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PUBLIC EXPECTATIONS OF ISLAMIC BANKS' ROLE IN ADDRESSING CLIMATE CHANGE

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Abstract

This study aims to understand how the public interprets and shapes expectations regarding Islamic banks' role in addressing climate change. It adopts a qualitative descriptive-exploratory approach based on semi-structured interviews with members of the public in Makassar. Of the 75 interviews conducted, response summaries from 57 interviews met the criteria for analysis using reflexive thematic analysis. Coding was developed inductively, while Stakeholder Theory and maqasid al-shariah served as conceptual lenses during interpretation. The findings show that the public expects Islamic banks to play a role that remains close to everyday needs, particularly by providing affordable green financing, supporting adaptation among MSMEs and households, screening environmentally harmful activities, and offering practical education. Islamic identity provides a moral foundation for these expectations, but it is not regarded as evidence of environmental responsibility in itself. Public trust depends more strongly on transparent use of funds, verifiable impacts, and consistency between environmental claims and financing portfolios. Support for green products and policies is also conditional, as costs, returns, access, and service convenience remain important considerations. Differences in environmental and service experiences, relationships with Islamic banks, and economic capacity further shape variations in expectations. This study proposes the concept of conditional climate legitimacy to explain how public acceptance becomes stronger when environmental responsibility is expressed through relevant intermediation, equitable access, credible evidence of impact, and consistently reliable service. The findings broaden the discussion of Islamic green banking by positioning the public as an active participant in shaping the legitimacy of banks' actions.

Keywords: Islamic Banking; Climate Change; Public Expectations; Sustainable Finance; Stakeholder Theory; Maqasid Al-Shariah

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INTRODUCTION

Climate change can no longer be treated as an environmental issue detached from economic life. Shifts in rainfall patterns, rising temperatures, floods, coastal erosion, and extreme weather events can disrupt health, livelihoods, food production, household assets, and business continuity. These impacts are not evenly distributed. Low-income households and small businesses tend to have less capacity to adapt because their savings, asset protection, and access to financing are limited (Intergovernmental Panel on Climate Change, 2022). In Indonesia, integrating climate resilience with development is particularly important because the transition to a low-carbon economy must not increase social and economic vulnerability (World Bank, 2023). Coastal cities such as Makassar provide a relevant setting, where urban life, commercial activity, and coastal areas share exposure to flooding, heat, uncertain rainfall, and weather-related disruptions to income (Badan Pusat Statistik Kota Makassar, 2026).

The banking sector occupies a dual position in this issue. On the one hand, banks face physical risks when disasters or long-term climatic changes reduce borrowers' cash flows, damage collateral, interrupt operations, and weaken financing quality. They also face transition risks when changes in policy, technology, energy prices, and market preferences alter the viability of carbon-intensive activities. On the other hand, banks' financing decisions help determine which economic activities grow, survive, or transform. Their climate responsibility therefore extends beyond improving office energy efficiency or reducing paper use. It includes how banks identify risks, screen financing, direct capital towards mitigation and adaptation, and help customers respond to the economic changes accompanying the transition (Basel Committee on Banking Supervision, 2022; Network for Greening the Financial System, 2020).

For Islamic banks, this position carries an additional normative dimension. Compliance with Sharia contracts is fundamental, but Islamic identity also creates expectations concerning trust, justice, public benefit, and the prevention of harm. Environmental damage may threaten life, property, future generations, health, and livelihoods. The consequences of financed activities are therefore relevant to a substantive interpretation of Sharia objectives. This argument does not require the environment to be imposed as a separate classical category of *maqasid*. Instead, the environment can be understood as a condition that supports the protection of essential interests and the wider public good (Dusuki & Abdullah, 2007; Laldin & Furqani, 2013). The central question is thus not only whether a product uses an

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appropriate contractual form, but also how intermediation is carried out and who receives its benefits or bears its losses.

Developments in Indonesian policy make this question increasingly relevant. The Sustainable Finance Roadmap Phase II places taxonomies, the implementation of environmental, social, and governance considerations, practical programmes, product innovation, and awareness-building within the development of a sustainable finance ecosystem (Otoritas Jasa Keuangan, 2021). Version 3 of the Indonesian Sustainable Finance Taxonomy subsequently broadened technical criteria and assessment at the levels of activities, entities, and portfolios, while retaining principles of credibility and inclusiveness for users of different scales, including MSMEs (Otoritas Jasa Keuangan, 2026). This policy infrastructure is important, but institutional classification and reporting alone do not explain how the public evaluates banks' roles, understands green terminology, or responds to the cost implications of sustainable products.

The public is not a homogeneous stakeholder group. People may be customers, prospective customers, business owners seeking financing, workers in affected sectors, residents living near financed projects, or parties who grant or withdraw social support from banks. These positions mean that legitimacy is shaped by more than regulatory compliance. A policy may satisfy a formal classification yet still be considered unfair if small businesses cannot access it. Green claims may appear in sustainability reports but fail to persuade when the language, use of funds, and outcomes cannot be understood. Conversely, modest actions may be viewed as meaningful when they help businesses protect assets, reduce energy bills, or recover from weather-related disruption.

A further tension arises between normative support and transactional considerations. People may agree that banks should avoid financing businesses that could damage the environment, yet remain unwilling to accept higher costs, lower returns, or more complicated services. Experiences with digital services, clarity of charges, branch access, the security of funds, and financing needs continue to shape decisions about using a bank (Harahap et al., 2023; Rezeki et al., 2023). Environmental expectations therefore cannot be assumed to be uniform or separated from economic capacity. This distinction is especially important for Islamic banks because moral claims that are not accompanied by equitable access may widen the gap between institutional identity and public experience.

Existing literature has established a foundation for understanding banking climate risk, sustainable finance, intentions to use Islamic banking services, and the relationship between religious values and customer behaviour. Three

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dimensions nevertheless require further exploration. First, many studies treat banks, corporate reports, or existing customers as their main units, while non-customers and affected groups do not always receive equal attention. Second, quantitative studies may demonstrate relationships among constructs but do not necessarily explain how people negotiate moral demands against costs, benefits, and the limits of bank responsibility. Third, Sharia alignment, transparency, and support for green initiatives are often discussed separately, leaving their combined role in the formation of legitimacy insufficiently understood.

In response to these gaps, this study explores how members of the public interpret and formulate expectations regarding Islamic banks' role in addressing climate change. Its main question is: how does the public interpret and formulate expectations of this role? Four supporting questions provide further depth: (1) what specific roles are expected, (2) which values, experiences, and considerations shape these expectations, (3) how is environmental responsibility connected with Islamic identity, and (4) which factors strengthen or constrain support for Islamic banks' green products and policies?

