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SUSTAINABILITY ISLAMIC BUSINESS: RISK MANAGEMENT REVIEW

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Abstract

Islamic business has the phenomenon of being easy to grow and easy to leave. This study aims to analyze the sustainability of Sharia business from the perspective of risk management. This research uses a qualitative approach with a type of literature study employing the PRISMA Method (Preferred Reporting Items for Systematic Reviews and Meta-Analyses). Data was collected from various literature, both from books and related journals. This study introduces the Islamic view on risk management, the urgency of risk management for Sharia businesses, and the implementation of Islamic principles that emphasize the blessings and pleasure of Allah SWT in its operations. The main findings of this study indicate that the application of risk management following Sharia principles can enhance the sustainability of Sharia businesses. The practical implications of this study guide for Sharia business practitioners to consistently manage risks, thereby achieving business sustainability. As a result, businesses can endure and provide benefits for economic circulation in the community.

Keywords: Risk Management, Sustainability, Sharia Business

INTRODUCTION

Amid the dynamics of the increasingly advanced digitalization era, the main challenge for humans and companies is to face inevitable uncertainty. This uncertainty, as explained by (Zreik, 2023), is a phenomenon that cannot be predicted with certainty in the future, thus causing various risks that can affect the course of business. Risk is an inseparable part of economic life and activity, as expressed by (Kreishan et al., 2023) and (Li et al., 2024), who stated that every activity must contain risks that have the potential to cause unwanted losses or dangers.

In Islamic business, risk management becomes more important considering the principles that must be followed following Sharia rules. Risks that are not managed properly can hinder the progress of Islamic business and interfere with the achievement of organizational goals. Therefore, as explained by (Hidayat, 2023; Hidayat, Sujianto, & ..., 2023), risk management is essential in every company's operations, including in Sharia-based banking financial institutions.

Through a risk management approach, Islamic businesses can identify, measure, monitor, and control risks that may arise from their operational

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activities. It also includes the process of risk identification, assessment of the urgency of risk management in Islamic business, as well as the implementation of risk management strategies in accordance with Sharia principles. Thus, Islamic business risk management is an important foundation for sustainable business continuity and growth in the context of evolving global financial markets (Hidayat, Mazidah, et al., 2023).

The above clearly shows that from the past until now, no one can know for sure what will happen in his life in the future. Whether he will experience gains or misfortunes, everything is very mysterious. But those possibilities are bound to happen. Therefore, if this phenomenon is associated with probability theory, then we will get the following definition of uncertainty: Uncertainty that causes the possibility of profit, will be referred to as opportunity (opportunity), while uncertainty that causes the possibility of loss (danger), will be referred to as risk. In addition, the uncertainty creates a possible break-even point because the level of sales/income with capital used to earn profits is in the same position.

Risk is an inseparable part of life because all activities must contain risks. There is even an assumption that there is no life without risk just as there is no life without death. Risk is the possibility of unexpected or unwanted losses (Hidayat, Sujianto, Faizin, et al., 2023) Risk in its various forms and sources is an indispensable component of any economic activity. This is because the future is very difficult to predict. No one in this world knows for sure what will happen in the future, maybe even one second in the future. There is always an element of uncertainty that poses risk. If all economic activity in the world were free of risk, economic life would be very simple, because if the result of every activity was known from the beginning, life would be boring. There are no dynamics and changes that make human civilization go around (Sultoni, 2022).

By looking at the understanding above that risk are related to losses, threats, and dangers, they need to be managed so that the risks that occur can be minimized and hopefully, these risks do not occur. Therefore, risk management is needed to manage and anticipate every possible risk that will occur in human life and the company (Hassan et al., 2024). Similarly, in the banking business world, risk cannot be separated in every operational activity, so risk management is needed in a banking financial institution. Risk management is a set of methodologies and procedures used to identify, measure, monitor, and control risks arising from all business activities of the bank.

Risk management is a complete set of policies, and procedures, that an organization has, to manage, monitor, and control an organization's exposure to risk (SBC Warburg, The Practise of Risk Management, Euromoney Book, 2004; Masriadi et al., 2023). Risk management is a series of procedures and methodologies used to identify, measure, monitor, and control risks arising from the business activities of banks or other companies (Kreishan et al., 2023).

