

Sustainable Business Model Components for the Islamic Banking Industry

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Abstract

Purpose: This study investigates the current business models supporting sustainability in Islamic banks and develops a sustainable business model.

Design/methodology/approach: Semi-structured interviews were conducted to get a solid understanding of the components that may contribute to the sustainability of Islamic banks.

Findings: The outcome of interviews provides new recommendations for components of a sustainable business model, namely, leadership, environment, *Maqasid* Shari'ah, and awareness. Some components have been modified to be more applicable in the Islamic sustainable business model. The component of the stewardship role has been modified to leadership; repurposing for society and environment to the environment; Islamic moral economy values to *Maqasid* Shari'ah, and awareness is added as a new component.

Research limitations/implications: This study has only analysed one industry which is the Islamic banking industry. Hence the findings of this study cannot be generalised to other industries.

Practical implications: This expanded set of sustainable business model components benefits the Islamic banking industry by allowing more innovation and systematic study into sustainable banking practices. It also offers Islamic banks and governments policy recommendations for establishing an equitable and socially responsible Islamic financial system.

Originality/value: The findings of this study may serve to build a comprehensive model that will improve the sustainability of Islamic banks by using a sustainable business model. Aside from that, the study might assist society or customers by pointing the way toward a long-term Islamic banking model for business operations.

Keywords: Sustainable, Sustainable banking, Islamic banking, Business model, Sustainable business model, Islamic perspective.

Introduction

The term "Islamic banking" refers to a banking system that follows the Shari'ah's precepts (Islamic rulings). The Islamic banking principles, which emphasized moral and ethical standards in all interactions, have a broad appeal. The Shari'ah forbids the payment or acceptance of interest charges (riba) for the loan and accepting of money, as well as for commerce and other operations that supply goods or services that are believed to be contradictory to its precepts. While these ideas have long been employed as the foundation for a thriving economy, it was only in the late twentieth century that several Islamic banks were established to give an option to Muslims, while Islamic banking is not limited to Muslims (Toutounchian, 2019).

The 2008 financial crisis prompted financial sectors to reconsider the 'unsustainable' business models used by banks (Yip & Bocken, 2018). Large banks focused on investment banking and trade were not the only businesses impacted by the crisis and in need of change. Small retail-oriented banks must also reconsider their business models, even though they were far less affected by the 2007/2008 financial crisis (Köhler, 2014). Because of cyclical reasons such as the weak economy, low-interest rates, and lower trade activity, many of these banks are now forced to cut expenditures and reduce their workforce in order to adjust to a drop in demand for their commodities following the crisis. Reduced expenditures and employment simply, however, may not be sufficient. For structural reasons, investment banks must rethink their business models (Köhler, 2014). Besides that, to recover competitiveness following the crisis, banks must rebuild their image and reduce expenses.

According to Alqahtani and Mayes (2017), major Islamic banks experienced much more financial instability in the final stages of the crisis than conventional banks. Following the global financial crisis, the crisis showed the fragility of the global banking system. Following the crisis, banks and other financial institutions were compelled to focus on long-term sustainability rather than short-term profitability (Banerjee & Velamuri, 2015). In Malaysia, Chong and Liu (2009) discovered that Islamic banking is not substantially different from traditional banking services. Similarly, Aysan and Ozturk (2018) found no significant differences between Islamic bank financing and conventional bank lending. As a result, the present business model in Islamic banks that promotes sustainability is examined in this study. The issue of sustainability has attracted considerable attention from academics, practitioners, and policymakers. The principle of sustainability in Islam emphasises the long-term association between economic, social, and environmental preservation. Sustainability in Islam recognises Allah as the sustainer and human beings as the Khalifah (vicegerent) of Allah on earth. The Quran emphasises the protection of the environment and wise utilisation of natural resources to prevent mischief and wasting of resources. The Quran and Sunnah are two fundamentals sources and guiding principles for the sustainable banking model criteria which states: '*God has permitted trade and has forbidden interest*' (Qur'an, Al-Baqarah: 275). According to Al-Khazali et al. (2015) and Masih et al. (2016), trading will take the form of investment contracts (profit-loss sharing). Therefore, there is a need to examine the sustainability of Islamic banking to strike a balance between profit, social welfare, and environmental protection.

Malaysia has gained worldwide recognition for its pioneering role in developing Islamic banking and finance. The majority of Malaysia's consumers are Muslim, and the government provides facilities to expand Malaysia's Islamic Banking system (Abdullah, 2019). Throughout the years, the Islamic banking sector has grown significantly in Malaysia. Islamic banking accounted for RM816,148.60 million of total assets in 2020, out of RM14,029 million in 2000 (BNM, 2020). Islamic banks also have a wide range of competing and innovating products that complement conventional banks, including *Ijarah* (leasing), *Mudharabah* (profit sharing), and

Musyarakah (partnership). Furthermore, traditional financial institutions have a lot of innovation, flexibility, and the ability to build Islamic financial products (BNM, 2020).

Islamic finance and conventional views of development complement each other, but the differences in various aspects have also been rigorously explored with the definition of the *Maqasid Shari'ah*. Islamic banks have a separate business model from conventional banks since they are founded on different principles such as Islamic ethics and jurisprudence. However, Rizvi et al. (2019) found that the existing business model in Islamic banking industries lacks competition and does not have a sustainable banking model. Thus, this study discusses the sustainable business model components that could contribute to Islamic banks. The outcomes of this research might lead to implementing a comprehensive model to improve the long-term sustainability of Malaysian Banks.