This study makes three contributions. Empirically, it includes customers and non-customers, MSME owners, and residents with varied climate experiences and economic capacities. Conceptually, it combines *Stakeholder Theory* and *maqasid al-shariah* to explain climate legitimacy as acceptance that depends on the relevance of the role, evidence of impact, justice, and service quality. Practically, the findings provide a basis for banks and regulators to design communication, products, and governance arrangements that are easier to scrutinise and more closely aligned with public needs. The following sections review the literature and conceptual framework, explain the method, present the findings, and discuss their theoretical and practical implications.

LITERATURE REVIEW

Climate Change and the Role of the Banking Sector

Climate risk enters the banking system through physical and transition channels. Physical risks may be acute, such as floods and storms, or chronic, such as rising temperatures and sea levels. Asset damage, business interruption, supply-chain disruption, declining worker health, and higher adaptation costs may weaken repayment capacity and collateral values. Transition risks arise when emissions policies, technological change, disclosure requirements, litigation, or shifts in market preferences reduce the competitiveness of carbon-intensive activities. These two channels are then transmitted into the credit, market, liquidity, operational, and reputational risks already familiar to banks (Basel Committee on Banking Supervision, 2022; Network for Greening the Financial System, 2020). Their long-term, interconnected, and scenario-dependent nature means that historical data alone may not be sufficient for assessing them.

Banks respond through two distinct but related orientations. The defensive orientation focuses on bank resilience through exposure identification, stronger governance, borrower assessment, scenario analysis, and the management of risk concentrations. The transformative orientation views intermediation as a means of directing capital towards clean energy, resource efficiency, climate-resilient infrastructure, and business adaptation. Battiston et al. (2017) show that interconnections among portfolios allow climate exposure to spread through the financial system, while Weber et al. (2015) demonstrate the importance of environmental criteria in credit risk management. The transformative orientation, however, raises distributional questions: who gains access to green financing, who bears the costs of adjustment, and how activities labelled as green are verified.

This article distinguishes four terms that often overlap. *Climate Finance* refers specifically to funding for climate-change mitigation and adaptation. *Green Banking* generally includes more environmentally responsible internal operations and the integration of environmental criteria into products and financing. Sustainable finance has a broader scope because it connects economic objectives with environmental, social, and governance considerations. ESG, meanwhile, refers to a set of factors used to assess risk, governance, and non-financial performance. This study focuses on banks' climate responsibility because its questions are not limited to products carrying a green label. The focus also covers financing screening, adaptation support, equitable access, communication, and evidence of impact as assessed by the public.

The Environmental Role of Islamic Banks

Islamic banks perform an intermediation function within a framework of Sharia contracts and governance, yet the social consequences of their financing decisions remain important. Funds collected from the public are allocated to particular economic activities. The validity of contractual forms and the quality of financing objectives should therefore not be treated as competing concerns. Laldin and Furqani (2013) distinguish between ends and means in Islamic finance: contractual instruments should support the circulation of wealth, fair and transparent practices, and justice at both micro and macro levels. In an environmental context, this framework provides a basis for assessing whether

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financing promotes public benefit or instead transfers ecological risks to more vulnerable groups.

The *maqasid al-shariah* perspective helps extend assessment beyond formal compliance to the consequences of financial activity. Dusuki and Abdullah (2007) connect *maqasid*, *maslahah*, and corporate social responsibility with the protection of human interests and the prevention of harm. Climate change threatens life, property, health, future generations, and social stability. Environmental protection can therefore be understood as a fundamental condition for safeguarding these objectives. The use of *maqasid* must nevertheless remain disciplined. It does not automatically justify every product described as green, nor does it provide grounds for disregarding affordability. Benefits, burdens, priorities, and possible harm must be considered together.

Empirical evidence indicates that acceptance of sustainable banking is influenced by factors that extend beyond institutional identity. Sodik et al. (2023) found that environmental awareness was related to perceptions of environmental outcomes, which were subsequently associated with trust and intention to use sustainable Islamic banking services. At the organisational level, Weber and Chowdury (2020) show that banks' sustainability practices may emerge in response to external pressure rather than solely from proactive commitment. These findings suggest a potential gap between normative ideals, institutional responses, and public assessments. This study addresses that gap by examining how environmental responsibility is interpreted through service experiences, access to financing, and everyday considerations.

The Public as Stakeholders of Islamic Banks

These limitations indicate that the public cannot be understood only as existing customers. From a stakeholder perspective, people may occupy different positions: service users, prospective users, those who need access to financing, groups affected by financed activities, or parties who influence how a bank is accepted within its social environment. Empirical evidence supports this view. Saptasari and Aji (2020) studied 575 Indonesian Muslims who did not hold Islamic bank accounts and found that evaluations and intentions formed before becoming customers already reflected an interest in the bank. From the perspective of business owners, Saifurrahman and Kassim (2024), in a study of six Islamic banks and 22 MSMEs, found that existing rules and procedures often restricted access to financing. MSMEs therefore have a strong interest in financing requirements, processes, and ease of access. Beyond direct relationships with banks, communities may also experience the economic and environmental effects

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of financed projects. In a study of 56 banks in Bangladesh, Weber and Chowdury (2020) found that banks' sustainability activities tended to respond to external pressure, indicating that public acceptance can influence the direction of bank policy. Accordingly, the term 'public' in this study includes customers, prospective customers, MSME owners, affected communities, and groups that may grant or withdraw social support from banks. These different positions provide a basis for examining how their expectations are formed.

The different positions described above mean that expectations of Islamic banks' climate responsibility are not uniform. Their formation can be understood through three interconnected layers. The first is the normative-cognitive layer, which comprises knowledge of Islamic banking and the degree of religiosity used to assess whether an action is consistent with Sharia principles. Among 400 respondents in Ponorogo, knowledge and religiosity were positively associated with interest in saving at Islamic banks (Pratopo & Hasan, 2024).

The second is the transactional-practical layer, which concerns service experience and economic circumstances that shape whether environmental demands are viewed as realistic and accessible. The quality of electronic services was associated with satisfaction and loyalty among 200 BSI customers (Rezeki et al., 2023), while perceived price also influenced intention to use Islamic digital banking services (Harahap et al., 2023).