In this paper, we will explain the risk of Sharia business, the urgency of risk management in the Sharia business, risk identification, and the implementation of risk management. The specific objective of this research is to investigate and analyze the sustainability of Islamic businesses from the perspective of risk management. This study uniquely contributes with a particular focus on Sharia principles in managing business risks. The research aims to provide an in-depth understanding of how Islamic principles, such as the prohibition of *riba, gharar*, and *maysir*, influence risk management practices in

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Islamic businesses. By analyzing the risks faced by Sharia businesses and how they manage these risks, this research can offer valuable insights for business practitioners, academics, and other stakeholders on how to enhance the sustainability of Sharia businesses. Additionally, this research aims to contribute to the literature in the domain of Sharia risk management, which can serve as a foundation for further research in this field. Thus, the primary objective of this research is to comprehend the role of risk management in maintaining the sustainability of Sharia businesses and to provide practical guidance for Sharia business practitioners in navigating the challenges and opportunities present in today's complex market.

LITERATURE REVIEW

The integration of sustainability and risk management into Islamic business practices is increasingly recognized as essential to achieving long-term success and resilience. Islamic banks, for example, have pointed out that board characteristics such as the size and independence of the Board of Directors and the Shariah Supervisory Board positively influence sustainability reporting, highlighting the role of governance in promoting sustainable practices (Kachkar &; Alfares, 2022). Similarly, the increasing demand for Islamic insurance products underlines the potential of Islamic finance to offer sustainable solutions for risk management, with various models such as *Mudharabah* and *Wakalah* facilitating this process (Kalkavan &; Eti, 2021).

However, Islamic financial institutions have faced criticism for not fully embracing their social and development roles, pointing to the need for better regulatory and governance frameworks to enhance their contribution to the

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progress of society (Hidayat &; Asiyah, 2023). The importance of resilience and strong risk management strategies has been emphasized, especially in light of recent crises such as the COVID-19 outbreak, which revealed vulnerabilities due to inadequate risk management implementation (Hassan, 2024). The development of Islamic Sustainable Finance is marked by an increasing focus on comprehensive human development aligned with the goals of Islamic Sharia, indicating a shift towards more sustainable and socially responsible financing practices (Khan et al., 2021). In addition, the broader concept of sustainability in organizations, including those operating under Islamic principles, requires effective risk management to achieve a circular economy (Tumewang et al., 2023).

The emergence of Sharia-compliant fintech companies highlights the importance of managing technological risks to ensure safe and reliable services for consumers, further emphasizing the role of risk management in Islamic business sustainability (Hidayat &; Huda, 2023). The shift in the risk landscape from traditional economic and financial risks to environmental and social factors requires a proactive and contemporary management approach, integrating sustainability into risk management to address these challenges (Haleem et al., 2021). Effective identification and analysis of risks within the scope of sustainable management is essential to increase competitiveness and achieve organizational goals (Pahlavi, 2023). Lastly, empirical analysis of companies with Islamic sensitivity reveals partial integration of sustainability practices, with larger, internationally connected companies showing greater adherence to sustainability principles (Kirby et al., 2022).

Risk is the potential loss due to the occurrence of a certain Event. Risk arises when there is more than one possible outcome, and the most recent outcome cannot be known. Risk can be defined as an unexpected change or difference in outcomes. (Aziz et al., 2022) His article entitled Risk Management in an Islamic Perspective explains risk management which can be understood as all risks that occur in the community (loss of property, life, finance, business, and others) both seen from the side of individuals in the community and a company. In practice, risk management can be closely related to functions, and company functions (financial functions, accounting functions, marketing functions, production functions, personnel, and engineering and maintenance functions), because these functions contain many risks in company management. Risk management is defined as a logical and systematic method of identifying, quantifying, determining attitudes, establishing solutions, and monitoring and reporting risks that take place in each activity or process.

The principles of Shariah are applied in risk identification, assessment, and mitigation by emphasizing compliance with Islamic law and avoiding prohibited elements such as *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation). In risk identification, Shariah-compliant companies focus on recognizing risks that align with these principles, ensuring that all transactions and operations do not contain haram elements. Risk assessment is conducted by considering the impact on the welfare of the community and ensuring fairness for all parties involved. This assessment method often involves the use of Shariah contracts such as *mudharabah* (profit-sharing partnership) and *musharakah* (joint venture). For risk mitigation, strategies implemented include investment diversification following Shariah principles, the use of Islamic insurance or takaful, as well as transparent and ethical fund management. All these steps are taken to ensure that business

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operations remain fair, transparent, and aligned with Islamic ethical values while avoiding practices that could harm society or the environment.

In the context of business sustainability, relevant indicators may include responsible use of natural resources, environmentally sound waste management practices, and policies that support the social and economic well-being of communities. As for Sharia business risk management, indicators may include compliance with Sharia principles in every aspect of operations, mitigation of risks that have the potential to harm customers or the community, as well as efforts to minimize negative impacts on the environment and surrounding communities.