Literature Review

a) Issues of sustainability in Islamic banking

Banks have shown a considerable proactiveness to be more sustainable, driven by different factors. The one factor linked most frequently to the 2008 financial crisis, is far from having to involve companies that are held to financial strength (for the shareholders), but also that control their social, environmental impacts in the broader stakeholder community (Nájera-Sánchez, 2020).

The concept of sustainability in banking comprises investment policies, business strategies, and product identification processes (Bouma, Jeucken, & Klinkers, 2013). Environmental policies, transparency and contact between banks and their stakeholders, and the central role of government, non-governmental organisations (NGOs), and multilateral banks in capital market decision - making based on not only risk and expected return as in a conventional bank but also environmental and social implications have been given serious consideration have all been covered by the term "sustainable banking" (Dugelay, 2017). In short, sustainable banking refers to banks' potential to provide long-term solvency and stability which could affect social well-being and environmental security.

According to Jan and Marimuthu (2016), the literature of the two sustainability paradigms of Islamic banking is limited. Whether or not Islamic banks will reach sustainability standards has not been widely discussed.

Based on Zaman and Jan (2012), the influence of social capital and trust is a vital aspect of societal survival across business networks. In addition, the paper highlighted the company's network partnership which is based on Islam's integrated and complex paradigm; Iman, Ihsan, that gave way to sustainable growth. Zaman and Jan (2012) argue that Islamic sustainable development (SD) fails, depending on the model, due to a breakdown in Iman (faith).

b) Business Model

Business models can be a powerful method for achieving "system change" within organisations (Bocken & Short, 2015). Business models serve to define the components of an organisation's financial or non-financial objective by conceptualising how business is conducted (Magretta, 2002). A business model may be used to analyse, innovate, evaluate performance, and communicate, according to Pigneur and Tucci (2010). The definition of a business model is a theoretical instrument that entails a collection of objects, concepts, and their relationships to define a company's business logic (Pigneur & Tucci, 2010). As a result, the research must investigate whether ideas and linkages enable a simplified explanation and representation of what value is supplied to consumers, how it is done, and the financial implications.

Based on Omarini's (2015) study, a business model design is crucial for bank managers to make their institutions fit and sustainable for the future. A bank will search for market opportunities

to choose a correct business model to generate value for the parties concerned. The selection process must involve addressing the needs of consumers and creating market surplus while producing income for local businesses and their partners (Magretta, 2002). Many parts of business models are connected, including the mechanism for the flow of products, services, and information and a summary of the main stakeholders in the model and their roles (Omarini, 2015).

c) A Sustainable business model for Islamic banking

Sustainability's welfare perspective focuses on financial decisions and capital investments to raise awareness, help society thrive, and protect the environment. Islamic finance incorporates this perspective through connections between the social networks, ethical principles including outreach and other elements of *Maqasid Shari'ah*. (Aliyu et al., 2016). The Islamic banking industry does not just focus on profit-making but emphasises contributing to the community. One of the sustainable business models for Islamic banking is the implementation of corporate social responsibility (CSR). In this regard, Islamic principles are embedded in the values of Islamic corporate social responsibility (CSR), with a preference given to *maslahah* (public welfare) as Islamic banks are not merely profit-oriented to operate the business. Therefore, Islamic banks should continue to foster the well-being of society as a whole by protecting them (Siswanti et al., 2017). As embedded in the principles of Islamic banking, public welfare is of utmost importance and takes precedence over profit-oriented businesses, which differs significantly from conventional banking.

According to Bos and Millone (2015), the conventional business model relies on an institution's motivation, whether it is for-profit, social or dual purposes. Their research revealed that there is a trade-off between accessibility and economic efficiency. If the organisation becomes more effective, the trade-off decreases. The level of trade-off is particularly important to investors, donor organisations, and professionals. Investors will invest their money in profit-effective Microfinance Institutions (MFIs) for better yields, and donor organisations that are socially oriented will have access to socially motivated MFIs. However, those that diversify their resources in part to make profits more effective and socially motivated are likely to optimise.

d) Theoretical Review

1) The triple bottom line (TBL)

The definition of TBL, introduced by Elkington in 1994 (Elkington, 2001), widens a market emphasis to incorporate social and environmental factors in the financial bottom line. Companies seeking sustainability must compete not against a single financial bottom line but against the triple bottom line, meaning a shift from focusing on short-term financial aims to long-term social, cultural, and economic implications (Elkington, 1998). Aside from that, the triple bottom line (TBL) is a paradigm that advises that businesses commit to concentrating on social and environmental problems in addition to earnings. The TBL proposes that there should be three: profit, people, and the planet instead of a single bottom line (see Figure 1.0).

