

Islamic Principles versus green microfinance

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Abstract – The purpose of this literature review is to find out the link Islamic principles based on the Qur'an, and hadith that in line with the green microfinance activities. The scope of this literature review is divided into four main sections: (1) Is Islamic perspective on economic activities has concern with the environmental issues?, (2) Why microfinance has an important role to implementing green microfinance activities?, (3) What's the link between Islamic principles and green microfinance activities, (4) Who has responsibilities on the implementation of green microfinance activities?. Based on Islamic perspective, the people can run their business as long as they didn't destroy environmental. The conservation of environmental very important to support the sustainability of human life, it's reflected in The Qur'an and Hadith as the supreme sources of Islamic law. Furthermore, Islamic finance has a strong engagement with the microfinance activities, because the main clients of microfinance are low income people, and the one of microfinance objectives is related to poverty alleviation. Furthermore, the majority clients of microfinance are poor people that also as the contributor of environmental destruction. Linked to this condition, must be exist appropriate law enforcement from the government who has the legitimacy to force microfinance institution for implementing environmental conservation activities.

Keywords – Islamic Principle, Environmental Concern, Microfinance, low income people, Legitimacy

I. BACKGROUND

Al Quran as a way of life for humans to govern all aspects of human life. Qur'an was revealed by Allah through the Prophet. Furthermore, in order that the Qur'an as a source of law and the rules can be applied in human life, must be provided with the hadith and Ijtihad (Choudhury, 2014). Qur'an and hadith as super cardinal in human life, stated in the QS Al Baqarah verse 2 and in An Nisa verse 59

ذَلِكَ الْكِتَابُ لَا رَيْبَ فِيهِ هُدًى لِّلْمُتَّقِينَ ﴿٢﴾

Meaning: "This is the Book about which there is no doubt, a guidance for those conscious of Allah"

يَا أَيُّهَا الَّذِينَ ءَامَنُوا أَطِيعُوا اللَّهَ وَأَطِيعُوا الرَّسُولَ وَأُولِي
الْأَمْرِ مِنكُمْ فَإِن تَنَزَعْتُمْ فِي شَيْءٍ فَرُدُّهُ إِلَى اللَّهِ
وَالرَّسُولِ إِن كُنتُمْ تُؤْمِنُونَ بِاللَّهِ وَالْيَوْمِ الْآخِرِ ذَلِكَ
خَيْرٌ وَأَحْسَنُ تَأْوِيلًا ﴿٥٩﴾

Meaning: "O you who have believed, obey Allah and obey the Messenger and those in authority among you. And if you disagree over anything, refer it to Allah and the Messenger, if you should believe in Allah and the Last Day. That is the best [way] and best in result."

In addition Quran and Hadith is a unity that can not be separated. Quran as the first and main source of the revelation by God to the Prophet Muhammad to be delivered to humans. Obligation for Muslims to study the Qur'an also stated in the hadith:

عن عثمان بن رضي الله عنه قال: قال رسول الله صلى الله عليه وسلم
خيركم من تعلم القرآن وعلمه. (رواه البخاري)

Meaning: "From Usman he said, the Prophet SAW said: (Muslim) good among you are those who learn the Qur'an and teach it to others." (HR. Bukhari). From the Hadith is stated how magnificent a person's character when he was able to learn the Qur'an well, then he teaches to others. Thus he will get double reward from God and had the honor of man on earth. The nature of the revelation of the Qur'an is to be a universal moral reference for humanity to solve social problems that arise in the middle of the community., Hadith as the source of the teachings of both appear to explain (bayan) generality of the contents of an issue if the law can not be in Al-Qur'an (Choudhury, 2014).

Moreover, the Qur'an Surah Al-Maidah verse 92 also explains about the obligation to believe and accept everything that is delivered by the Prophet Muhammad told his followers to be used as way of life

لَيْسَ عَلَى الَّذِينَ ءَامَنُوا وَعَمِلُوا الصَّالِحَاتِ جُنَاحٌ فِيمَا طَعِمُوا إِذَا
مَا اتَّقَوْا وَءَامَنُوا وَعَمِلُوا الصَّالِحَاتِ ثُمَّ اتَّقَوْا وَءَامَنُوا ثُمَّ اتَّقَوْا
وَأَحْسَنُوا وَاللَّهُ يُحِبُّ الْمُحْسِنِينَ ﴿٩٢﴾

Meaning: “There is not upon those who believe and do righteousness [any] blame concerning what they have eaten [in the past] if they [now] fear Allah and believe and do righteous deeds, and then fear Allah and believe, and then fear Allah and do good; and Allah loves the doers of good.” Related to Al Maidah verses 92, can be illustrated that every command obedience to Allah in the Qur'an always accompanied by obedience to the command of His Messenger. Similarly, the warning (threat) because of disobedience to God, often equated with threats because of disobedience to the Prophet Muhammad.