Steps to achieve business sustainability may include evaluation of existing operational practices, development of policies that strengthen corporate social responsibility, and investment in environmentally friendly technological innovations. Meanwhile, measures for Sharia business risk management may include risk identification based on Sharia principles, assessment of potential risk impacts, implementation of mitigation strategies following sharia principles, and continuous monitoring of existing risks.

Based on the definitions, indicators, and steps described regarding management and risk above, the author concludes that management in Islam is an effort to achieve company goals by carrying out management functions in risk management, which includes planning, organizing, directing, and controlling activities to achieve effectiveness and essence following Islamic teachings (Nasereddin et al., 2024).

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RESEARCH METHOD

In this study, a qualitative approach was used with a type of literature study using the Prisma (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) method. The qualitative approach allows researchers to gain a deep understanding of the phenomenon under study through analysis of relevant texts. Data for this study were obtained through secondary sources of information, especially relevant literature such as scientific journals, technical manuals, and theories related to Islamic business risk management and business sustainability. Some of the literature sources used include journals indexed in databases such as SINTA (Accredited National Indexation System), DOAJ (Directory of Open Access Journals), and other trusted scientific databases. In addition, several scientific books focused on related topics are also used. With this approach, researchers can gather comprehensive and relevant information to build a solid theoretical foundation for this writing. Analysis of the literature found will provide a deep understanding of the basic concepts, theories, and best practices in Islamic business risk management and business sustainability.

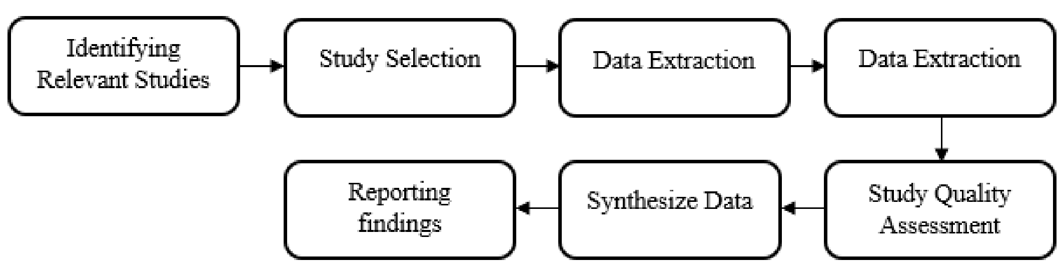

Figure 1
Implementation of the Prisma Method in this Research
Source: Processed by researchers, 2024

The implementation of the PRISMA Method in research involves several important steps. First, the identification of relevant studies is conducted through

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a comprehensive literature search in various scientific databases such as PubMed and Scopus, using keywords relevant to the research topic. After that, specific inclusion and exclusion criteria are determined to select the studies to be included in the review, covering the publication year range, study type, population, intervention, and reported outcomes.

Next, the study selection process begins with an initial screening based on titles and abstracts to eliminate irrelevant studies. Further screening is then carried out by reading the full texts of the studies that passed the initial screening to ensure that they meet all the inclusion criteria. In the data extraction phase, key information from the selected studies, such as participant characteristics, research methods, interventions, main outcomes, and conclusions, is collected using standard forms or software tools to ensure consistency.

The quality assessment of the studies is performed by evaluating the methodological quality of the included studies using recognized assessment tools, such as the Newcastle-Ottawa scale or the Cochrane risk of bias tool, and determining the confidence level in the findings using the GRADE framework (Grading of Recommendations, Assessment, Development, and Evaluations). The extracted data are then synthesized either qualitatively (describing the findings narratively) or quantitatively (combining data through meta-analysis). If conducting a meta-analysis, statistical analyses including heterogeneity assessment, sensitivity tests, and subgroup analyses are performed if necessary.

The research findings are reported using a PRISMA flow diagram to illustrate the study selection process from identification to final inclusion, and the findings are reported with full transparency, including justification for the inclusion and exclusion of studies, data synthesis methods, and quality

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assessment of the evidence. With these steps, the PRISMA Method ensures the reliability and transparency of the research findings.