The third is the environmental-experiential layer, which encompasses direct and indirect experience of environmental issues. Among 198 Islamic bank customers, environmental awareness was associated with perceptions of environmental outcomes, which were subsequently related to trust and intention to use sustainable Islamic banking services (Sodik et al., 2023). In addition, concern about climate change tends to be higher among people with more education or those who have experienced the effects of extreme weather either directly or indirectly (Bruine de Bruin et al., 2025).

On this basis, the study treats these factors as contexts that shape meaning rather than as fixed predictor variables. Differences in expectations consequently make communication and the authenticity of banks' claims important issues in the formation of legitimacy.

Because these expectations are shaped by the information available to the public, communication connects banks' actions with their social legitimacy. Climate-related claims cannot merely be stated, people need to understand the activities being financed, the basis for classifying them as 'green', the mechanisms through which funds are used, and the outcomes achieved. In a survey of 402

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consumers in the United States, Sansome et al. (2024) found that perceived transparency was shaped by the proactivity, clarity, and objectivity of information. Transparency increased credibility and reduced scepticism, whereas the mere availability of information did not directly strengthen perceptions of ethical conduct. Authenticity is further assessed through consistency between messages and practices. The experiment conducted by de Jong et al. (2018) showed that *greenwashing* reduced assessments of communication integrity and provided no advantage in purchase intention. Similarly, a survey of 302 consumers found that perceived *greenwashing* reduced green trust (Guerreiro & Pacheco, 2021). The climate legitimacy of Islamic banks therefore depends heavily on consistency among their claims, evidence of how funds are used, and the impacts produced. This relationship is subsequently examined through *Stakeholder Theory* and the *maqasid al-shariah* perspective.

Stakeholder Theory and the Maqasid al-Shariah Perspective

Stakeholder Theory provides the main framework because banks do not operate solely for one group of capital providers. Freeman (1984) broadly defines stakeholders as parties who can affect or are affected by the achievement of an organisation's objectives. Donaldson and Preston (1995) later distinguished the descriptive, instrumental, and normative dimensions of the theory. In this study, the descriptive dimension helps map the public's different positions, the instrumental dimension explains how trust and support may influence policy effectiveness, and the normative dimension affirms that the interests of affected parties deserve consideration, not merely because they are useful to the bank.

Public claims do not all have the same form, urgency, or influence. The stakeholder salience framework considers the legitimacy, power, and urgency of a claim (Mitchell et al., 1997). Its use nevertheless requires caution because the groups most affected do not always possess the greatest bargaining power. Micro-enterprises and coastal communities may bear material risks even when their influence over banking decisions is limited. This study therefore uses salience not to exclude weaker voices, but to examine the imbalance between the legitimacy of claims and the ability to express them.

The *maqasid al-shariah* perspective serves as a second normative lens. It is used to assess whether expectations concerning benefits, harm prevention, equitable access, and the protection of livelihoods have a substantive connection with Islamic identity. This lens is not applied as a rigid coding list. Participants' interpretations remain the starting point, after which the concepts of *maslahah*, justice, trust, and harm prevention are used to deepen the analysis. Combining

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the two lenses allows the study to address two questions at once: why public claims matter for bank governance and how Islamic identity shapes the moral standard against which banks' responses are judged.

Synthesis and Sensitizing Framework

The literature indicates that expectations do not arise from a single source. Climate exposure and understanding make risks feel more immediate, while values, service experiences, financing needs, and economic capacity determine whether a bank's role appears realistic. Islamic identity then provides a normative standard, whereas transparency and evidence shape trust and support. These relationships remain open and are not assumed to be causal. The framework in Figure 1 is used as a sensitizing device to guide the questions and interpret patterns, rather than as a model to be tested.

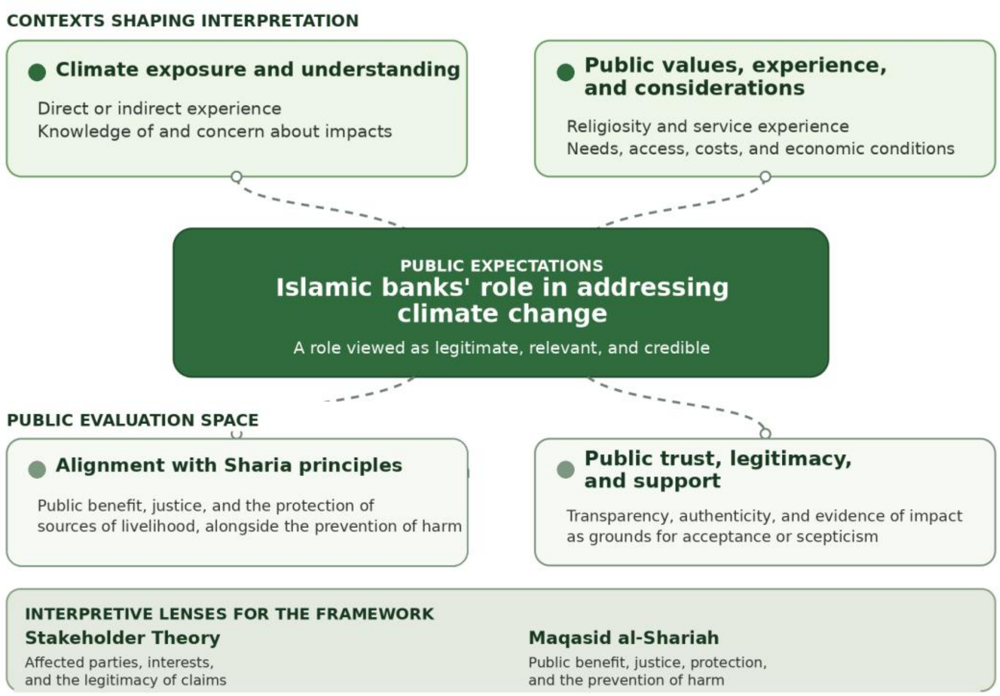

Figure 1.

Sensitizing framework for public expectations of Islamic banks' climate role

Source: Developed by the author. The lines represent non-causal sensitising relationships used to guide data collection and interpretation.

The framework places public expectations at its centre. At the initial stage, climate experiences and transactional considerations create a space in which meaning is formed. Participants then assess whether the role is consistent with Sharia principles and whether its claims are credible. Their assessments may

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result in support, conditional support, limits on the bank's role, or scepticism. *Stakeholder Theory* explains stakeholder positions and the legitimacy of their claims, while *maqasid al-shariah* helps interpret their ethical substance. The framework keeps the analysis sensitive to relationships among themes without forcing participants' responses into predetermined hypotheses.