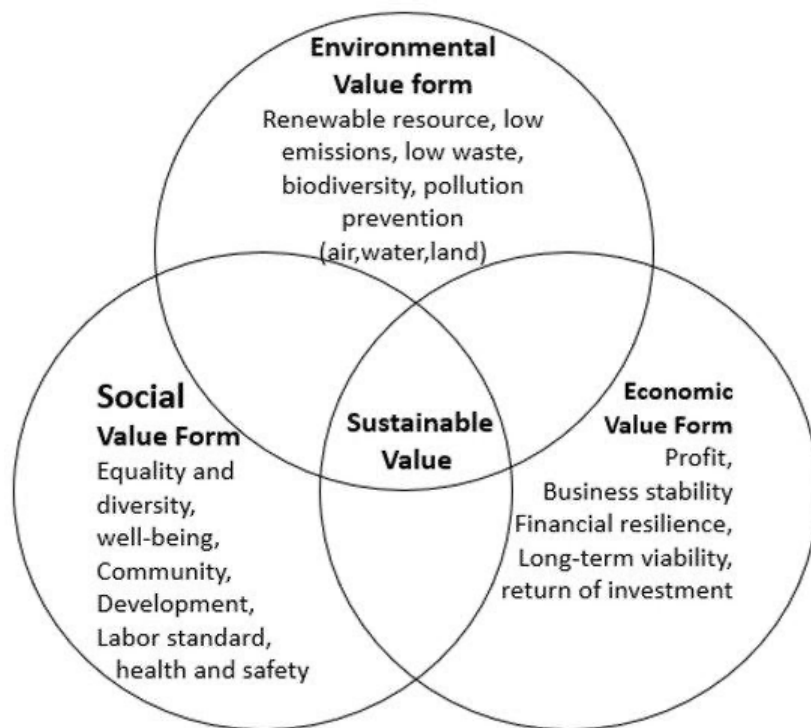


Figure 1.0 The Interconnection of the Elements of the Triple Bottom Line concept.

The study was expanded upon by Bocken et al. (2014). Eight sustainable market archetypes (Table 1.0) based on Yip and Bocken (2018) have been classified in a high-level standardised category: technological, social, and organisational.

Table 1.0 *Original list of sustainable business model archetypes* (Yip & Bocken, 2018)

Technological	1. Maximize material and energy efficiency
	2. Substitute with digital processes
Social	3. Encourage sufficiency
	4. Adopt a stewardship role
	5. Inclusive value creation
Organisational	6. Repurpose for society/environment
	7. Resilience in loan granting
	8. Sustainable financial products

Source. Adopted from Yip & Bocken (2018). Sustainable business model archetypes for the banking industry.

The archetypes chosen are based on comprehensive analysis methods, value-based strategy, and methodology. First, the sustainable business model components strive to bring together

many situations in literature as well as growing sustainability practice into a helpful classification inside the figure that encompasses business model innovation. The classification is based on the Triple Bottom Line theory (People, Planet, Profit) (Fisk, 2010). Second, Yip and Bocken (2018) discovered a systematic approach to data saturation by iteratively analysing instances from literature and practice.

The key limitation is that the sustainable business model components are based mostly on traditional banking industry situations. As a result, further analysis of instances from practice was done in order to discover Islamic banking-specific cases. Aliyu et al. (2017) is the key literature for a sustainable business model in Islamic banking. This study will demonstrate how a sustainable business model is implemented in the Islamic banking industry.

Methods

This study aims to answer two key research questions: (1) What is the current business model supporting sustainability in Islamic banks? (2) Which sustainable business model components could contribute to the sustainability of Islamic banks?. This research used semi-structured interviews to collect open-ended data. In addition to interviews, the study employed document analysis, examining government records, past research, books, and journal articles for critical research. Primary sources, such as the Quran and the Hadith, were also referred to as it serves as a guideline for building a sustainable model for Islamic banking.

The participants for this study are the practitioners who are directly involved in Islamic banks. This study explores the categorisation through the components of sustainable business models for Islamic banking. The document analysis resulted in the creation of an original new collection of sustainable business model components for Islamic banking. For this reason, sustainable business model components as highlighted by Yip and Bocken (2018) and Aliyu et al. (2017) were used as main references to this study.

Semi-structured interviews were used to build and verify the Islamic banking industry's set of sustainable business model components. The researcher interviewed executives from the central bank, senior practitioners of Islamic and conventional banks, as well as Shari'ah scholars and academicians. The interview was held in Kuala Lumpur because all headquarters of Islamic banks are located there. The rationale for selecting Islamic banking practitioners and academics as interviewees is to obtain relevant experiences and practical insights on sustainable business models from those with experience in the Islamic banking industry. The duration of the interview session was 60 minutes per participant. The following is the number of participants we interviewed:

- 1) 3 senior practitioners from Islamic banks
 - a. Bank A
 - b. Bank B
 - c. Bank C
- 2) 1 local Shari'ah scholars

For such analysis, the conceptual framework is shown in Figure 1.3:

