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# PROCEEDING

## 2<sup>nd</sup> AICIF

### 2<sup>nd</sup> ASEAN INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE

*"Islamic Finance and Its Role in Economic Development and the Creation of Just and Stable Financial System in Light of Maqosid Syariah"*



State Islamic University Sunan Kalijaga  
Royal Ambarukmo Hotel

Yogyakarta, 12 - 14 November 2014





# 2<sup>nd</sup> ASEAN INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE

*Islamic Finance and Its Role in Economic Development and  
the Creation of Just and Stable Financial System in Light of Maqosid Syariah*

## 2<sup>nd</sup> ASEAN INTERNATIONAL CONFERENCE ON ISLAMIC FINANCE

*Jointly organized by:*

Faculty of Islamic Economics and Business-UIN Sunan Kalijaga

Institute of Islamic Banking & Finance-IIU Malaysia

Faculty of Economics-UNISSULA



## PREFACE

State Islamic University, as the oldest State Islamic University in Indonesia, has strong commitment in developing Islamic Economics in the world, especially in ASEAN Countries. 2nd ASEAN International Conference on Islamic Finance is the annual conference which has been jointly organized by State Islamic University Sunan Kalijaga Yogyakarta, International Islamic University Malaysia and University Islam Sultan Agung Semarang supported by Islamic Research and Training Institute (IRTI-IDB). The idea of having this international conference sparked from the discussion between IIBF and two universities from Indonesia i.e. UNISSULA and UIN Jogjakarta. They have agreed to strengthen their cooperation and the body of knowledge of Islamic banking and finance by jointly organizing an annual international conference which will be held in Malaysia and Indonesia subsequently. The purpose of this conference has been to generate and disseminate ideas to encourage the best practices as a way for enhancing the growth of Islamic economics around for betterment to all mankind.

The topic of the international conference was “*Islamic Finance and Its Role in Economic Development and the Creation of Just and Stable Monetary System in light of Maqosid Syariah*”. The background of this topics are to address some significant issues, including a) addressing the issue of Islamic finance in the era of ASEAN Economics community that will be started 2015. b) its implication for Islamic economics development of ASEAN members countries. c) the role of Islamic finance on the creation of Islamic monetary system, both in theoretical and practical basis, supported by the integration of ASEAN Community, to enhance the role of Islamic finance. 4) the challenge of Muslim countries for robustness the development of Ummah in ASEAN Community, that mostly are muslim.

Therefore, addressing some above issues, the conference is designed to serve as forum and platform for the academicians, practitioners and researchers to share their knowledge, experience and to learn lessons in managing the Islamic finance especially in the market integration. The conference is answering the need of some ASEAN Countries which much focuses on development of Islamic finance in dealing with the issues of ASEAN Economics community, namely 1) ideas in the creation of just and stable Monetary policy that comply with shariah rule and guidelines. 2) the solution for encouraging the development of Islamic banking and finance in the ASEAN Economics community. 3) Current issues of Islamic banking and finance in managing Hajj fund which is understood as crucial issues for Muslim Countries particularly ASEAN Countries such as Indonesia. The conference also highlighted some issues related to shariah compliant financial Instruments that are very important in providing safeguards against the ribawi system in ASEAN Members countries.

To answer all above issues, some panelists, namely Dr. Dadang Muljawan from Bank Indonesia, Mr. Adiwarmanto Azwar Karim (nominated by IRTI-IDB) will present some issue regarding the role of OIC countries for ASEAN Economics Community. In addition, Prof. Dr. Amin Abdullah will discuss some issue regarding Islamic Economics from philosophic perspective, and Prof. Tjiptohadi Sawarjuwono from University Airlangga will discuss accounting issues in Islam. In the plenary session, there are Chief Executive Officers (CEO) from 6 Islamic Banks, namely Bank Mandiri Syariah, Bank Muamalat Indonesia, Bank BNI Syariah, Bank BRI Syariah, Bank Mega Syariah and Bank Permata Syariah who will highlight their experience in managing Islamic banking. Followed by the discussion on issue of Hajj Fund Management and the role of Islamic Finance: Best Practised in Malaysia and Indonesia. Director General, Hajj and Umroh, Ministry of Religious Affairs, Prof. Dr. H. Abdul Djamil and Dean of Institute of Islamic Banking and Finance, IIUM, Prof. Dr. Syed Musa Al-Habsyi will deliver speech on this issues.

In addition, in this conference there are 70 articles that will be presented in many area of Islamic economics. This proceeding consists the abstracts of that articles, which is hopefully can be a general guideline for the participant of the conference to understand all issue discussed during the event. Therefore, the conference’s participant will generate useful discussion on some pertinent issues and will encourage the finding of new ideas to develop Islamic finance.

