something, then the blessings of their transaction would be lost.

One of the major focuses of the second phase of the green policy is transparency and the disclosure of a green report. Financial institutes should remain transparent in green financing and disclose all the activities and initiatives taken to promote green banking. From the above quotations, it is also clear that to be clear and maintain clear reporting is recommended and practiced by *Shariah* scholars.

3.5 Importance of educating people

Education is one of the essential rights of all human beings, and it provides the necessary knowledge to put one’s potential to maximum use. The importance of education is twofold. First, it helps people to think clearly by enlightening their hearts. Second, it guides human beings to be cautious and helps them to absorb and disseminate information from the external world which is ultimately beneficial for them.

Islam assigns great importance to acquiring knowledge and education, which is the first word of the first verse of the *Quran* – “*Iqra*”. Not only is it the very first word, all the subsequent verses highlight the significance of education, such as verses 7 and 18 of *surah Al-imran*, 9 of *Az-zumar* and verse 114 of *Taha*, all of which emphasize very strongly on acquiring knowledge:

So high [above all] is Allah, the Sovereign, the Truth. And, [O Muhammad], do not hasten with [recitation of] the *Quran* before its revelation is completed to you, and say, My Lord, increase me in knowledge.

In the Prophet’s (pbuh), life there was a beautiful event that helps to indicate the importance of education. At the battle of Badr, the Prophet (pbuh) was victorious over his foes and 70 enemy soldiers were taken prisoner. These prisoners were literate, and so the Prophet (pbuh) stated that if each convict were to teach 10 Muslim children to read and write, this act would serve as that prisoner’s payment, and he will then be set free. Historically speaking, this was the first official school that was managed and run by non-Muslims to educate Muslim children, and it was established by the Prophet Muhammad (pbuh). The Prophet Muhammad (pbuh) stipulated that all Muslims were to acquire knowledge and share it. He said:

Acquire knowledge, for he who acquires it in the way of Allah performs an act of piety; he who speaks of it, praises the Lord; he who seeks it, adores Allah; he who dispenses instruction in it, bestows alms; and he who imparts it to others, performs an act of devotion to Allah (*Bukhari*, Muslim).

As green financing and banking is a new trend, there is a need to make people aware of it. There is a lot of scope for humans to incorporate green practices in their everyday life, as well as in every step of in-house activities. Moreover, to have green practices in place for business activities, in particular green financing, creates pressure on the investors to take on green practices themselves. But very few clients are aware of it and its potential, so there is a need to organize green events and programs to educate consumers about the most positive aspects of green financing that will not only benefit the investors themselves but also benefit future generations. Keeping all this in mind, BB has created a clause that all the financial institutions should inform clients, train employees and organizes green events to facilitate green financing and allocate a budget each year for these activities.

3.6 Green financing

Teachings of the *Quran* are always in favor of financing rather simply giving loans. Giving loans to a person for them to do business and, in return, receive capital plus surplus without considering whether the business earns anything, is *haram* in Islam. This way of doing business destroys the spirit of entrepreneurship skills and burdens one section of the population onto another, whereas partnership businesses encourage creativity and share the burden of business losses which ultimately lessen the gap between the rich and the poor. Moreover, business activities keep money circulating in an economy and enhances overall productivity as well as increases employment. Borrowing and lending activities can make one class of people richer while another poorer and can also damage the entrepreneurial skills of the lending class, make them dependent on others and widening the gap between the rich and the poor. So, considering there are a lot of benefits of trading, the *Quran* says for us to do it and

forbids us to involve in interest-based or *Ribwai* activities: “Whereas Allah has permitted trading and forbidden *Riba (usury)*, Allah will destroy *Riba (usury)* and will give increase for *Sadaqaat* and Allah likes not the disbelievers, sinners” (*Al-Baqarah: 275-276*). In another verse, the Almighty says: “O you who believe! Be afraid of Allah and give up what remains from *Riba*, if you are really believers” (*Al-Baqarah: 27*).

Islam encourages financing based on *Mudharabah*, *Musharakah* and *Ijarah*, *Murabah* or any other *Shariah* complaint procedure. Moreover, if it is green, then it certainly falls under the fundamental teachings of Islam’s *Shariah* permissible range as caring for the environment and surroundings, minimizing waste and the sustainable use of natural resources. The financial devices deriving from the “principles” originating from the *Quran* and *Sunnah* emphasizes social well-being, and that interest-bearing transactions (*riba*) are avoided in *Mudarabah/Musharakah* (profit-sharing/equity participation) contracts, while realizing that justice and goodness in the act of the distribution of wealth is possible by the institution of wealth tax (*zakah*) and, again, that avoidance of waste (*israf*) exists in consumption, production and resource utilization. Thus, all instruments and principles of *Shariah* are shown to be interactively related through circular dynamics. The circular causation relations in the methodical formalism underlying the epistemic methodology of unity of knowledge according to the monotheistic law exist permanently in this property of the system (Choudhury, 2014). The green financing policy of BB includes directly or indirectly financing green projects, allocating funds to climate risks and relevant employees, client training programs and the active promotion of green banking. The *Shariah* compliance of each of the policy was illustrated separately in the previous section.