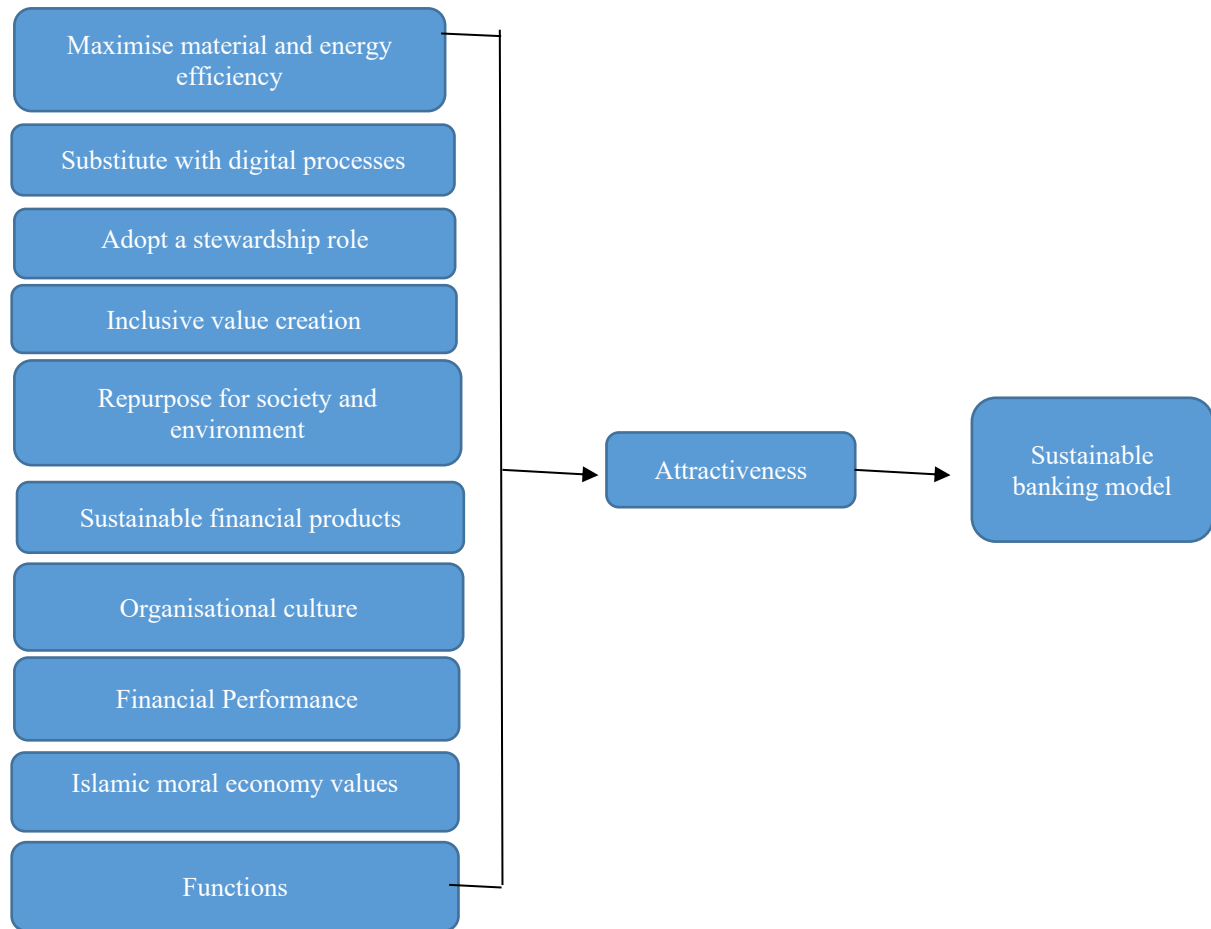


Figure 1.3 Conceptual framework of sustainable business model

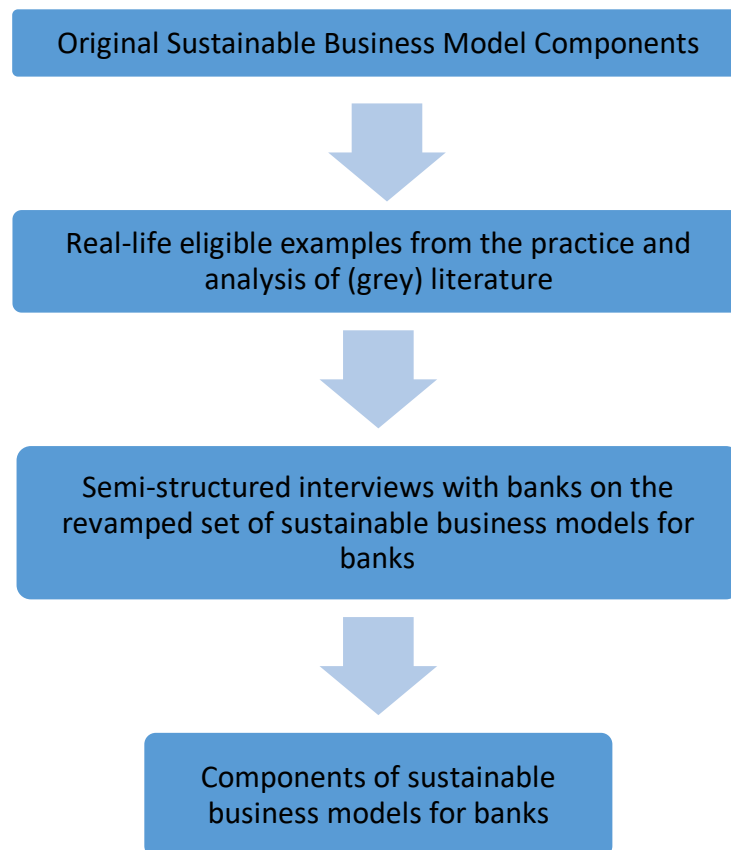


Figure 1.4 The overall research design

Figure 1.4 illustrates the overall approach of this study. Based on Figure 1.4, the research design is based on the original sustainable business model components. The original aspects are environmental, economic, technology, social, and Islamic perspective. The next step is the review of literature, Islamic principles, and reports. The researcher employed this approach to adopt relevant concepts, analyse literature gaps and the current study trends on emerging components of sustainable business models. The researcher then interviewed bankers to discuss Islamic banks' sustainable business model components. After comments and confirmation from the interviewees, the sustainable business model components for Islamic banks were expanded.

Findings

The research has ten original components derived from literature reviews and consolidation from interviews with bankers and one Islamic scholar. Based on Table 1.1, the original components of a sustainable business model for the Islamic banking industry are described.