Allah has stated the obligation for Muslims to obey Rasul SAW and guided by his Hadith. Prophet Muhammad was the one who was given the mandate by God to convey the Shari'ah are revelation to mankind, and he did not deliver anything, especially in the field of religion but derived from revelation. Therefore, every Muslim is obliged to adhere to the Hadith. Prophet Muhammad advised regarding the necessity to make the Hadith as a way of life, in addition to the Qur'an as its main guidance. Prophet said:

عَنْ أَنَسِ بْنِ مَالِكٍ قَالَ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ: تَرَكْتُ فِيكُمْ أَمْرَيْنِ لَنْ تَضِلُّوا مَا تَمَسَّكْتُمَا بِهِمَا كِتَابَ اللَّهِ وَسُنَّةَ نَبِيِّهِ (رواه مالك).

Meaning: "From the Anas bin Malik Prophet said: I left two treasures for you all, that you will not get lost while you sticking to both the form of the Qur'an the book of Allah and the Sunnah of His Messenger" (HR. Malik). The hadith indicates that the Prophet has left two guidance as a way of life that is the Qur'an and Sunnah as a handle and guidance in order not to misguided in carrying out of life in the world and also survived to reach the hereafter

The third world and developing countries in general try to stimulate economic growth aim increasing the prosperity of their citizen contributing to the reduction of the poverty. In any case the improvement of the individual welfare during the process of economic development presents a lot of controversial issues in terms of environmental impact. In this respect Grossman and Krueger (1994) are questioning if the economic development of developing countries is putting in danger the environment or actually is only through the increase of income and wealth that is possible to solve ecological problems. The economic development increases the industrial activities and generates ecological problems such as the extinction of species, land degradation and global warming. These ecological problems have a negative impact on the individual's quality of life and on the development of a sustainable society (Mc Donald et.al., 1997, Cook et.al., 1999). Many environmental damages are caused by human activities driven only by an economic motivation without taking into consideration the importance of the environment for human life (Jegasothy, 1999; Abbas, 2012). Nevertheless, the economic development and economic growth should continue, because these processes allow the achievement of a better condition for the people.

In any case economic development should be useful not only for the current but also for the future generations (sustainable development). Thus, we need to balance economic growth, ecological impact and social impact (as a triple bottom line) with those three elements that should be integrated into every development activity (Pereau, et.al, 2012). Furthermore, in developing countries, there are a series of constrains to the implementation of sustainable development processes, especially associated with environmental issues. These constraints are the following: (i) the approach to development is very pragmatic, focused only on economic development (profit oriented); (ii) the use of natural resources is driven by the need of products, which is actually the satisfaction of all the market needs. This condition leads to an uncontrollable exploitation of the natural resources; (iii) in the developmental process the areas of finance, trade, investment, and technology is not integrated with the environmental planning. In developing countries, the economic development may result in two diverging kinds of impact. A positive impact represented by the increase of the national per capita income but also a negative impact resulting in the environmental damage.

According Choudhury (2009), sustainability in the Islamic development methodology is defined as the process of establishing complementarities between economic, social and ethical issues of human development. Related to the environmental destruction in the development, its also not allow in the Islamic perspective. Environmental preservation also stated in the Qur'an Ar Rum verses 41

ظَهَرَ الْفَسَادُ فِي الْبَرِّ وَالْبَحْرِ بِمَا كَسَبَتْ أَيْدِي النَّاسِ لِيُذِيقَهُمْ
بَعْضَ الَّذِي عَمِلُوا لَعَلَّهُمْ يَرْجِعُونَ ﴿٤١﴾

Meaning:” Corruption has appeared throughout the land and sea by [reason of] what the hands of people have earned so He may let them taste part of [the consequence of] what they have done that perhaps they will return [to righteousness].” In the Ar Rum verse 41 stated that all environmental damage is the result of human greed, which exploits the natural world all-out. Therefore, since the beginning of God's warning of the human-induced.