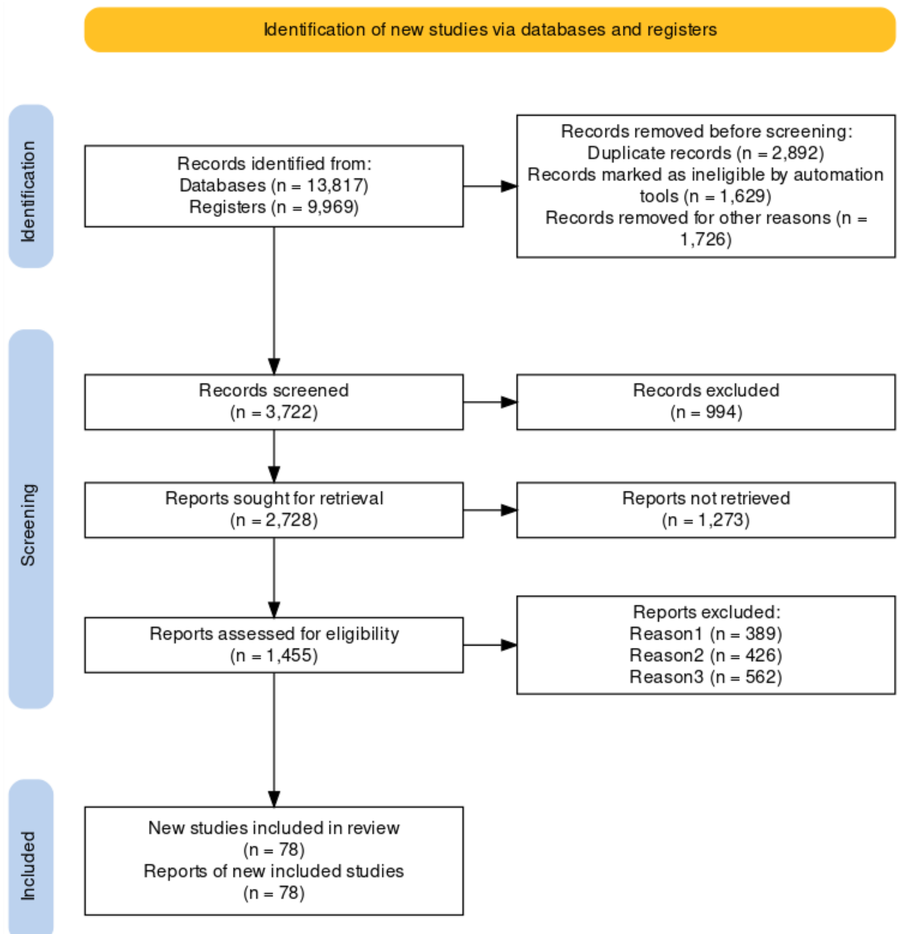

Figure 2
Article Analysis Based on the Prisma Method
Source: Data Processed by Researchers, 2024

Based on the information provided, a new study was identified through databases and registries such as SINTA (National Accredited Indexing System), DOAJ (Directory of Open Access Journals), and other trusted scientific databases. The total number of articles identified is 13,817 from the database and 9,969 from the registry. Before the screening process began, several articles were removed, including 2,892 duplicate articles, 1,629 articles flagged as ineligible by

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automation tools, and 1,726 other articles removed for various reasons. After the screening process, a total of 3,722 articles were filtered out. From this total, 2,728 reports were sought to be retrieved, while 1,273 reports were not retrieved. Additionally, 1,455 reports were assessed for eligibility. However, some reports were excluded for various reasons, with the respective numbers of exclusions being 389, 426, and 562. Furthermore, of the newly identified studies, only 78 were included in the review for this research. Each stage of this process has specific elimination criteria to ensure that only the most relevant and high-quality studies are considered in the review.

RESULTS AND DISCUSSION

This research resulted in findings that Islamic business risk management and business sustainability and the interaction between the two in the context of building a sustainable foundation for Islamic business. A qualitative approach and a literature study are used to explore both concepts in detail. Analysis of Islamic business risk management shows that this approach involves managing risk by considering Islamic Sharia principles. This includes the identification of potential risks in business activities, the evaluation of their impact, and the implementation of mitigation strategies following Islamic teachings. Islamic business risk management not only considers financial and operational aspects but also ethical values and fairness in every business decision.

Meanwhile, related to business sustainability, this research highlights the importance of environmentally responsible business practices, society, and shareholders. Sustainable business not only prioritizes short-term financial gains but also takes into account the long-term impact on the environment and

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surrounding communities. These practices include efficient use of resources, environmentally sound waste management, and positive contribution to the social and economic development of the community.

From the results of the study, it can be seen that Islamic business risk management and business sustainability are closely interrelated and influence each other. Risk management carried out following Sharia principles can help businesses to manage risks that can disrupt the sustainability of the company's operations and reputation. On the other hand, sustainable business practices can also be part of a risk management strategy by reducing risks related to environmental and social impacts.

Overall, the results of this study affirm the importance of integration between Islamic business risk management and sustainable business practices in building a sustainable foundation for Islamic business. By considering these aspects holistically, Islamic businesses can achieve sustainable growth while still adhering to Islamic values and paying attention to the welfare of society at large.