Table 1.1: *The original components of the sustainable business model for the Islamic banking industry*

No	Aspects	Component	Definition	Examples
1	Environment	Maximise material and energy efficiency (Bocken et al., 2014), (Yip et al., 2018)	More can be accomplished with fewer resources, reducing waste, emissions, and pollution.	Internal document digitisation, online transaction writing pads, e-learning, telepresence, and double printing are some of the technologies being used.
2	Technology	Substitute with digital processes (Yip et al., 2018)	Using digital channels to deliver services reduces environmental waste and increases company resilience.	Trading platforms, digital branch offices, e-statements, robo-advisors, and mobile payments are all examples of online trading platforms.
3	Economic	Financial performance (Yip et al., 2018), (Aliyu, 2014)	Reflect business outcomes through the total profit and growth in the bank	Return on assets, return on equity, return on investment, net income, growth in profit and growth in assets
4	Economic	Sustainable financial products (Yip et al., 2018)	Scaling up through sustainable financial products that enable more clients to engage in the economic return of sustainability, such as green Sukuk and sustainable responsible investing.	Green bonds, sustainable mutual funds, socially responsible funds, impact investment for customers, crowdfunding help, and sustainable shipment letter of credit are all options.
5	Economic	Organisational culture (Bocken et al., 2014)	Control, measurement, documentation, information management, and continuity are all stressed, in keeping with the company's internal	Emphasis on financial well being e.g accounting practice and financial resources

			focus and stability orientation.	
6	Social	Adopt a stewardship role (Bocken et al., 2014), (Yip et al., 2018)	Proactively interacting with all stakeholders to guarantee their long-term health and well-being.	Internship programs for students, sponsorship for social entrepreneurs, contract re-employment of retired personnel, hiring physically challenged people, and motivating employees to volunteer by providing paid leave are all examples of initiatives.
7	Social	Inclusive value creation (Yip et al., 2018)	Make financial goods and services available to fulfill a wide range of demands.	Supporting first-time home purchasers, lowering costs for NGOs, restructuring loans for consumers in financial distress, extending unsecured loans to SMEs, and providing banking services to neglected regions are just a few of the initiatives underway.
8	Social	Repurpose for society and environment (Bocken et al., 2014)	Prioritizing social and environmental advantages over financial profit maximisation via strong collaboration between the company, local communities, and other stakeholders.	Triodos Bank, for example, provides loans to sustainable businesses. Grameen Bank, for example, provides microfinance to the needy.
9	Islamic perspective	Islamic moral economy values (Aliyu, 2014)	Using faith and moral, ethical ideals of Islam to emphasize moral characteristics that are spiritually led in economic endeavors.	Justice, perfection, generosity, righteousness, transparent, goodness, fairness, equity

10	Islamic perspective	Functions	Regulations, administration, and governance are part of the Islamic banking system.	Regulations to support good management practices, Shariah governance, corporate governance, accountability and protecting social welfare (Maqasid Shari'ah)
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Note. Before the interview with bankers and the Shari'ah scholar.

A detailed explanation about every component of a sustainable business model after the interview was the following:

a. Maximise material and energy

The concept of maximising material and energy efficiency means reducing electricity production, waste, carbon emissions and pollution (Bocken et al., 2014). Based on the interviews, it was found that to “maximise material and energy efficiency” is an important component. The analysis from those interviews was presented in table 1.2 below:

Table 1.2: *Findings for component “maximise material and energy efficiency”*

Banks	Findings
Bank A	<i>“I think this is a continuous effort by the bank.”</i>
Bank B	<i>“For the environment as a guideline for our bank, we are not allowed to use plastic. We have to walk first, so we have to embed our own culture but changing culture is not like I think it is a very difficult process. So we are slowly doing it.”</i>
Bank C	<i>“The environmental concern does not only involve the environment, but it also involves land, air and water. So not only energy, pollution and also waste.”</i>
Shari'ah Scholar	<i>“Climate change will affect crops. So the environment is a very important component ”</i>

Note. Interview with bankers and Shari'ah scholar

The component of maximising material and energy efficiency is an essential component in the business model of Islamic banking. Banks that make a continuous effort, such as not using plastic, can positively impact the environment. Bank B tried to create a new culture by raising awareness about the environment. Environmental resources must be used efficiently and prevent any pollution because it will affect the crops and affect our future generations.

b) Repurpose for Society and Environment Modified to Environment

Managing the environment to ensure its sustainability can be done by ensuring that commercial/ industrial use of natural resources does not gravely impact the environment. A social environment can be repurposed by close integration among industry and local societies and other stakeholder groups (Bocken et al., 2014)

Based on the interview, the banker from Bank B said that the environmental aspect has been very much neglected due to the lack of emphasis on environmentally friendly ventures such as solar projects. There are many issues such as rapid deforestation and then landfills as many clients are involved in ESG risk.

The participants of the interviews highlighted that this component is very important because it is part of the Value-Based Intermediation (VBI) Score Card. It will illuminate how much it has contributed to the economy and the triple bottom line (people, prosperity, and planet). Bank B added that *“Environment, maybe you can look at two areas because at work government side, he has two NGFG areas and that this environment. Environment component is very much missing from every commercial bank, because like I said earlier, because of the lack of activity happening market and not have many projects, not have many solar projects, so that’s why this environment is pretty much neglected.”*

Based on the suggestion from the interviews with the banker, the repurpose component for society and the environment is a suitable change because it is most general to figure out a sustainable business model component. The environment component is very important and therefore, must be added as one of the sustainable business models for Islamic banking.

c) Substitute with Digital Processes

Substituting traditional processes with a digital one is done by reducing environmental impacts and improving company sustainability through the use of digital technology (Yip & Bocken, 2018). Findings from interviewing 3 banks and a Shari’ah scholar support the component “substitute with digital processes.” One of the bankers said that *“Yes, and our sixth strategy pillar is actually digitalisation. It is an important component.”* The Shari’ah scholar also agreed by saying, *“Yes, of course, the digital will be easy and can reach to the people, especially at remote places.”*

By employing digital channels to supply services to people worldwide, digital processes will drastically minimize environmental impact while increasing company resilience. The digitization of Islamic financial services will be more efficient and systematic. As a result, replacing conventional service techniques with digital processes is an important component of the Islamic banking business model.

d) Financial Performance

Banks play a unique intermediate function in government policy and economic efficiency, as well as in all fields of industry and trade, in order to achieve long-term growth (Jeucken, 2010). According to the respondents, banks now have environmental and social evaluation procedures in place for unfavorable loan screening. Currently, relatively few banks adjust interest rates based on borrowers' expectations about sustainability efficacy (Yip & Bocken, 2018).