II. THEORITICAL BACKGROUND

The majority of the people in developing countries has a low income or are poor. They need access to financial services to sustain their economic activity and also to fulfill their household needs. According to Hudon (2011), microfinance institutions (MFIs) play an important role in the economic development of developing countries, as it is happening in Asia and Latin America with the cases of Bangladesh, Indonesia and Brazil. MFIs have an important role in the reduction of poverty in developing countries (Karlan and Goldberg, 2011) serving the poor and at the same

time balancing financial and social performance (Morduch, 1999; Copestake et al, 2005, Armendariz & Labie, 2011). MFIs in developing countries also relate to the preservation of the environment. In developing countries the small-scale activities conducted by the micro entrepreneurs entail environmental risks representing direct threats to population' health and livelihoods. MFIs clients are poor people who have low income. Usually poor people, lack of education and knowledge, thus they are not concerned by environmental issues and sometimes they're also directly contributing to the destruction of the environment. Associated with this condition, recently, some donors and experts claim that MFIs could play a role in fostering pro-environmental behaviors among their micro entrepreneur clients (Allet, 2012).

Indonesia as the biggest muslim population countries as well as the part of developing countries also has the environmental degradation. Apart from the success of development that contributed to the advancement of technology and the development of industry-in Indonesia, in fact there has been a deterioration of natural resources and increased environmental pollution, especially in cities such emerging Gresik, Surabaya, Jakarta, Bandung Lhoksumawe, Medan, and so on (Sitorus, 2004). Some damage occurred, according Amsyari.et.al (1996) are as follows:

- The decline in the quality of surface water around industrial areas. The concentration of pollutants that are harmful to the health of the population such as mercury, cadmium, lead, pesticides, pcb, a sharp increase in the water content of the surface and the water biota;
- Scarcity of fresh water to be increased, particularly in the dry season, while the rainy season tends to occur floods that hit many areas that cause harm due to the condition of ecosystems that have been damaged;
- Maximum and minimum water temperature varies Often, even the highest Temperatures in some Cities such as Jakarta has Reached 37 degrees Celsius;
- An increase in the concentration of air pollution such as CO, NO₂ S0₂, and dust;
- The natural resources of the Indonesian nation dwindling, such as petroleum and coal are expected to be exhausted in 2020;
- Indonsia forest area is getting narrower due to uncontrolled encroachment intentional or by fire;
- More soil nutrient conditions are not fertile, and agricultural land narrowing and polluted.

The above conditions is certainly contrary to the principles of Islam which the majority of the Indonesian population are Muslim.

III. RESEARCH DESIGN

The research method is based on a qualitative research, The framework of this research is defined by research questions as follows:

- Is Islamic perspective on economic activities has concern with the environmental issues?;
- Why microfinance has an important role to implementing green microfinance activities?;
- What's the link between Islamic principles and green microfinance activities?;
- Who has responsibilities on the implementation of green microfinance activities?.

IV. RESULT AND DISCUSSIONS

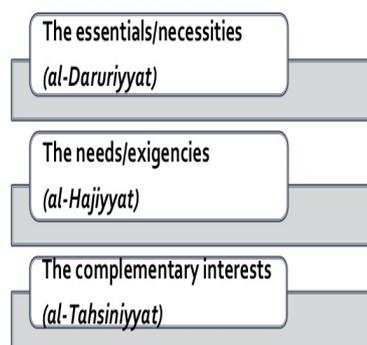
- Is Islamic perspective on economic activities has concern with the environmental issues?*

The ultimate goals of activities in Islamic perspective is Maslahah. Maslahah is is all activities should bring benefits and refusing all activities that harm nature, or bring damage. Nevertheless, according to Nugroho (2014) the existing human in the world should give positive contribution to others not only for human live but for all the elements. This statement argued by the hadith as follows:

خَيْرُ النَّاسِ أَنْفَعُهُمْ لِلنَّاسِ

Meaning: "The best man is the most useful for others." Furthermore, the maslahah can be divided by the priority level and can be illustrated as follows:

Figure 1.1



Explanation of figure 1.1 as follows:

- The essentials/necessities (al-Daruriyyat) are those on which lives of people depend, and whose neglect leads to total disruption of chaos. Dharuriyat (Necessity) include religion, life, intellect, lineage, wealth is a unity that can not be separated. If there is one thing that is ignored, will cause imbalance in human's life;
- The needs/exigencies (al-Hajjiyyat). Hajjiyat (Needs Secondary) function completes dharuriyat aspects make it more solid. Examples of hajjiyat is sunnah worship. Sunnah worship was done after the implementation of compulsory worship;
- The complementary interests (al-Tahsiniyyat), the function makes the human being in a noble manners and good manners. So as to add to the beauty of human life,

for example: Make use of clothes neat and nice in worship.