Introduction to Sharia Business and Business Sustainability

Sharia business is an economic activity based on Islamic law whose basis is taken from the Quran and Hadith. To be considered a Sharia business, entrepreneurs must follow the rules mentioned in these sources. The application of these specific principles is what distinguishes Islamic business from conventional business.

The main difference between the two is the acceptance of Sharia rules as a foundation in doing business. In sharia business, the goal is not only to obtain material benefits but also to seek the blessings and pleasure of Allah SWT.

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Focusing on that goal, business is always aligned with Islamic Sharia principles (Dahlan &; Hilman Azka Fikri, 2023).

Sharia business refers to financial activities carried out in accordance with the principles of Islamic Sharia. These principles include the prohibition of riba (*korot*), excessive speculation (*maisir*), uncertain economic activity (*gharar*), and commercial activity contrary to Islamic moral and ethical values. Other principles are fairness, transparency, and accountability. Some characteristics of Islamic business include compliance with Islamic law in all operational matters, including finance, investment, and risk management.

Risk, as is commonly understood, refers to the possibility that in life we will receive undesirable results. For example, the risk of driving a car too fast can result in a police ticket or worse having an accident. In Webster's dictionary, it is described as "facing danger or calamity". Risk in Indonesian thesaurus means threat, danger, and vulnerability. Some of these meanings in etymological contexts give a negative impression. Everything that carries risk implies dislike and unexpected and try to avoid it as much as possible (Nurohman, 2022).

Some forms of Sharia business include Sharia banking, Sharia insurance, Sharia investment, and various other financial activities following Islamic principles. However, like conventional businesses, Islamic businesses also have risks that need to be identified and managed.

In trying to make a living, a Muslim is faced with a state of uncertainty about what is happening. We may plan a business activity or investment, but we cannot be sure what we will get from the investment results. Is it profit or loss? This is the *sunnatulla*h and provision of Allah as conveyed to the Holy Prophet

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Muhammad (peace be upon him) in Sura Lukman verse 34 which means, "... And no one can know (with certainty) what he will do tomorrow." (Q.S. Lukman:34)

The verse became the rationale for the concept of risk in Islam, especially in business and investment. Furthermore, in Surah Al-Hashr verse 18, which means, "O believers, fear Allah and let each one pay attention to what he has done for tomorrow (hereafter); and be fearful of Allah, verily Allah knows what you do." (Q.S. Al-Hashr:18).

The concept of uncertainty in Islamic economics is one of the important pillars of the Islamic risk management process. Naturally, in business activities, in this world no one wants their business or investment to experience losses. Even at the macro level, a country also expects a positive trade balance. Sharia rules on returns and risks are *Al ghunmu bil ghurmi*, meaning that risk will always accompany every expectation *return* or yield (Kharisah, 2022).

From the understanding of sharia business and the risks above, it can be concluded that sharia business actors, who follow Islamic principles in their operations, have the main goal not only of obtaining material benefits but also of seeking the blessings and pleasure of Allah SWT. In conducting Sharia business, principles such as the prohibition of usury, fairness, transparency, and accountability are the main guidelines. Although Islamic business has risks, including the risk of uncertainty recognized as part of Allah's destiny, the Islamic concept of risk management teaches us to face it with an awareness of limitations and dependence on Allah's decrees.

Business sustainability is intended so that the business that has been started can withstand all business demands, both facing capital, production, market segmentation, to human resources. Business indicators that can continue

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include having the ability to reach consumers so that production results sell well in the market. The existence of various products on the market can survive and remain an option for consumers.

The Urgency of Risk Management in Islamic Business

Risk management in running a business is important to protect the organization from risks that hinder the achievement of goals and various things that have the potential to cause losses to the company. In the business world, there are always dynamic changes that ultimately give birth to uncertainty. From this uncertainty arises risks that lead to unfavourable consequences. The inability of humans to predict things that will happen in the future makes human activities always contain risks. This uncertainty (like risk) certainly cannot be eliminated even with the best management. However, humans can at least try to minimize these things so that the bad effects that are born can be eliminated or at least minimized.

In Islam, risk is seen as a positive thing. Because we are dealing with the concept of justice, where every business profit result must result from involvement in dealing with business risks. Risk management is also an effort to maintain God's trust in wealth for the benefit of mankind[1]. Islam as a universal religion has implicitly or explicitly stated the importance of risk management as stated in the story of Prophet Yusuf (AS) as immortalized in the Qur'an surah Yusuf verses 46-49. In the Qur'an, the story of Prophet Yusuf (PBUH) illustrates the importance of risk management. In the second seven years, there will be a terrible drought as the Prophet Joseph measures and controls the risks that will occur in those seven years. As a result, the danger of famine that threatens the country can be avoided.