A practitioner of Bank A said, *“We are not a welfare organisation, and we are still profit-making, so we cannot help others without helping ourselves first. So having a strong influence on our first strategic pillars is sustainable prosperity. We must commit to strong financial performance.”* Furthermore, a representative of Bank B said, *“in terms of customers segmentation, how does one segment customers is according to the four pillars which is the biggest chart of customers globes 5%, technology influence, and also a high level. High-level is an operation, so specifically, for example, we define auto financial asset for the invisible*

asset.” This is an opinion from Bank B, and they are more focused on the segmentation of customers.

“In terms of competitiveness, it may not be competitive as other banks because we have segmentation, target market. We still participate, but our focus is not on retail business, we are more of corporate commercial; web management is on web content and financing is a big-ticket item. We focus on that,” said the manager of Bank C. While the Shari’ah scholar said, *“every bank has a target performance for their economic accomplishment and an impact measurement as a social outcome.”*

In conclusion, the financial performance component is very important to the business model of Islamic banking because it will reflect business outcomes through the total profit and growth in the bank.

e) Sustainable Financial Products

Sustainable financial products scale up sustainable financial goods that enable more customers to share in the economic return on sustainability. This paradigm focuses on product development to encourage more buyers to invest in future growth opportunities for renewable goods. Charity organisations, sovereign donors, and environmentally friendly customers are among the targeted customers.

The findings from the interviews are presented in Table 1.3 below:

Table 1.3 Findings for component “sustainable financial products”

Banks	Findings
Bank A	<i>“Sustainable financial product, scaling up through sustainable financial products which allow more customers to participate in the economic return of sustainability.”</i>
Bank B	<i>“Socially, we have the micro-financing product, the market business side is quite small and then we also on researching finance using wakaf, zakat, sedekah. For the financial aspect, we will be getting some idea on how best for a service some idea on how to help underserved people by offering the social finance product, so that is an ongoing exercise.”</i>
Bank C	<i>“Product yang support community, at the moment, is scholarship, stewardship, and donation. We have two types of donation; the first, is the marketing in development and donation. Second, we have donation on CSR, we must have a budget and donation need a budget, but we have Shari’ah-compliant income.”</i>

Note. Interview with bankers and Shari’ah Scholar

According to the bankers interviewed, the component of sustainable financial products is essential in the Islamic banking business model because it will enable so many customers to take part in the economic return of sustainability, such as sustainable mutual fund schemes, socially responsible funds, and sustainable investment.

f) Organisational Culture

The concept of organisational culture is consistent with its internal emphasis and consistency orientation; it emphasises monitoring, evaluation, reporting, information management, and continuity. Bocken et al. (2019) examined how companies should plan and innovate with sustainable business models to maximise a stakeholder's sustainable value network development by developing and building a deeper degree of understanding of the dependencies and interactions between business models.

Banker from Bank A explained that *"Value-based culture is about promoting Islamic excellence and the Shari'ah. However, it is not just beyond Shari'ah governance, but beyond Shari'ah compliance. We have our new culture motto, TAAT which is 'Think customers, Advance beyond, Act with integrity and Take a chance.'*

The manager of Bank B added that "Leverage our capability in terms of the touchpoint. First, all branches are the main touchpoints. Number two, we leverage the administrative support of our banks such as HR, risk, management and audit." In terms of sustainable development, the banker from Bank C noted that "We already implemented at a good level, when we say a good level that means we are lead by the identity of our Singapore office, our branch at Singapore."

"At the early stage, you know, like advising the bank to develop the Shari'ah-compliant product. Working on the product and at that time, Shari'ah bank very simple. We need to look at the product, the contract and the structure. I think that is something that we look at and in 2004, Bank Negara introduced the Shari'ah governance, the first guideline on Shari'ah" said the Shari'ah scholar.

In conclusion, we can see that components of organisational culture have given a significant impact in shaping a sustainable business model in Islamic banking. The internal focus and stability orientation of this component will be constant. Control, measurement, documentation, information management, and continuity are all emphasised in this strategy. Financial well-being, such as accounting practice and financial resources, are examples of implementing these components.

g) Adopt a Stewardship Role and Modify to Leadership

According to Bocken et al. (2014), the stewardship role is important in banking industries because it allows banks to interact proactively with all stakeholders to ensure their long-term health and well-being. This model represents the beneficial impact of increasing brand equity on the economy and society, leading to long-term shared gains for both banks and customers. The bankers agreed that adopting a stewardship role is a component of a sustainable business model in Islamic banking. Bank A explained that *"Ya, we mentioned about the social impact that is reflected in our integrated annual report capital so okay for social adopt stewardship role engage stakeholders, yes, of course, that's why we have a three-year-plan rather than one year. Internship, opportunity student, yes we have living example student."* While Bank B suggested that, *"I think leadership should be one of the tops. It has to begin from the leadership because what the foremost Bank Negara requirement to do is get leadership by aim, and then the top governance approach."*

Based on the stewardship concept, the universe is governed by the laws and rules that Allah has placed. The Shari'ah scholar stresses that the universe is created by God and humans are

the Khalifah. In addition, the interviews with bankers and the Shari'ah scholar have given rise to a new recommendation for components of a sustainable business model. As a result of the interview, the component of the stewardship role should be changed to the term leadership after suggested by Bank B.