For further explanation of *maslahah* the part of *Al Daruriyat* should be based on the principles of *maqhasid sharia*. According Bahsoan (2011), the principles of *maqhasid sharia* are:

- a) First, Maintaining Religion. Humans require absolute religion. Without religion, there is no point in life, even religion is the most important requirement of all basic needs. Religion ranks first, because the whole teaching of law leads people to act in accordance with His will and good pleasure of God. Because it is in the Qur'an and Hadith of a man driven to believe in Allah, and that is the foundation of Islamic economics in particular. As for economic relations with aspects of *aqidah* allows economic activity in Islam became a worship.
- b) Second, preserving life. Nourishes the soul is intended to preserve the right to live in dignity and nourishes the soul in order to avoid acts of persecution in the form of murder, as well as actions that hurt includes eating foods that can damage the body or excessive in taking it.
- c) Third, Maintain Mind. Sharia sees the human mind as a gift of Allah, which is very important. With the human mind can discern what is good and what is bad. With the human mind assigned to worship God. People lacks unencumbered tasks *Shari'a*. Because of that mind must be maintained and protected. For this reason the law forbids alcohol and all that can kill the creativity of the human mind and morale (drugs). Thus, in Islamic economics, alcohol or and the like is deemed not to have value.
- d) Fourth, Maintaining Descendants. *Mashlahah* world and hereafter are intended by God to discontinuity from one generation to another generation. Therefore, Islam regulates marriage and forbid adultery, assign anyone who may marry, the ordinance of marriage and terms, and the pillars that must be met. All of which is a form of preserving a clean and healthy descendants in a serene and peaceful atmosphere. Thus, there will be more and stronger as well as the creation of union and unity in the community where they live.
- e) Fifth, maintain the property. Although essentially all of the property belongs to Allah, but Islam recognizes an individual's personal right. Islam requires that regulations concerning such *Muamalat* purchase, lease, borrow or lend, pledge and so on, and prohibits fraud and practicing usury. Maintaining a well-understood property set *Muamalat* system on the basis of fairness and willingness, trying to develop wealth and handed into the hands of people who are able to maintain good property is also understood to regulate *Muamalat* system on the basis of fairness and willingness, trying to develop wealth and handed into the hands of people who are able to maintain good.

- f) Sixth, QS. Ar-Rum verse 41 stated: "Corruption has appeared throughout the land and the sea by [reason of] what the hands of people have earned so He may let them taste a part of [the consequence of] what they have done that perhaps they will return [to righteousness]." In this verse, Allah revealed the emergence of the environmental damage caused by human activities, and people will accept the consequences. Because of environmental damage would threaten human existence, especially our future descendants.

Based on the *Maqhasid Sharia*, the environmental issues is very important point in the Islamic perspective, because of all the activities include of financial activities should be embedded with the Islamic values that *nota bene* *maqhasid sharia*.

B. Why microfinance has an important role to implementing green microfinance activities?

The originality of microfinance objective, it's to achieve the double bottom line. That is mean microfinance institutions are mindful not only about financial performance, but also by social indicators. Econometric analysis is used to assess financial performance, and guidance is provided for extending the analysis of social performance indicators or MFIs have a double aspect: financial and not-for-profit. It is, therefore, appropriate to assess their performance by means, not only of financial ratios, but also by means of social indicators. (Frank, 2008; Armendariz and Labie, 2011; Hudon, 2011; Stuart, 2011; Balkenhol and Hudon, 2011; Cinca et al, 2011). In other word the MFIs was designed to serve unbanked poor and, it's seen by some as a magic wand against poverty that is supposed to solve it all (Armendariz and Labie, 2011), but microfinance neither a panacea nor a magic bullet, and it can't be expected to work everywhere or for everyone (Armendariz and Morduch, 2010).