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Islamic financial institutions face risks that can be classified into two broad parts: 1) The same risks as conventional financial institutions: Such as gap analysis, maturity matching, internal rating system, and Risk Adjusted Return on Capital (RAROC); 2) Unique risks because they follow Islamic principles: For example, profit and loss sharing patterns carried out by Islamic banks increase the possibility of risks such as withdrawal risk, fiduciary risk, and displaced commercial risk.

Risk management in the context of Sharia business is implemented by adhering to the principles of ethics, justice, and blessings that form the foundation of Islamic law. One of the main approaches in Sharia risk management is to avoid practices that contradict Sharia principles such as *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation). Risk identification is conducted carefully, considering aspects such as financial transactions, investments, operations, and reputation. Risk evaluation involves a thorough review of each transaction or business activity to ensure compliance with Sharia law.

For example, in financial risk management, Sharia businesses employ principles of profit-sharing contracts or partnerships (mudharabah and musharakah) based on fairness and sharing profits and losses among involved parties. Additionally, the periodic application of Sharia audits is an integral part of risk management to ensure compliance with Islamic principles in all aspects of business operations. With this approach, risk management in Sharia business aims not only to protect assets and business interests but also to ensure compliance with the moral and ethical values of Islam, as well as to attain blessings in every transaction and business activity.

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Risk Identification

Risk is the possibility of deviation from expectations that can cause losses (Awais et al., 2022). According to Joel G. Siegel and Jae K. Shim, risk is defined into 3, the first is that the situation leads to a specific set of outcomes, where the results are obtained from possibilities known to the decision maker. The second definition of risk is variations in profits, sales, or similar financial variables. The last definition of risk is the possibility of a financial problem that affects business operations, such as economic risk, political uncertainty, and industrial problems (Supriyatni, 2021).

According to Noshworthy, "Risk management is the implementation of measures aimed at reducing the likelihood of those threats occurring and minimizing any damage if they do risk analysis and risk control from the basis of risk management where risk control is the application of suitable controls to gain a balance between security, usability, and cost." Risk management is identifying the presence of threats and implementing the intended measure to reduce threats and initiating damage, risk analysis and risk control realize the basis of risk management which risk control uses applications that are suitable for obtaining a balance between security and cost use.

Risk management is defined as a logical and systematic method of identifying, quantifying, determining attitudes, establishing solutions, and monitoring and reporting risks that take place in each activity or process (Sultoni, 2022).

Types of Risk

Risk can make the difference between return actual obtained and return hope. The more differences there are, the greater the risk that is likely to exist.

Here are some types of risk based on how big the type of investment: a) Market risk, the risk of loss that can be seen in balance sheet positions and administrative accounts due to overall changes in market conditions; b) Equity price risk, the risk resulting from changes in earnings income arising from price fluctuations and changes in macro conditions; c) Interest rate risk, the risk caused by market valuation of supply and demand in the money market; d) Exchange rate risk, the risk caused by changes in the exchange rate of salted currencies; e) Price risk, the risk caused by changes in commodity prices; f) Financial risk, the risk that exists due to the inability of third parties to fulfill their contracts; g) Liquidity risk consists of asset liquidity risk (if the transaction cannot be at the market price because the position size is different from the normal trading amount) and funding liquidity risk (the condition of not being able to fulfill payment obligations so that there is initial liquidity and loss); h) Operational risk, the risk caused by human, system, and technological errors. These risks include governance errors, procedures, and technical errors; i) Legal risk (legal risk, risk caused by activities that do not meet legal requirements; j) Reputation risk, the risk caused by loss of trust in the company's reputation; k) Political risk, the risk caused by actions made by policymakers significantly so that it affects the course of the organization; l) Country risk, the risk of risk caused by the political conditions of a country.

Identifying Risks

Risk identification, is an effort to find and find out the risks that have the possibility of arising in a company. Risk identification is a process to systematically find, recognize, and describe risks that will be faced. The first step that must be done is to identify the sources of risk from the environment around

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the place of business, namely: a) Physical environment for example business buildings that have been aged and no longer habitable, business locations near rivers that are prone to flooding; b) Social environment e.g. social unrest, demonstrations, conflicts with the surrounding community, theft, employee strikes; c) Political environment e.g. changes per legislation, changes in regulations; d) Legal environment, for example, a lawsuit occurs because it fails to comply with applicable laws and regulations; e) Operational environment e.g. work accidents, machine failures, time in computer systems; f) Economic environment e.g. economic sluggishness (recession), uncontrolled inflation.