The component of adopting a stewardship role and changing it to leadership is important to the business model of Islamic banking because it proactively engages with all stakeholders. However, the leadership at the top of management must be cultivated first to ensure the health and well-being of the whole organisation of the bank is taken care of.

h) Awareness (new)

Caputa et al. (2020) assumed that utilising the virtual space's potential in which the user determined by the awareness of the internet's potential connection to the preparation and willingness to use it. This consumer value aspect (customer equity) exercises and will have a major effect on the customer's value-creation process in the future, improving its role as a participant in the value-creation process. Moreover, increasing public awareness of sustainable growth is one of the key reasons to implement it (Yamane & Kaneko, 2021).

The component of awareness is a new suggestion from the Shari'ah scholar. He suggested that *"...to create awareness for all people about sustainability."* From that suggestion, awareness has been added as one of the sustainable business components for Islamic banking.

i) Inclusive Value Creation

Another component is inclusive value creation which gives access to financial goods and services to address different increasing demands (Yip & Bocken, 2018). The interviewee from Bank A mentioned that social and digital value creation could promote inclusive growth. His statement is further exemplified by the mobile app that Bank A will create soon. At the same time, Bank B also has a partnership with Pos Malaysia Berhad, which is a partnership termed agent banking. In this case, Bank B is a consultative root for financial institutions supporting Bank Negara's financial inclusion proxy ever since they launched sub-banking services.

Similarly, Bank C also shared that they have initiatives to support society's needs. *"We put the customer first. Secondly, we act with integrity in whatever we do and thirdly, we value our staff. Fourthly, we engage with communities in our community functions or events as part of our corporate social responsibility."* Bank C focuses on all of their people around to ensure they apply inclusive value creation in their organisation.

Inclusive value creation is suitable for the sustainable business model in Islamic banking because these components provide access to financial products and services for meeting diverse needs. Every bank aims to do the best for their customers, such as supporting banking services for underserved markets and granting unsecured loans to small, medium-sized enterprises (SMEs).

j) Islamic Moral Economy Values Modified to *Maqasid* Shari'ah

Justice is emphasized in Islamic funding transactions between participating parties. Ihsan, fear of Allah as identified from Hadith Jibril, is the hierarchy of Ihsan (Muslim: book 1:4). In the Quran, it is stated that when Ihsan takes the place of benevolence, kindness, charity, justice and Ihsan also merged (Q16:90).

The interview with Bank A highlights that the customers they target are for the long term and not just once or for just one year, which indicates that they are trying to implement sustainable policies. Besides that, Bank B explained that the first attempt in embarking on Islamic policy had the effect of equalization because the Islamic banking business was growing quite prominently. However, the progress was slow because of the shift to Shari'ah banking. While

Bank C took commercial banking, all financing for the bank had been set up in 2008 until 2013, which propelled them to lead in the banking industry. Bank C had also engaged with the customer and products. In 2013, when the Institute of Financial Services (IFS) was established, all was completed.

Moreover, Banks B and C had given some suggestions about *Maqasid Shari'ah* which are:

"So when we come out with this Islamic lab component, we refer to come out with this strategy. First, look at the Maqasid Shari'ah that have 3- 5 pillars of Maqasid Shari'ah and then we also look at the available sustainability policy out there in the industry like the financial policy." -Bank B

"Only Maqasid Shari'ah they go through Value-Based Intermediation (VBI), so it does not stand by itself. Maqasid is part of VBI, meaning every financing, every deposit you receive must have a checklist that says which part of Maqasid, with part of the benefit." -Bank C

Based on the suggestions above, Banks B and C focus more on implementing *Maqasid Shari'ah*. Therefore to make the model more suitable, the Islamic moral economy values component will be changed to the *Maqasid Shari'ah* component. While the overviews from the Shari'ah scholar highlight that some of the *Maqasid* was through the rules. Through the moral situation, that means the Islamic perspective must unravel in the way of Islam.

From the interviews, we can see that the *Maqasid Shari'ah* has significantly influenced the formation of a sustainable business model in Islamic banking. This component has emphasised the moral virtues that are spiritually guides economic activities through faith and morals, as well as ethical values of Islam to ensure that every economic activity is performed based on justice, generosity, and transparency.

k) Functions

The functions in Islamic banking are separated into two parts, namely management and governance. Aliyu and Bauchi (2014), however, added the functions of regulators and rendered them into three classifications. It is expected that the functional position of institutional survival is within the qualities of leadership, integrity, and faith (Zaman & Jan, 2012). In the management functions of planning, managing, coordinating and regulating, the leadership qualities are similarly diffused. Functions are limited not only to management theory but are also applied to two theories of function, such as structural and interactional viewpoints. Management roles must practise *Ash-shaja'ah* (fortitude and bravery) and *Al-Karam* (kindness) derived from *Adl* and *Ihsan* at about the same time. (Ali al-Bazzar, 2009).