4. Findings of *Shariah* relevancy with green banking policies

This paper aims to prove the *Shariah* compliance of the green banking policies of Bangladesh, and for that it has divided the overall policies into major categories: governance, environment risk in credit risk management, in-house environment management, climate risk fund, training, awareness and green events, disclosure and reporting and green financing. *Shariah* compliancy of the green guidelines has been judged based on the major aspects of it, and this paper successfully proves that all the aspects of green policies are very much in line with *Maqasid-Al-Shariah* by quoting various relevant verses of the *Quran* and *Hadith*’s of the Prophet Muhammad (pbuh).

Hence, the researchers’ view is that as the green policy is *Shariah* complaint, Islamic banks should not have any complications to successfully implement it; they should take it very seriously and, before every financing decision is made, should consider the environmental risk assessments as a vital tool because, by doing so, they can fulfill the need of *dharuriyyat*, to protect life, family and property.

Furthermore, the amount Islamic banks are investing in green financing can be very high, up to 100 per cent financing in some cases, which is exceptional, especially when compared to the current rates of between 3 and 5 per cent of green financing being allocated out of the overall financing. Currently, banks are only following BB green instructions that states that the total green financing target should now be 5 per cent as of 2015 (in previous years, it was 3 to 4 per cent) of the total disbursement/investment of funded loans (BB Green Report, 2014).

If Islamic banks in Bangladesh are going to take green financing seriously, then their contribution will have to be greater with regards to the sustainable development of the

country's economy, as their conventional counterparts are unlikely to consider green financing, as their main objective of financing. Conventional banks will only consider it to be a moral responsibility and part of their CSR activity, whereas for Islamic banks, it is their obligation as green banking is very much *Shariah* compliant and fulfills the primary objective of *Maqasid-Al-Shariah*.

5. Conclusion

By ignoring the *Quranic* injunctions, human beings, of course, upset the ecological balance, and it is their responsibility to re-set it which requires countless struggles and huge personal modifications. To re-establish and preserve the balance in nature, people should act like *khalifahs*. The effort of BB by introducing a green policy and guidelines as well as enforcing the guidelines set by all types of financial institutions, either bank or non-bank, is an act similar to being a *khalifah* which will help uphold the ecosystems that are the anchorage of all creatures', including animals, birds, insects, plants and humans. The role of BB is also very much in line with the *Maqasid-al-Shariah*. But to implement the plan institutionally, as well as on individual levels of effort, deeper understanding and changes in behavior is required, and personal level changes are sometimes very simple. It is easily possible to reduce, reuse and recycle waste, and the conservation of water and other natural resources is manageable. For example, by planting more trees, the compensation of deforestation is possible. Now, it is time to consider the principle set out in this message: "Man shall have nothing but what he strives for" (*An-Najm*: 39).

This is the right time to consider the *Quranic* messages and teachings of the Prophet Muhammad (pbuh) to protect this planet and to keep from endangering the rights of future generations. As current policies are being adopted to safeguard the environment and its resources, and action plans are being implemented that are very much in line with *Quranic* teachings and the deeds of the Prophet Muhammad (pbuh). Many consider it remarkable that the *Quran* was sent to the Prophet Muhammad (pbuh) to guide and to illustrate the best ways of using natural resources. This paper tried to find the resemblances between the PGGB set by BB and the actions of the Prophet Muhammad. By quoting various verses from the *Quran* and the *Sunnah*, this paper successfully showed that policy guidelines set by humans to preserve the eco-balance are *Shariah* compliance.

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Further reading

- Hadith Quoted & Narrated by *Bukhari, Muslim, Musnad, Tirmidhi, Ibn-e-Maja, Darimi, Abu Daud*.
- Verses of holy *Quran*- *Al Baqara*: 164, *Al-Qasas*: 77, *Al-Baqarah*: 60, *Al-Ahzab*: 72, *Al-Anam*: 165, *Al-Anam*: 141, *Al-a'raaf*: 31, *Al-Isra*: 27-29, *Al-Furqan*: 67, *Al-Hijir*: 22, *Al Araaf*: 57, *Ar-Rahman*: 10, *Ar-Rum*: 2, *Nuh*: 17-20, *Al-Mursalat*: 25-27, *An-Nazi'at*: 30-33, *Al-Baqara*: 195, *Yunus*: 25, *Taha*: 114, *Al-Baqarah*: 275, *Al-Baqarah*: 276 *Al-Baqarah*: 27, see the translation at Roman Translation of The Holy *Quran* by Abdullah Yusuf Ali (2005), Adam Publisher & Distributors, New Delhi.

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