Global warming is caused climate change has a negative effect that is remarkable for human life on earth, natural disasters that could be due to the effects of climate change turns occur various countries in the world. Greatest impact when it's covered by the natural system: extreme weather such as heavy rain, storms with stronger force, and heat waves. Polar ice melt triggering sea level rise that threatens citizen community, ecosystem, and in the coastal city, also have broad impact of ocean acidification for marine species, including coral reefs. Nevertheless the most dangerous, according to scientists fear is the impact on human life, such as health, home, and food that is caused by the increased of temperature (Abbot and Wilson, 2014).

Then the question comes up, is there a link between poverty and environmental concerns? The link between poverty and environment is often mentioned in sustainable development (Reardon and Vosti, 1995), its mean the development should be given the impact not only for recent generation but also for the next generation. Link between poverty and environment Its shown in recent year, there is an

effort from the development practices to the empowerment of MFIs with starting to consider their environmental bottom line in addition to their financial and social objectives (Allet and Hudon, 2013).

But why should microfinance should concern in environmental bottom line? Allet (2013) mention the clients of MFIs should be responsible for climate change because they have an impact on the environment. The clients of MFIs have contributed in major environmental risk like chemical pollution, solid and liquid wastes, pollution emissions, inefficient production processes (energy-consuming, waste-producing), and degradation of natural resources. Regarding this risky, there are environmental issues in the community, such as health and sanitary issues, economic consequences, risk of conflicts, increased vulnerability and food security. Associated in this condition the donors in MFIs and the experts in this field, believed MFIs has capacity to involve in environmental concern in their activities to be third bottom line or additional from the original MFIs objective double bottom line, the triple bottom line element that consist of financial performance, social performance and environmental performance (Copestake, 2007; Green Microfinance, 2007; Van Elteren, 2007; FMO, 2008; Schuite and Pater, 2008; Rippey, 2009; Agier and Szafarz 2013). We believe green microfinance activities will be significant contribute to anticipate the impact of climate change for livelihood, because of the small scale activities in developing countries has the threat of environmental destruction (Allet, 2013), and MFIs as the institution directly contact with the grassroots community. Addressing in this condition, the services of MFIs could be as intermediaries, and have the opportunity for the dissemination of environmental awareness-raising information (Hall et al, 2008; SEEP Network, 2008). In line with this issue, Kaushal and Kala (2005) also mention that microfinance has a positive impact on the environment, because of there is a positive link between access to micro credit and forest regeneration in 27 Indian villages.

C. What's the link between Islamic principles and green microfinance activities?

Qur'an and hadith are the two main pillars of Islam. Every detail of the teachings of Islam should refer to the Qur'an and hadith. Qur'an is the principal source of Islamic teachings as a guide for mankind (Hudan-linnasi), as a guide human life towards a prosperous life in the world and safely in the hereafter. In addition Hadith role to interpreting the Qur'an in the practice or application of Islamic teachings in a factual and ideal. We would be hard to imagine if without "intervention" hadith, the Qur'an, especially those related to legal issues can be understood and actualized in practical Muslims. As guidance of human life, of course, the teachings contained in the Qur'an and hadith should be implemented in public life. Islam as rahmatan lil 'Alamin means that Islam is a religion that brings grace and prosperity for all the whole

universe, including animals, plants and the jinn, and of course human beings, it's stated in Qur'an Al-Anbya verses 107:

وَمَا أَرْسَلْنَاكَ إِلَّا رَحْمَةً لِّلْعَالَمِينَ ﴿١٠٧﴾

Meaning:” And We have not sent you, [O Muhammad], except as a mercy to the worlds.”

According the purposes of microfinance, there is strong similarity with Islamic bank, the in line purposes of microfinance with Islamic bank are social performance and poverty alleviation. Although the practice of Islamic finance is based on the belief that money is not a productive asset in and of itself. Furthermore, aiming to implement Islamic law sharia maqhasid, so the the activities of Islamic banks emphasize factors ethical, moral, social, and religious to promote equality and justice for kindness the ummah. Although this analysis of Islamic banking focuses on the economic aspects, the system can be fully understood only in the context of Islamic attitudes towards ethics, wealth distribution, social and economic justice, and the role of the state. Principles encouraging risk sharing, individual rights and obligations, property rights and the sanctity of contracts is part of the universal values that underlie the Islamic banking system (Dhumale and Sapcanin, 1998).