The analysis from those interviews is presented in table 1.4 below:

Table 1.4: Findings for component "Functions"

Banks	Findings
Bank A	<i>"I agree; this is for Islamic finance. There must be something like me saying Maqasid Shari'ah earlier. IFSA is our intended Shari'ah, and that's why VBI scorecard is being reassessed this year to make it more Islamic enhance the Shari'ah content in it."</i>
Bank B	<i>"This is where we have before Bank Negara even come out with their own VBI, and we have this concept. We have yet to go to the public; we just internal strategy, the concept that we call as Islamic lab is an extension and harassment for the Islamic first strategy."</i>

Bank C	<i>“Only Maqasid Shari’ah they go through VBI, so it does not stand by itself, Maqasid is one part of VBI, but should be Maqasid involved, meaning every financing, every deposit you receive must have a checklist that says which part of Maqasid, with part of benefits.”</i>
Shari’ah Scholar	<i>“I think sustainability should be more comprehensive. I also look in terms of the context of Maqasid Shari’ah itself. Because we are looking at 3P (profit, people, and the planet), maybe from a human’s perspective, but if we want to see based on the creator’s perspective, the creator of nature may be more widespread. Of course, He also sees three more things that mean how He takes care of people and society; he also takes care of the environment and gives economic returns. He looks at the concept of well-being or maslahah.”</i>

Note. Interview with the bankers and the Shari’ah scholar

Based on the interview with the bankers and the Shari’ah scholar, the component of functions is very important. This component is comprised of regulations, management, and governance embedded in Islamic principles such as regulations to support good management practices, Shari’ah and corporate governance, accountability and protecting social welfare (Maqasid Shari’ah).

In this regard, we can see that the components of the proposal are pivotal for the Islamic banking industry to include it in the sustainable business model. The manager of Bank A underscored that the original components were enough to achieve a sustainable business model: *“As long as it can cover the culture, including the digital economy under the real economy, micro-financing but it is not necessary because it depends on the taste of the credit.”*

From the interview results, the researcher has highlighted several suggestions (see Table 1.5). After revising the suggestions, there are eleven components of a sustainable business model suitable for Islamic banking (see Table 1.6).

Table 1.5: *The suggestion components of a sustainable business model*

Component	Explanations
Leadership	<p><i>“It has to begin from the top leadership because the foremost Bank Negara requirement is to get leadership and management by aim, and get what by aim and then the top governance approach.” – Bank B</i></p> <p>Adapt to “Substitute with digital processes” component</p>

Environment	<p>“Environment component is very much missing from every commercial bank due to the lack of activity happening in the market and limited projects such as solar projects, so that’s why this environment is pretty much neglected.” –Bank B</p> <p>Adapt to “Repurpose for society and environment” component</p>
<i>Maqasid Shari’ah</i>	<p>“First, look at the <i>Maqasid Shari’ah</i> that have 3- 5 pillars and also at the available sustainability policies in the industry like the financial policy. ”-Bank B</p> <p>"Only <i>Maqasid Shari’ah</i> they go through VBI, so it does not stand by itself. <i>Maqasid</i> is part of VBI, so should be <i>Maqasid</i> involved it together. Meaning every financing, every deposit you receive must have a checklist that says which part of <i>Maqasid</i>, with part of the benefit." –Bank C</p> <p>Adapt to “Islamic moral economy values” component</p>
Awareness	<p>“I do not know what kind of awareness that is. To create awareness for all people about sustainability.” –Shari’ah Scholar</p> <p>Added a new component</p>

Note. The results after interviews with the bankers and the Shari’ah scholar.

Table 1.6: *The sustainable business model component for Islamic banks.*

Planet	Environment	1.Maximise material and energy efficiency
		2. Environment (modified)
	Technology	3. Substitute with digital processes
Profit	Economic	4.Financial performance
		5.Sustainable financial products
		6.Organisational culture
People	Social	7. Leadership (modified)
		8. Awareness (new)
		9. Inclusive value creation
	Religious	10. Maqasid Shari’ah (modified)
		11. Functions

Note. Includes revised results of interviews compared to the components by Yip and Bocken (2018); Aliyu et al. (2017) as highlighted in bold.

Discussion and Conclusion

Theoretical Implication

This research analyses the components that current business models have applied in Islamic banks by developing a sustainable business model for the Islamic banking industry which was conducted via interviews. From the interviews, the researcher found that (1) maximising material and energy efficiency, (2) substituting with digital processes, (3) environment, (4) inclusive value creation, (5) leadership, (6) organisational culture, (7) financial performance, (8) sustainable financial products, (9) *Maqasid Shari'ah*, (10) functions and (11) awareness are important components for a sustainable business model for Islamic banking. In addition, the interviewees suggested a new recommendation for components of a sustainable business model concerning leadership, environment, *Maqasid Shari'ah* and awareness. The component of leadership should be modified by adopting a stewardship role. The component of the environment should be changed by refocusing on society and environment, the *Maqasid Shari'ah* should be amended with Islamic moral economy values, and the awareness component should be added as a new component of the sustainable business model in the Islamic banking industry.

Practical and Social Implications

The findings will provide useful policy measures to government or regulators in creating a sustainable, equitable, and socially responsible Islamic banking system. As a result, the research will instill more accountability in company practices and establish a corporate sustainability culture, ensuring a balance between economic growth and long-term development. The suggestion for implementing the sustainable business model component is that using environmentally sustainable services in Islamic banking will help protect the environment. The bank must always try to contribute to the well-being of its trusted networks and mainly intends to solve environmental and social problems. The practitioners must build awareness to the customer to buy green products as a responsibility and obligation towards other people and the environment.

Limitations and Suggestions for Future Research

The following are the limitations of this study. First, the components are developed using previous information and instances from practice reviews. As a result, predicting future radical ideas is challenging (i.e. new components of a sustainable business model). The interviewees saw some components as "business as usual" (components 1, 3, 4, 5, 6, 9 and 11). Components 2, 7, 8, and 10, including environment, leadership, awareness, and *Maqasid Shari'ah*, are more effective and may drive the industry to a more sustainable business model orientation. Secondly, this study has only analysed one industry which is the Islamic banking industry. Hence the findings of this study cannot be generalised to other industries. Therefore, future research can more focus on other industries to examine the impact of a sustainable business model.

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