RESEARCH METHOD

Research Design

This study adopts a qualitative descriptive design with an exploratory orientation. The design was selected because the aim is to produce an account that remains close to how members of the public describe the roles they expect, the boundaries they set, and the conditions attached to their support, rather than to develop a formal theory or estimate prevalence in a population. A qualitative descriptive approach enables the study to examine what is expected, how those expectations are expressed, and which contexts give meaning to the responses (Kim et al., 2017). An exploratory orientation is retained because public perspectives on the climate responsibility of Islamic banks have not yet developed into stable categories within the research context.

The unit of analysis is the summary of each participant's responses, while a coding unit may consist of one or more ideas within a response. *Stakeholder Theory* and *maqasid al-shariah* are treated as sensitising concepts. They direct attention to social position, the legitimacy of claims, public benefit, justice, and the prevention of harm, but they do not determine the themes before the data are examined.

Setting, Period, and Participants

The study was conducted in Makassar, South Sulawesi, between December 2025 and July 2026. The city was selected because it is a centre of trade and services with diverse occupations, access to banking services, and exposure to both urban and coastal environmental conditions. Recruitment covered all 14 districts so that contextual variation would not be concentrated in a single location. Participants were aged 18 years or older, lived or carried out their main activities in Makassar, were able to describe their experiences or views of banking services, and were willing to discuss climate change and the possible role of Islamic banks.

Being an Islamic bank customer was not an eligibility requirement. This decision is consistent with the definition of the public as stakeholders, which also includes prospective users, business owners seeking financing, and residents who may be affected by financed activities. Interviews were excluded when the basic criteria were not met, the session was incomplete, or the core questions did not receive responses that could be analysed.

Sampling and Recruitment Strategy

Purposive sampling was conducted according to the principle of *maximum variation* (Palinkas et al., 2015). Variation was sought in age, gender, education, occupation, customer status, MSME experience, environmental exposure, climate knowledge, and economic constraints. Recruitment used five channels: MSME communities, the general public, university settings, social or religious communities, and social media. *Snowball* sampling was used on a limited basis for nine participants to reach profiles that were not yet represented, rather than as the dominant recruitment route.

The initial operational target was 50 participants for analysis. Adequacy was not determined by treating saturation as a mechanical threshold, but through *information power*: the more specific the aim, the more diverse the sample, the stronger the quality of dialogue, and the more focused the analytical strategy, the less data may be required (Malterud et al., 2016). Recruitment ended after 57 eligible summaries provided sufficient variation in perspectives and information to address all research questions. A total of 75 interviews had been conducted. Eighteen were excluded: ten participants did not meet the criteria, three interviews were incomplete, and five did not provide answers to the core questions.

Data Collection

Data were collected through individual semi-structured interviews conducted between December 2025 and July 2026. Enumerators conducted the interviews in Indonesian using two modes: face-to-face at participants' locations and online through Google Meet. The mode was selected according to participant availability, while the same core questions were used in both formats. Verbal consent was obtained before each interview. Sessions lasted approximately 15-30 minutes and allowed participants to explain their views and experiences concerning climate change and the role of Islamic banks. The interviews were not prepared as verbatim transcripts. Instead, enumerators documented the information provided as response summaries, which served as the primary material for analysis. The reporting therefore draws on the substance of the recorded responses and does not use verbatim quotations as its main evidence. No separate field notes were produced beyond the interview summaries. Privacy protection focused on participants' data and all information they provided during

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the study. In total, 75 interviews were conducted. Following assessment of the participant criteria and completeness of information, 57 interview summaries were included in the analysis, in accordance with the data-selection process described above.

The interview guide contained 11 core questions progressing from banking experience and climate understanding and exposure to the forms and limits of banks' roles, alignment with Sharia principles, transparency needs, three *trade-off* scenarios concerning costs, returns, and convenience, and the conditions attached to support. This sequence was intended to begin with experiences familiar to participants before moving to normative considerations. Questions were phrased in everyday language, while follow-up prompts clarified reasons, examples of benefits, and limits of acceptance. The core questions and recording instructions were standardised for the five enumerators. The available documentation does not indicate that a formal pilot interview was conducted. The study therefore makes no claim that the guide was revised on the basis of a pilot.

Data Analysis

The analysis followed the principles of reflexive thematic analysis (Braun & Clarke, 2021) and was conducted on interview summaries rather than transcripts. The first stage involved repeated reading of participant profiles and the 627 responses available from the 57 participants. In the second stage, ideas relevant to the research questions were coded inductively, while sensitising concepts that supported interpretation were noted. A single response could generate more than one unit when it contained distinct ideas, and brief responses were retained when relevant.

The next stage compared codes within and across cases, constructed a participant-code matrix, and grouped preliminary patterns. This initial structure was reviewed against the full set of summaries to examine overlap, coherence, and divergent cases. The process produced 619 coded units, 18 codes, and five themes. Theme names were framed as interpretive claims rather than simple topics. In the final stage, relationships among themes were examined in relation to customer status, MSME experience, environmental exposure, climate knowledge, and the level of economic constraint.

Code frequencies and participant coverage were used as orienting indicators, not as measures of thematic importance or as a basis for statistical generalisation. Cross-group comparisons were likewise treated as descriptive patterns within the sample. Eight sceptical positions and 11 views that limited the

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bank's role were retained as contrasting cases so that the analysis did not merely reproduce supportive voices.

Quality, Traceability, and Reflexivity

Quality was supported through several strategies suited to the nature of the data. First, selection criteria, reasons for exclusion, participant characteristics, response summaries, coding units, code definitions, and theme matrices were retained in a structured audit trail. Second, *maximum variation* introduced different social positions and experiences. Third, themes were checked against sceptical cases, brief responses, and patterns that did not fit the dominant interpretation. Fourth, the findings were reported by distinguishing data description, theoretical interpretation, and practical implications.

Reflexive thematic analysis treats coding as an interpretive process, meaning that intercoder reliability was not used as the sole measure of quality. Instead, consistency was supported through code definitions, decision records, and repeated review of the matrices. Reporting drew selectively on COREQ to describe the design, recruitment, data collection, analysis, and limitations (Tong et al., 2007). *Member checking* was not conducted, and the absence of verbatim transcripts and field notes is treated as an important limitation on contextual depth and the traceability of participants' original language.

Ethics and Information Protection

Before each interview, the enumerator explained the purpose of the discussion, the voluntary nature of participation, and the participant's right to decline to answer or to end the session. Consent was obtained verbally. Direct identifiers were not used in the thematic analysis, and participant information was treated as restricted data.