The caused of environmental destruction is the low income people or poor people that nota bene they also as the clients of microfinance (Allet, 2013). Islamic persepctive related to the poor people, very concern in poverty alleviation. Islam encourages equity and income distribution policies that favor the poor (pro-poor income distribution). There are three main instrument in Islam related to the distribution of income is land ownership rules, the application of zakat, as well as advocating qardul hasan, donations, and endowments. Islam arranged for everyone who revive the dead land, the land belongs to her. And for anyone who abandon their land, the right to take the country to then give to others who are ready to process it. With the application of zakat, then there will be no concentration of wealth in the community group. Zakat also make sure that each person will be guaranteed minimum living so it has a chance to get out of poverty. Furthermore, to ensure that the property is not only circulated among the rich alone, Islam also strongly encourages the rich to give qard, donations, and endowments. The concern of Islam to the poor people expressed on the Qur'an At Tawbah verse 60 as follow:

﴿ إِنَّمَا الصَّدَقَتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَمِلِينَ عَلَيْهَا
وَالْمَوْلَاةِ فُلُوهُمْ فِي الرِّقَابِ وَالْعَنَادِمِينَ فِي سَبِيلِ اللَّهِ
وَأَبْنِ السَّبِيلِ فَرِيضَةً مِّنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ ﴿٦٠﴾

Meaning:” Zakah expenditures are only for the poor and for the needy and for those employed to collect [zakah] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah

and for the [stranded] traveler - an obligation [imposed] by Allah . And Allah is Knowing and Wise.” Based on Surah At-Tawbah verse 60, we must help the poor to become self-sufficient not only in terms of finance, but can survive with decent conditions. Nevertheless, the microfinance services also has the same purpose that survive the poor people.

The differences of microfinance and Islamic microfinance on the operational mechanism. The Islamic microfinance Institution always put the social, ethics and morals issues in the all financial activities because those of variables are complementarity (Choudhury, 2009). Subject to the Islamic microfinance very concern to the environmental destruction, that also stated in hadith "La dlarara wala diraar" (not to be malakukan deeds danger to yourself and others). Prophet. Said: "There should not be committing a danger to yourself and others. Who makes harm others, then God will harm as well. Who complicate others, God will make it as well " (Sunan al-Bayhaqi). Nevertheless the Qur'an also stated how the environmental very important issues in the Islamic perspective , there are many verses in the Qur'an related to the environment, among others:

- a) QS. Al Baqarah verse 11, As kholifah, human beings have the duty and responsibility to take care for, maintain and preserve the natural resources that have been provided by God for man. Indeed, God has allowed man to use all of these resources as a source of life for humans and all living beings that exist on it.

وَإِذَا قِيلَ لَهُمْ لَا تُفْسِدُوا فِي الْأَرْضِ قَالُوا إِنَّمَا نَحْنُ مُصْلِحُونَ

﴿١١﴾

Meaning:” And when it is said to them, "Do not cause corruption on the earth," they say, "We are but reformers."

- b) QS. Al A'raf verse 56, Therefore, the use of it should not be arbitrary, and carelessly in exploiting it. Utilization of natural resources both at sea, on land and in the forest should be proportionate and rational manner to the needs of broader community and future generations as well as maintaining the ecosystem.

وَلَا تُفْسِدُوا فِي الْأَرْضِ بَعْدَ إِصْلَاحِهَا وَادْعُوهُ خَوْفًا وَطَمَعًا

﴿٥٦﴾ إِنَّ رَحْمَتَ اللَّهِ قَرِيبٌ مِّنَ الْمُحْسِنِينَ

Meaning: "And cause not corruption upon the earth after its reformation. And invoke Him in fear and aspiration. Indeed, the mercy of Allah is near to the doers of good."