Risk Control

Risk control is carried out to reduce the probability of risk resulting in losses. Risk control is an effort to know, analyze, and control risks in every business activity to minimize losses that may occur. Risk control is an effort to know, analyze, and control risks in every business activity to obtain higher effectiveness and efficiency (Darmawi, 2006: 135).

Risk must occur and is difficult to avoid, but a risk can be managed in 4 ways, namely: 1) In making decisions, management must understand the decisions to be taken, this is done to minimize risk, not to enlarge and take too many uncertain decisions also including steps taken to minimize risk; 2) Risk transfer is carried out in a way that risks that may occur are transferred to other places partially, for example by insuring the business to avoid unexpected risks; 3) Controlling risk The decision to control risk is made by applying anticipatory policies to the emergence of risks before they occur. Examples of policies that are masudud, for example, by installing CCTV at business locations to avoid the risk of employee fraud while working or theft; 4) Risk funding Risk funding is the

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provision of some funds as unexpected funds or reserves to anticipate future risks such as changes in the dollar exchange rate against domestic currencies in the market (Fahmi, 2018: 6-7).

Further clarification on how specific risks associated with Sharia principles are identified and evaluated will provide readers with additional insight into the complexity of risk management. In the context of Sharia business, risk identification and evaluation are conducted following Islamic values. Here are some specific risks faced and how they are identified and assessed: Interest risk is identified by ensuring that no business transactions involve the payment or receipt of interest. Evaluation is carried out by examining all financial contracts and agreements to ensure compliance with the prohibition of interest, and alternatives such as profit-sharing contracts or other Sharia-compliant agreements are utilized. Uncertainty risk is identified through an assessment of transactions that have excessive or ambiguous elements of uncertainty. Risk evaluation involves a review of contracts and transaction terms to eliminate or reduce elements of uncertainty, such as ensuring that all details regarding price, quality, and delivery time of goods or services are clear and agreed upon by all parties. Speculation risk is identified by avoiding all forms of speculation and gambling in business activities. Evaluation is conducted by examining business activities to ensure that investments are made based on thorough analysis rather than speculation, with Sharia businesses tending to choose investments in real sectors and tangible assets. Reputational risk is related to the public perception of business compliance with Sharia principles. Evaluation is carried out through regular Sharia audits, ensuring that all business practices are consistent with Islamic teachings, and ensuring transparency and effective communication with stakeholders. Compliance risk is identified by assessing the extent to which business operations comply with Sharia law. Evaluation includes internal and external audits by Sharia experts to ensure that all aspects of business operations comply with Sharia law.

Risk Management Implementation

Understanding the concept of risk broadly is an essential basis for understanding the concepts and techniques of Risk management. Even in the business world, uncertainty and risk are something that cannot be ignored but must be considered carefully if you want success. Risk management is the design of procedures and implementation of procedures to manage a business risk. Its existence is an anticipation of the increasingly complex activities of the company triggered by the development of science and technological advances (Jonnius &; Abdurrahman, 2017). Progress in the field of technology brings benefits to human life. However, on the other hand, it has the potential to create risks that can be detrimental to life.

In the business world, uncertainty is a business risk that must be taken into account. One type of business that has a fairly high risk is a business in the field of rental services. A lease in Islamic law is called *ijarah*, which is a contract (*akad*) of a known and proposed utilization right for a particular asset over a specified period with a specified reward or reward. In this context, good risk management is the key to managing the risks associated with the business effectively. This can be done through a comprehensive process of risk identification, evaluation, and management, taking into account Sharia principles every step of the way (Princess et al., 2022)

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Therefore, the implementation of risk management in the context of Sharia business plays an important role in maintaining the sustainability and success of the company. Islamic business has unique and different principles in its management, which must be considered in the risk management process. The implementation of risk management in Islamic business not only involves financial aspects, but also considers ethical, social, and Islamic legal aspects.

One of the important steps in the implementation of risk management is risk identification. Islamic businesses must consider specific risks related to Sharia principles, such as the risk of *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling). The identification of these risks can be done through a thorough analysis of business processes as well as a review of relevant aspects of sharia.

Once these risks are identified, the next step is risk evaluation. In sharia business, risk evaluation must also consider aspects of compliance with sharia principles. For example, in Islamic financing, risks associated with adherence to the principles of Islamic law should be carefully evaluated, such as the risk of financing violating the prohibition of usury or practices that are incompatible with the principles of justice and partiality towards society (Wahyudin Halim, 2020)

After the risk evaluation is carried out, the next step is the development of a risk management strategy. This strategy must follow Sharia principles and may include a variety of approaches, such as portfolio diversification, setting legal boundaries, and applying the principle of fairness in risk sharing between the parties involved. The development of appropriate risk management strategies will assist Islamic businesses in managing risks effectively while still adhering to established Sharia principles.