RESULTS AND DISCUSSION

Data Selection and Participant Characteristics

Of the 75 interviews, 18 were excluded from the analysis: ten participants did not meet the criteria, three interviews were incomplete, and five did not provide responses to the core questions. The final analytical sample comprised 57 participants. All responses that were brief, showed a lack of knowledge, limited the bank's role, or conveyed scepticism were retained when they met the criteria. Selection was therefore based on eligibility and completeness across the core domains, rather than on whether responses aligned with the study's expectations.

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Table 1.
Characteristics of the analytical sample (N = 57)

Characteristic	Category	n (%)	Characteristic	Category	n (%)
Gender	Female	30 (52.6)	**Occupation**	MSME owner	15 (26.3)
	Male	27 (47.4)		Student	9 (15.8)
Age	18–24	12 (21.1)		Private-sector employee	8 (14.0)
	25–34	16 (28.1)		Civil servant/educator	7 (12.3)
	35–44	12 (21.1)		Informal worker	7 (12.3)
	45–54	9 (15.8)		Homemaker	4 (7.0)
	55+	8 (14.0)		Farmer/ fisher	3 (5.3)
Education	Lower secondary or below	8 (14.0)		Retired/ unemployed	2 (3.5)
	Senior secondary/ vocational	16 (28.1)		Healthcare worker	2 (3.5)
	Diploma	5 (8.8)	**Main exposure**	Flooding/ waterlogging	18 (31.6)
	Bachelor's degree	24 (42.1)		Irregular rainfall	16 (28.1)
	Master's degree	4 (7.0)		Extreme heat	10 (17.5)
Bank status	Islamic bank customer	31 (54.4)		Income disruption	8 (14.0)
	Non-customer	26 (45.6)		No direct exposure	3 (5.3)
MSME experience	Yes	15 (26.3)		Coastal erosion/tidal flooding	2 (3.5)
	No	42 (73.7)	**Climate knowledge**	High	15 (26.3)
Mode	Face-to-face	39 (68.4)		Moderate	33 (57.9)
	Google Meet	18 (31.6)		Low	9 (15.8)

Note: Percentages were calculated from 57 participants and rounded to one decimal place. Exposure categories indicate the main experience recorded.

Participants ranged in age from 18 to 65 years, with a mean age of 37.5 years and a median of 36 years. Thirty-one were Islamic bank customers and 26 were non-customers. Fifteen participants had experience with MSMEs. The main forms of environmental exposure were flooding or waterlogging, irregular rainfall, extreme heat, weather-related income disruption, and coastal erosion or tidal flooding. Only three participants reported no direct experience. Face-to-face interviews involved 39 participants, while 18 were interviewed through Google Meet; the average duration was 22.8 minutes.

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Overview of Themes

The analysis produced five interconnected themes. The first describes roles perceived as close to public needs. The second explains how Islamic identity functions as a moral standard but not as evidence in itself. The third centres legitimacy on transparency and impact. The fourth identifies the economic and service-related limits of support. The fifth explains variations in expectations through experience and social position. Table 2 presents the coverage of each theme and its constituent codes; the frequencies indicate only the presence of patterns within the sample.

Table 2.
Themes and constituent codes

Theme	Participants	Units	Constituent codes (number of participants)
T1. Role close to public needs	49	88	Affordable green financing (28), MSME/household adaptation (15), screening financing for environmental impacts (29), education/partnerships (16)
T2. Islamic identity: a basis, not a guarantee	57	107	Maslahah/harm prevention (29), non-exclusive responsibility (28), Islamic label is insufficient (50)
T3. Transparency and evidence of impact	57	116	Transparency in the use of funds (53), measurable impact/verification (20), concern about greenwashing (43)
T4. Support for green initiatives is conditional	52	156	Limits on cost increases (50), rejection of lower returns (37), convenience as a threshold (45), direct benefits as a condition (24)
T5. Experience and social position	57	152	Environmental exposure (54), service experience (57), economic constraints (22), secondary role of banks (19)

Note: A participant could contribute to more than one code and theme, the counts do not measure thematic importance or population prevalence.

Theme 1 - Expected Roles Close to Everyday Needs

The first theme appeared among 49 participants. They found it easier to envisage a climate role for banks when the actions remained connected to financing functions and addressed needs already familiar to them. Affordable green financing was the most prominent example. The expected benefits were not limited to large-scale energy projects, but included improvements to business premises vulnerable to flooding, more efficient production equipment, lower electricity costs, waste management, and household facilities that strengthened

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resilience. Simple access and requirements that small businesses could meet were considered as important as the environmental aims of the product.

All 15 participants with MSME experience mentioned at least one element of this theme. Their position, however, was not one of unrestricted support: eight offered conditional support and seven placed limits on the bank's role. They tended to assess adaptation financing according to its usefulness for business continuity rather than its green label. An action was viewed as relevant when it reduced operational disruption, protected assets, or maintained cash flow. If procedures were too complicated, collateral requirements were difficult to meet, or costs increased, the environmental benefit was not sufficient to secure acceptance.

The screening of potentially harmful activities also received attention. Twenty-nine participants expected banks to assess the impacts of financing and avoid supporting activities that clearly harmed communities or breached environmental regulations. This expectation was often framed as a direct consequence of banks' authority to select their portfolios, rather than as a demand that banks replace government. Sixteen participants also mentioned education and community partnerships, especially practical information on financing, energy saving, risk management, and preparing businesses for weather-related disruption.

Contrasting cases helped clarify the limits of this theme. Some sceptical participants still accepted screening for activities that violated regulations, but opposed broader programmes when these merely increased costs or served promotional purposes. A role that remains close to public needs is therefore not necessarily a small role. Closeness refers to alignment among banks' authority, recognisable benefits, and everyday economic needs.

Theme 2 - Islamic Identity Provides a Moral Basis, but Not a Guarantee

All 57 participants connected environmental responsibility with a bank's identity, although the form and strength of this connection varied. Twenty-nine used meanings consistent with public benefit and the prevention of harm. They believed that financing should not generate profit while disregarding damage experienced by others. In this interpretation, trust and justice extend beyond the contractual relationship between banks and customers because the consequences of financing may reach workers, families, and communities.