- c) QS. An-Nahl verse 112, realizing this, the implementation of development, the use of natural resources in Indonesia should be used rationally. Excavation source of wealth to be undertaken with a vengeance with a strategy that does not damage the environment and governance system of human life. The need for the use of environmentally-friendly technologies and to maintain its sustainability so that the that exist natural resources can be exploited

sustainably. Therefore, we should be able to take i'tibar or introspective of the meaning contained in this verse

وَصَرَبَ اللَّهُ مَثَلًا قَرْيَةً كَانَتْ ءَامِنَةً مُّطْمَئِنَةً يَأْتِيهَا
رِزْقُهَا رَغَدًا مِّن كُلِّ مَكَانٍ فَكَفَرَتْ بِأَنْعُمِ اللَّهِ فَأَذَافَهَا اللَّهُ
لِيَأْسَ الْجُوعِ وَالْخَوْفِ بِمَا كَانُوا يَصْنَعُونَ ﴿١١٢﴾

Meaning: "And Allah presents an example: a city which was safe and secure, its provision coming to it in abundance from every location, but it denied the favours of Allah. So Allah made it taste the envelopment of hunger and fear for what they had been doing."

- d) QS. Al-Baqarah verse 164, in essence, the universe and its contents, both concrete and abstract is a facility to achieve wellbeing of mankind. That's the nature, the world was created to always provide the best for human survival. Humans derive from them to eat, drink, shelter, safety and livelihood.

إِنَّ فِي خَلْقِ السَّمَوَاتِ وَالْأَرْضِ وَاخْتِلَافِ اللَّيْلِ وَالنَّهَارِ وَالْمَلَائِكِ

الَّتِي تَجْرِي فِي الْبَحْرِ بِمَا يَنْفَعُ النَّاسَ وَمَا أَنْزَلَ اللَّهُ مِنَ السَّمَاءِ مِن

مَاءٍ فَأَخْيَا بِهِ الْأَرْضَ بَعْدَ مَوْتِهَا وَبَثَّ فِيهَا مِن كُلِّ دَابَّةٍ

وَنَصْرَفِ الرِّيْحِ وَالسَّحَابِ الْمُسَخَّرِ بَيْنَ السَّمَاءِ وَالْأَرْضِ

لَا يَتَّبِعُ لِقَوْمٍ يَعْقِلُونَ ﴿١٦٤﴾

Meaning:” Indeed, in the creation of the heavens and earth, and the alternation of the night and the day, and the [great] ships which sail through the sea with that which benefits people, and what Allah has sent down from the heavens of rain, giving life thereby to the earth after its lifelessness and dispersing therein every [kind of] moving creature, and [His] directing of the winds and the clouds controlled between the heaven and the earth are signs for a people who use reason.”

So, based on the Qur'an, the Islamic law also support and very concern related to green microfinance activities that nota bene Green microfinance is financial services to the poor in one region or country, which is one of the activities is to provide soft loans to individuals or groups of individuals who work directly to support the development of green and sustainable social development, create green jobs and environmental solutions progressive for the things that destroy and pollute the earth (Rouf, 2012). Furthermore, according Allet (2012), the financial activities of the green on microfinance institutions include: loan screening in accordance with environmental criteria, offering micro credit to support clean technology, or training their clients about the practices of pro-environment. There is a close relationship between microfinance institutions (MFIs) in protecting the environment, because clients of microfinance are also actors on environmental destruction, and they are not aware of it because of the low level of education. Discourse latest green microfinance, and became the topic of a workshop-hosted by

the University Meets Microfinance organizations which held on 3-4 July 2014 at the Frankfurt School of Finance & Management, making Green microfinance activity is a part of the operations of microfinance institutions in the world. In this event also declared activity green finance is as balancing on operational microfinance institutions. With green microfinance activity put it on the agenda of the MFIs, the workers and clients on microfinance institutions have an understanding, that survive life at this time with no harm to the environment, and doing a business activity today without compromising the next generation wellbeing.

D. Who has responsibilities on the implementation of green microfinance activities?

To enforce the implementation of the green microfinance, needed a regulation (law or act) from the government as a key player that conduct and govern these activities and supervise (make sure that the law is respected and how to apply the regulation) the implementation of it. As rule makers, government has function to promote financial inclusion, consumer protection, rule making, design business models, and as authority to give permit a new actor into the financial service sector (Ehrbeck et.al, 2012). Furthermore Staschen and Nelson (2012) mention the main participant in developing formal rules related MFIs operation are: legislature (parliament), government department (relevant ministry and bureaucracy), and the regulator (the central bank or regulatory authority).