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In addition, it is important to involve all stakeholders in the process of implementing risk management. In the context of sharia business, stakeholders not only include shareholders and customers, but also include clerics, sharia supervisory bodies, and the general public. Involving these stakeholders can help ensure that the risk management process is carried out with due regard to a variety of relevant perspectives, including ethical aspects and Islamic law. Finally, regular monitoring and evaluation is also an integral part of the implementation of risk management in Islamic business. Islamic businesses should regularly review and update their risk management strategies to accommodate changes in the business environment and regulatory changes of sharia principles (Dwi Septa Risnanda et al., 2023). Careful monitoring will help ensure that the risks identified are under control and that the business remains compliant with Shariah principles in every aspect of its operations. Overall, the implementation of risk management in Sharia business is a complex process and requires special attention to Sharia principles and the involvement of all stakeholders. By following the right steps and paying attention to the unique aspects of Islamic business, companies can manage risk effectively while still adhering to the principles set by Islam.

Sharia principles are integrated into risk management strategies by emphasizing ethics, justice, and blessings in every aspect of business operations. One of the main principles in Sharia risk management is avoiding *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation). In practice, Sharia businesses avoid transactions containing these elements and prefer transactions that are transparent and fair. For example, in managing financial risk, Sharia businesses use profit-sharing contracts (*mudharabah*) and partnerships (*musharakah*) where

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profits and losses are shared according to each party's contribution. This not only reduces risk but also ensures that all parties are involved fairly and transparently.

Another practical example is the implementation of *takaful*, which is Islamic insurance, functioning as a risk protection mechanism where participants mutually guarantee and assist each other in facing losses. In daily operations, Sharia businesses also conduct regular Sharia audits to ensure that all business activities comply with Sharia principles, thereby reducing reputational risk and ensuring blessings in every transaction. Additionally, liquidity management is carried out using Sharia financial instruments such as *sukuk* (Islamic bonds) which are free from *riba* and backed by tangible assets, providing greater financial stability.

By integrating Sharia principles into risk management strategies, Sharia businesses not only maintain business sustainability but also build trust and credibility in the eyes of stakeholders. This approach ensures that all risks are identified and managed ethically and following Islamic values, ultimately supporting sustainable growth and benefiting the overall economy of the community.

CONCLUSION

Based on the above explanation, Sustainability business is becoming an increasingly important approach in the modern business world, where attention to environmental, social, and economic impacts is the main focus. Sustainable business practices include responsible use of natural resources, environmentally sound waste management, and investment in technological innovations that support sustainability. On the other hand, Islamic business risk management

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brings aspects of Islamic ethics and values into the management of business risks. This approach considers risks not only in financial and operational terms but also in the context of justice and sustainability according to Islamic teachings. By integrating the principles of these two approaches, businesses can achieve sustainable growth while still adhering to the values of sustainability and justice espoused from a religious perspective.

Sharia business is not only an economic activity, but also a manifestation of Islamic principles that prioritize the blessings and pleasure of Allah SWT in every operation. The fundamental difference between Islamic and conventional business lies in the acceptance of Sharia rules as the basis for doing business. Islamic business not only avoids usury, excessive speculation, and uncertainty, but also emphasizes aspects of fairness, transparency, and accountability in every transaction.

The importance of risk management in Islamic business cannot be underestimated. Risk management is carried out to protect the organization from risks that can hinder the achievement of objectives and cause losses. Risk is considered an inseparable part of business activities, but its management can help companies to minimize their negative impacts. Risk management in Islamic business also follows Islamic principles that emphasize fairness and adherence to the laws of Allah SWT.

Risk identification is the first step in risk management. Sharia businesses must be able to identify various risks that may arise, both general and specific related to Sharia principles. Risk control is carried out to reduce the probability of risk occurrence that can cause losses. This approach includes efforts to

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minimize risk, transfer risk, control risk, and manage reserve funds to anticipate risks that may occur in the future.

The implementation of risk management in the context of Sharia business plays an important role in maintaining the sustainability and success of the company. This process involves thorough risk identification, evaluation, and control, taking into account Sharia principles every step of the way. Involving all stakeholders and conducting regular monitoring and evaluation is integral in ensuring that Islamic businesses continue to comply with Islamic principles and manage risks effectively.

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