Islamic identity was not, however, seen as granting an exclusive right to claim environmental concern. Twenty-eight participants stated that all banks carried a similar responsibility. This view did not always diminish the role of

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Islamic banks; some participants instead applied a higher standard because the banks' moral language created expectations of consistency. Climate knowledge added context to this pattern: interpretations based on *maslahah* appeared among 12 of the 15 participants with high knowledge, 17 of the 33 with moderate knowledge, and none of the nine with low knowledge. Although descriptive, this pattern indicates that normative reasoning requires language and understanding that connect climate issues with their social consequences.

Fifty participants stressed that an Islamic label was insufficient. They assessed consistency through financing choices, the treatment of small businesses, clarity of charges, and openness when outcomes fell short of targets. A product that was contractually valid but accessible only to more affluent groups could be viewed as failing to meet expectations of justice. Similarly, an environmental campaign lost meaning when harmful elements of the portfolio were left unexplained. These findings position Islamic identity as a standard against which conduct is tested, rather than as a substitute for evidence.

Theme 3 - Legitimacy Depends on Transparency and Evidence of Impact

The third theme covered all participants. Transparency in the use of funds appeared among 53 participants. The information they expected included the activities financed, the reasons for classifying those activities as green, the beneficiaries, the period during which funds were used, the targets, the outcomes, and the procedure for submitting complaints. The availability of a report alone was not considered sufficient if the information was difficult to find, overly technical, or did not allow the public to connect funds with real activities.

Twenty participants explicitly emphasised measurable impacts and verification. They wanted indicators that were simple but consistent, such as the number of businesses receiving adaptation financing, reductions in energy consumption, improvements in asset resilience, or compliance with taxonomy criteria. Independent verification was the most frequently mentioned determining condition, followed by evidence of impact and transparency in the use of funds. This expectation indicates that the public seeks not merely more information, but a verifiable connection among inputs, processes, and outcomes.

Concerns about *greenwashing* appeared among 43 participants, including many who generally supported bank involvement. Such scepticism did not necessarily reflect opposition to climate goals. It often served as a form of caution towards claims that exceeded changes in the financing portfolio or benefits observed in practice. Consistency among promotion, financing criteria, and outcomes formed the basis of authenticity. When targets were not achieved,

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explanations of the reasons and proposed corrective action were considered more convincing than accounts that highlighted only successes.

Customer status also shaped these views. Customers had direct experience through which to assess the clarity of charges and quality of service, while non-customers more often required initial evidence before extending trust. In this sample, 12 of the 31 customers expressed strong support, compared with two of the 26 non-customers. Conversely, the sceptical group included two customers and six non-customers. This difference does not demonstrate a causal relationship, but it suggests that legitimacy is built through experience and information rather than through environmental communication alone.

Theme 4 - Support for Green Initiatives Is Conditional

The fourth theme appeared among 52 participants and generated the largest number of coding units. Overall, 14 participants expressed strong support, 24 offered conditional support, 11 limited the bank's role, and eight were sceptical. Responses became more differentiated when participants considered specific scenarios. Only seven were willing to accept higher costs without conditions, while 31 accepted them conditionally and 19 were unwilling. In the lower-return scenario, 37 were unwilling, 13 were conditional, and seven were willing. When service convenience was reduced, 12 were willing, 26 were conditional, and 19 rejected the change.

Table 3.
Responses to trade-off scenarios (N = 57)

Scenario	Willing	With conditions	No	Main consideration
Higher fees/instalments	7	31	19	Direct benefits, a small increase, voluntary participation, and transparency
Lower returns	7	13	37	Returns and security are viewed as core banking functions
Reduced service convenience	12	26	19	Procedures should be brief, clear, and supported by assistance

Note: Categories show responses to each scenario, rather than general support for climate action.

This pattern demonstrates a distinction between agreement with an objective and willingness to bear its costs. Some participants accepted additional charges when they were small, voluntary, transparent, and produced direct benefits. Lower returns were more widely rejected because returns and financial security were viewed as central to the banking relationship. Additional procedures also needed to be brief and supported by assistance, repeated

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complexity could prevent the use of green products even when their aims were accepted.

Economic constraints formed a strong context. Among the 22 participants facing high economic constraints, 13 rejected higher costs and nine accepted them only conditionally, none were willing to accept them without conditions. Of the nine participants with low constraints, seven were willing and two were conditional. Overall support followed a similar pattern: in the high-constraint group, nine expressed conditional support, seven limited the bank's role, and six rejected it. In the low-constraint group, seven expressed strong support and two offered conditional support. These comparisons are not intended as statistical tests, but they show how the design of green products may either reinforce or reduce inequality.

The conditions mentioned most often were the absence of additional cost burdens, independent verification, continued affordability of financing, easy access, evidence of measurable impact, and voluntary participation. Conditional support should therefore not be interpreted as a lack of concern. It represents how participants negotiated environmental objectives against economic security and service quality.

Theme 5 - Expectations Are Shaped by Experience and Social Position

The fifth theme covered all participants. Direct exposure made climate change easier to translate into practical needs. Eighteen participants focused mainly on floods or waterlogging, 16 on irregular rainfall, ten on extreme heat, eight on income disruption, and two on coastal erosion or tidal flooding. All 54 participants who reported direct exposure were assigned the code indicating that environmental experience strengthened expectations. This code did not appear among the three participants without direct experience. Proximity to an environmental impact, however, did not automatically remove concerns about costs or the distribution of responsibility.

Service experience shaped trust among all 57 participants. Positive experiences provided a basis for believing that a bank could deliver new programmes, whereas unclear charges, slow processes, or difficult digital services reduced the credibility of environmental claims. Customers more often assessed claims through direct experience, while non-customers considered reputation, access, security, and available information. This difference also helps explain why the same claim may be received in different ways.

Climate knowledge was descriptively related to participants' analytical positions. Of the 15 participants with high knowledge, nine expressed strong

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support and six offered conditional support. Among the 33 participants with moderate knowledge, 18 provided conditional support, five expressed strong support, seven limited the bank's role, and three were sceptical. All nine participants with low knowledge adopted either a limited-role or sceptical position. This pattern does not show that knowledge causes support, because service experience and economic capacity also overlap with these positions. It does, however, indicate the importance of communication that connects climate issues with banking functions in concrete terms.

Divergent cases prevented an overly broad interpretation. Nineteen participants regarded the bank's role as secondary. Some remained concerned about environmental impacts but viewed government, industry, or businesses as the main responsible actors. Others worried that banks might exceed their competence, divert attention from the security of funds, or use a green agenda to increase charges. The eight sceptical participants did not hold identical views: some doubted the claims, some rejected the burden, and others saw no strong connection between banking and climate change. This diversity shows that expectations emerge from the interaction of values, experience, capacity, and understandings of how responsibility should be shared.