Nevertheless the implementation of green microfinance activities also need of legitimacy. Legitimacy is the recognition of the right to govern (Coicaud, 2004), therefore, to implement the green microfinance program, needed a strong motivation and desire of the authorities to govern (government, investors, donors, creditors, etc.) of implementation in green microfinance. A strong desire or motivation the government can be reflected through regulation or legislation related to green microfinance that have been issued by the authorities (central banks, financial authorities service, ministry of social welfare, etc.). Moore (2000) also builds a legitimate framework for understanding the concerns of managers of non-profit and public sector organizations that encompasses their concerns with mission, operations, and the environment. He argues that the mission of organizations is to create “public value”, value that benefits customers directly, and benefits other stakeholders indirectly. He mentioned that effective managers deploy resources efficiently and effectively to ensure the delivery of public value, while managing their “authorizing” environment to ensure that they receive the legitimacy and support necessary to do their work. Based on these definition, Backstrand (2006) also mention legitimacy can be characterized as the normative belief held by actors that a particular rule, institution or order ought to be obeyed. Nevertheless the regulation is legitimate if and only if (Stillman, 1974):

- a) It is based on the beliefs of: (all or some) other nations, states, or persons; the people unanimous; a majority of the people; a majority of any portion of the people; the king, dictator, etc.; tradition, ancestors, prescription, etc.; God; other; noun or irrelevant.
- b) It has possession of a certain quality (or qualities); pursuit of a certain value (or set of values); none or irrelevant.

Nevertheless in Islamic perspective regarding Choudhury (2008), consider the wellbeing function of sustainable socio-economic development in the context of Islamic political economy. Here the goal of economic growth is a derived relation of wellbeing criterion. Economic growth is not a primal goal. It is intertwined with other goals, all together interactively leading to the criterion of wellbeing such as population change, ownership and distribution of wealth, employment and enterprise, ecological consciousness, sectoral linkages, price stabilization and resource mobilization, etc. are some of the other variables that we can interactively simulate in the wellbeing function by simulating knowledge-flows and their causal interrelationships with knowledge-induced forms.

Based on the according Choudhury and Silvia (2008) the responsibilities for the implementation is all stakeholders in charge and must be embedded with the consciousness for the sustainability. Furthermore, all stakeholders i.e government, central bank, private sectors, non government organization, etc. should be has circular causation connection in term to achieved of wellbeing or *maslahah* on the framework of *maqhasid sharia*.

V. CONCLUSION

Islamic perspective has a strong relevance to the green micro-finance activities, especially in terms of philosophy and purpose. However, the principles of Islam based on the Qur'an, hadith and *ijtihad* are embedded with ethics and morals. The final goal in the principles of Islam are subject to the implementation of the community based on *maqhasid sharia*. Associated with environmental damage, in Islam is not allowed because it would threaten human life. Green microfinance activities are an effort to prevent environmental damage through microfinance services that their customers are mostly actors from environmental damage. Furthermore, this concept must be implementation in real activity is not only a slogan but also need the support and the active participation of all stakeholders to gain legitimacy. The important points of Islamic principles VS Green Microfinance

- a) Islamic perspective its mean outlook based on point of view from *sharia* or Islamic law (the Qur'an, hadith and *ijtihad*). Relevance of environmental issue, Al Qur'an and hadith put the preservation of environment as the part of ultimate goal or *maqhasid sharia*. The reason of environment as the important issue, because of the damage or destruction of environment could be threat the continuously of human life

- b) The majority clients of microfinance are the small and micro entrepreneur or low income people. In addition they also have lack knowledge and consciousness related to environmental care. Nevertheless they also the actor of the environmental destruction, because of that evidence, microfinance services must be embedded with the environmental care activities.
- c) The Islamic principles have strong relationship with the green microfinance activities. The relationship be on the goals and philosophy of microfinance institution activities that have concern in triple bottom line concern that consist of Financial performance, Social Performance and Environment performance. In addition The Islamic philosophy it's subject to implementation of *maslahah* for the *ummah* very concern in the balancing of financial performance, social performance and environment performance. In addition there also existence of Islamic microfinance institutions. Furthermore, the term of Islamic Microfinance Institutions is the microfinance institution plus (moral, ethics and *halal*).
- d) All the parties should be active participate to implementation of wellbeing in the world. To implement of it we need law and regulation for legitimate the all parties same frame work and same way to implement the environmental activities must be embedded with the economics activities especially for the activities of low income people.

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