Cross-Theme Synthesis: Conditional Climate Legitimacy

Together, the five themes form a pattern that can be described as conditional climate legitimacy. The public accepts a broader role for Islamic banks when four elements are present: actions remain close to intermediation functions and public needs, Islamic identity is expressed through justice and the prevention of harm, claims are supported by evidence that can be examined, and costs and procedures do not transfer burdens to those with the least capacity. Weakness in one element can undermine the others. A beneficial but opaque programme creates suspicion, sound information without affordable access does not lead to use, and an Islamic label without portfolio consistency does not build trust.

The findings also show that support, limits, and scepticism lie on a continuum rather than in separate moral categories. A person may support the screening of financing but reject lower returns, be concerned about flooding but regard government as the main actor, or trust Islamic values while demanding independent verification. Legitimacy is therefore not formed through complete agreement, but through a bank's ability to respond fairly and accountably to different reasons and concerns.

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Discussion

This study shows that the public does not regard the climate responsibility of Islamic banks as an agenda detached from ordinary banking functions. Instead, people locate it within the relationship among financing, adaptation needs, Islamic values, information, costs, and service experiences. The central finding is neither unconditional support nor outright rejection, but a form of legitimacy that must be earned through relevance, consistency, and a reasonable distribution of burdens. This section discusses the meaning of the findings for the literature, theoretical framework, and practice.

From Green Agendas to Material Needs

The first theme broadens how the role of banks is understood. Literature on climate risk often begins with portfolio exposure and bank stability, while sustainable finance policy focuses on classifying activities and allocating capital. Participants did not reject either orientation, but translated them into more immediate benefits: businesses surviving floods, more energy-efficient equipment, accessible financing processes, and the screening of harmful projects. This translation is important because a bank's strategy gains social legitimacy only when the public can recognise the relationship between portfolio policy and economic life.

The findings from MSME owners are consistent with Saifurrahman and Kassim (2024), who show that rules and procedures may constrain financial inclusion. A green product does not become inclusive merely because its purpose is desirable. If collateral, documentation, pricing, or process requirements exceed the capacity of small businesses, capital may flow mainly to firms that are already well established. Version 3 of the TKBI emphasises both credibility and inclusiveness (Otoritas Jasa Keuangan, 2026). This study adds that inclusiveness should be assessed through the experience of gaining access, rather than only through the breadth of formal categories.

Adaptation deserves attention equal to that given to mitigation. For participants facing floods, irregular rainfall, or income disruption, asset resilience and business continuity are immediate needs. The World Bank (2023) stresses that Indonesia's low-carbon development must be accompanied by investment in resilience. Islamic banks can respond through financing for business improvements, efficiency, asset protection, and technical partnerships. Such actions remain within the competence of financial intermediation and do not position banks as substitutes for government.

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Islamic Identity as a Standard of Moral Performance

The second theme reveals the dual function of Islamic identity. On the one hand, the language of *maslahah*, trust, justice, and harm prevention provides a basis for linking banks with environmental responsibility. On the other hand, that identity raises the standard of evidence. The findings support the arguments of Dusuki and Abdullah (2007) and Laldin and Furqani (2013) that the objectives of Islamic finance extend beyond contractual form. Participants nevertheless avoided claims of exclusivity: all banks should be accountable for the consequences of their financing.

The implication is that Islamic values do not function as a brand that automatically generates legitimacy, but as a normative promise that can be tested. When a bank claims to promote public benefit while imposing unclear charges or financing activities that risk causing harm, the gap between promise and practice becomes more visible. The 50 participants who stated that a label was not enough demonstrate that the public can distinguish symbols from substance. This also explains why Sharia supervisory boards, risk functions, and sustainability units should not operate along entirely separate tracks.

These findings enrich the *maqasid* perspective by adding a distributional dimension. Preventing harm involves more than selecting cleaner projects, it also requires ensuring that transition costs are not transferred disproportionately to customers with limited capacity. Public benefit must be considered together with affordability, access, and the protection of livelihoods. A substantive Sharia assessment can therefore ask who benefits, which groups bear the risks, and what remedies are available when adverse impacts occur.

Transparency as an Infrastructure of Legitimacy

The third theme reinforces the finding of Sansome et al. (2024) that transparency is not equivalent to the mere availability of information. Participants requested proactive, clear, and verifiable information about the basis of classification, the flow of funds, outcomes, and failures. In banking, this need is more complex than ordinary product communication because customers cannot always observe financing portfolios directly. This information gap creates room for doubt, especially when green language is not accompanied by indicators.

Concerns about *greenwashing* are consistent with de Jong et al. (2018) and Guerreiro and Pacheco (2021), who show that discrepancies in claims can damage integrity and trust. The present findings add an important nuance: scepticism can represent a form of stakeholder engagement. Many participants who were

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concerned about *greenwashing* continued to support climate objectives but demanded verification. Banks should not treat all scepticism as a communication barrier because some of it provides information about the standard of evidence required.

Useful transparency needs to operate at several levels. The public requires accessible summaries of how funds are used and what they achieve, while regulators, investors, and auditors require more detailed methods and data. These levels must remain consistent with one another. Reporting portfolios against the TKBI can provide a technical structure, but public legitimacy requires this material to be translated into understandable benefits, risks, and limitations. Acknowledging unmet targets is also important because objectivity may strengthen credibility more effectively than an exclusively positive narrative.

Conditional Support and a Just Transition

The fourth theme shows that pro-environmental preferences cannot be equated with willingness to pay. Refusing higher charges or lower returns does not demonstrate that participants disregard the climate. For households and businesses operating on narrow margins, even small changes in cost may have material consequences. This finding complements Harahap et al. (2023), who identify the importance of price value in intentions to use digital services, and Rezeki et al. (2023), who confirm the relationship between service quality, satisfaction, and loyalty. Environmental objectives operate within, rather than outside, evaluations of service value.

From a *Stakeholder Theory* perspective, conditional support represents a legitimate claim because customers and affected groups hold different interests. From a *maqasid* perspective, it is a reminder that aggregate public benefit should not be achieved by ignoring concentrated harm. Green product design therefore requires affordability and proportionality. Incentives, guarantees, technical assistance, or cross-subsidies may be more appropriate than transferring all costs to early users.

The findings also distinguish three types of *trade-off*. Costs create limits on the ability to pay, returns affect perceptions of a bank's core function, and convenience influences actual use. Interventions should reflect these differences: costs require an appropriate pricing structure, returns require explanations of risk and value, and procedures require simple service design. Combining all three under a general measure of willingness to support may conceal the different reasons behind participants' responses.

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Stakeholder Heterogeneity and the Distribution of Responsibility

The fifth theme explains why the public cannot be treated as a single voice. Environmental exposure makes the issue more immediate, but service experience and economic capacity shape the response. This finding is consistent with Bruine de Bruin et al. (2025), who demonstrate the role of education and both direct and indirect experience in climate concern. In the present study, greater knowledge was associated descriptively with stronger support, but the relationship did not stand alone. Participants with high knowledge still attached conditions, and those directly exposed to environmental impacts could still limit the bank's role.

Customer status provides access to experiential evidence, while non-customers rely on reputation and public information. The stronger support found more often among customers may reflect proximity and experience, but it should not be interpreted causally. Banks that survey only active customers risk producing an overly positive picture of legitimacy. Public consultation, dialogue with MSMEs, and complaint mechanisms should therefore include prospective users and affected communities.

The 19 participants who viewed the bank's role as secondary clarify how responsibility is distributed. They did not necessarily deny climate change, but rejected the expectation that banks should become the principal actors. This view can be addressed by defining mandates clearly: government sets policy and provides infrastructure, businesses change their processes, banks manage risk and allocate financing, and the public assesses impacts and access. Such clarity prevents banks' climate agendas from developing into claims that are too broad to be held accountable.

Theoretical Contribution: Conditional Climate Legitimacy

Conditional climate legitimacy is the study's main conceptual contribution. *Stakeholder Theory* explains that acceptance of a bank depends on recognising the interests of those who affect and are affected by it. The findings show that legitimacy is not merely an outcome of communication or compliance, but a configuration of four dimensions: the proximity of the role to intermediation functions, the moral consistency of Islamic identity, the verifiability of evidence, and fairness in the distribution of burdens. These dimensions may reinforce or weaken one another.

The *maqasid al-shariah* perspective deepens the normative dimension by connecting the environment with public benefit, the protection of livelihoods, and the prevention of harm. The data also prevent the theory from becoming an abstract claim because participants assessed public benefit through costs, access,

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benefits, and experience. This combination avoids two reductions. First, the public is not reduced to a source of reputation to be managed. Second, *maqasid* is not reduced to a label attached to a product. Both become a basis for assessing processes and consequences.

The conditional concept also helps interpret scepticism. In a model that treats support as a single final outcome, scepticism appears as failure. Here, it may indicate demands for verification, distributional concerns, or limits on the bank's mandate. The bank's response should correspond to the reason involved. Legitimacy does not require complete agreement, but it does require a process in which different claims can be recognised and addressed.

Implications for Islamic Banks and Regulators

First, Islamic banks need to connect their climate strategies with products relevant to MSMEs and households, particularly financing for adaptation, energy efficiency, waste management, and asset protection. Products should be accompanied by technical assistance, streamlined processes, and pricing structures that do not exclude users with limited capacity. Second, environmental risk screening should be integrated with financing analysis and Sharia supervision so that social and environmental consequences are not treated as administrative additions.

Third, communication should move from claims to an evidence trail. Banks can publish summaries connecting funding sources, TKBI categories, beneficiaries, targets, actual results, verification methods, and complaint handling. Technical reports remain necessary, but they should be accompanied by a layer that is easy to understand. Fourth, independent verification and disclosure of unmet targets can reduce the impression of selective reporting. Fifth, product testing should involve customers, non-customers, MSME owners, and affected communities so that cost and procedural barriers are identified before launch.

For regulators, the findings suggest that taxonomy implementation should be linked to indicators of access and the distribution of benefits. Reporting could include measures of the number and characteristics of financing recipients, affordability, rejected applications, adaptation support, and complaint mechanisms. Policy incentives, guarantee schemes, and capacity-building may help banks provide climate financing without transferring all costs to vulnerable groups. Education should also explain the relationship among climate risk, banking functions, and the public's right to information.

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Limitations and Future Research Agenda

This study has several limitations. First, purposive sampling in one city does not represent the population of Makassar or Indonesia. Theme frequencies and group comparisons describe only the sample. Second, the data consist of enumerator summaries rather than verbatim transcripts and are not accompanied by separate field notes. This limits access to participants' word choices, the order of their narratives, emotions, and the context of interaction, direct quotations are therefore not used in the reporting. Third, interviews lasting 15-30 minutes limited the depth available for a complex topic.

Fourth, the study did not conduct *member checking* or test its interpretations with participants. Fifth, the findings reflect public perceptions rather than an actual evaluation of banks' portfolios or internal policies. Sixth, economic position, climate knowledge, and service experience are interpreted as contexts, the design cannot explain causal relationships. Seventh, the available documentation did not allow the ethical approval number to be verified, and this issue must be resolved before submission.

Future research could use longer interviews and verbatim transcription, extend the study to coastal and rural areas and other cities, and compare customers, MSMEs, affected communities, bank management, Sharia supervisory boards, and regulators. Participatory designs could examine how members of the public assess examples of impact reports or product designs. Mixed-method studies could also develop a measure of conditional climate legitimacy and test relationships among transparency, fairness of costs, trust, and intention to use products without losing the qualitative context.

CONCLUSION

The public expects Islamic banks to contribute to addressing climate change, but this role is not accepted as an unlimited mandate. The most meaningful roles remain close to intermediation functions and public needs, affordable adaptation financing, support for MSMEs and households, the screening of harmful activities, and education that can be applied in practice. Islamic identity provides a moral foundation through public benefit, justice, trust, and the prevention of harm, but a label cannot replace evidence.

Transparency, verification, and portfolio consistency form the infrastructure of legitimacy. Support weakens when claims cannot be examined, costs rise, returns fall, or services become more difficult to use. Variations by environmental exposure, customer status, service experience, climate knowledge,

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and economic capacity indicate that the public should be engaged as a diverse group of stakeholders.

This study defines conditional climate legitimacy as acceptance formed when environmental responsibility, economic justice, Islamic identity, and service quality operate together. For Islamic banks, the challenge is not simply to add green products, but to build a credible connection among funds, financing decisions, benefits, and the parties who bear the burdens. For regulators, the credibility of a taxonomy must be accompanied by attention to access and the distribution of benefits. In this way, the climate responsibility of Islamic banks can develop as a form of intermediation that is verifiable, fair, and relevant to people's lives.

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