Yogyakarta, 05 November 2014

Dr. Misnen Ardiansyah, SE, M.Si.Ak.CA.  
Chairman



<b>Day 2: Thursday, 13 November 2014</b>	
<b>Venue : Royal Ambarukmo Hotel</b>	
<b>Plenary Session: CEO Talk: <i>Panel Discussion on Indonesia Shariah Banking</i></b>	
08:00-10.10	Registration
	Moderator : Dr. Anggito Abimanyu
	1. <i>CEO Bank Syariah Mandiri</i>
	2. <i>CEO Bank BRI Syariah</i>
	3. <i>CEO Bank BNI Syariah</i>
	4. <i>CEO Bank Muammalat Indonesia</i>
	5. <i>CEO Bank Mega Syariah</i>
6. <i>CEO Bank Permata Syariah</i>	
<b>10.10-10.15</b>	<b>Coffee Break</b>
<b>Plenary Session: <i>Hajj Fund Management : Malaysia and Indonesia Experience</i></b>	
10.15-11.30	Moderator : M. Kurnia Rahman Abadi
	1. Prof. Dr. Syed Musa Al-Habsyi ( <i>Tabung Haji Malaysia</i> )
	2. Prof. Dr. H. Abdul Jamil ( <i>Director General of Hajj, Religious Ministry of RI</i> )
<b>11.30-12.30</b>	<b>Lunch and Dhuhr Prayer</b>
<b>2ND ASEAN INTERANATIONAL CONFERENCE ON ISLAMIC FINANCE</b>	
12:30-14.00	SESSION ONE: (Parallel Session in 5 different Venue)
14.00-15.30	SESSION TWO: (Parallel Session in 5 different Venue)
<b>15.30-16.00</b>	<b>Coffe Break and Ashr Prayer</b>
16.00-17.30	SESSION THREE: (Parallel Session in 5 different Venue)
<b>Day 3: Friday, 14 November 2014</b>	
<b>Venue : Royal Ambarukmo Hotel</b>	
08.00-09.30	SESSION FOUR: (Parallel Session in 5 different Venue)
<b>09.30-10.00</b>	<b>Coffee Break</b>
<b>CLOSING CEREMONY</b>	
10.00-10.30	Speech : FEBI-UIN, IiIBF-IIUM, FE-UNISULA
10.30-10.45	Closing Remarks : Prof. Dr. H. Anis Malik Thoah (Rector of Universitas Islam Semarang)
10.45-11.00	Award Announcement: Dr. Misnen Ardiansyah
11.00	End of Session

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# **The Implementation Of Corporate Environmental Management And Its Impact On Environmental Performance, And Corporate Performance, Labor Absorption, And Employee Welfare In Islamic Perspective At Convection Industries In Central Java**

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## **Abstract**

Environmental issues are still relevant to study the development of industrial activities. Industrial activities will cause environmental impact, such as water, land, sound, and water pollution, as an impact of the poor environment. This phenomenon is very important to study, especially on the aspects of environmental management. The objective of this research, the first to investigate the relationship between Islamic corporate environmental management, Islamic environmental performance, Islamic corporate performance, labor absorption, and Islamic employee welfare. The second objective to investigate the relationship between Islamic environmental performance with Islamic corporate performance, labor absorption, and Islamic employee welfare. Finally, to investigate the relationship between employee absorption and Islamic employee welfare. The population of this study consists of 86 convection industries in Central Java. The Islamic corporate environmental management is measured with ten indicators. The Islamic and Islamic corporate environmental performance are measured with four performance indicators, and Islamic employee welfare is measured with five indicators.

The result of the study shows that Islamic corporate environmental management has a significant influence on Islamic environmental performance, Islamic corporate performance, and labor absorption. Second, Islamic environmental performance has significant influence on Islamic corporate performance. Islamic corporate performance has a significant influence on labor absorption. At last, Islamic corporate environment management, Islamic environment performances, Islamic corporate performance, and labor absorption have significant influence on Islamic employee welfare. The implication of this study shows that it is important to increase is the responsibility of the convection industries in Central Java seriously in managing the industrial environment by empowering the suppliers, employees, and societies. On the other side, environmental problems should be studied and solved as early as possible by involving educational and religious institutions to give much attention on the environmental issues.

**Keywords:** Islamic Corporate Environmental Management, Islamic Environmental Performance, Islamic Corporate Performance, Labor Absorption, Islamic Employee Welfare.

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## **1. Introduction**

Islam considers that religion does not conflict with science and technology, because science is not secular. Even the religious values of science and technology is always animate. In the Islamic view, human life is not separate from the ecosystem, it is integrated. (Yavie, 2006). Yavie concluded that there is no separation between science and religion, in addition, it also does not separate humans from the environment. The concept of environmental management by Alim (2006), based on three stages. First, humans are positioned as caliph in the earth, as described in Surah al-Baqarah (2:30), which means: *Remember when your Lord said to the angels: "Behold, I am about to make a caliph in the earth". As a consequence, humans are bearers of God mandate to establish, maintain, and develop nature for the benefit of humanity. Became caliph in the earth is a trust given by God Almighty to man in connection with a decent human capability to be used as caliph.* Second, the prohibition to make mischief on the earth, as Allah says in Surah al-A'raf verse (7:56), which means: *"And do not make mischief on the earth, after (God) to fix it, and pray to Him with fear (not accepted) and expectations (be granted). Indeed, God's grace is very close to people who do good".* Damage done by humans as a reflection of the axiom of human greed to its environment, and low levels of one's faith. Impact damage not only affects humans, but also other creatures, as well as the entire earth. Third, the duty of man is to preserve, in a way to always keep the balance of the environment. As Allah says in Surah al-Hijr (15:19), which means: *"And we have spread out thereon mountains and*

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*we nurtured him all things according to size".* God has created mountains that serves to regulate the flow of the wind, and in the mountains covered with trees that would impede the rapid flow of water when it rains, so it was not until there was a flood that may cause human misery.

Research initiatives or concerns about the environment and its impact on environmental performance gain different conclusions (Naffziger, 2003). Believes that the traditional view of environmental activities will have a negative impact on the performance of the company, in particular the growth of sales and profit levels. This view basing that there needs to be a reflection of high investment in creating products and production processes in order to achieve economic and environmental value better. In other findings, Bandlely (1992) reveals that there are indications of proactive environmental management practices may affect the long-term economic advantage. Ahmed et al. (2004) concluded that environmental concerns have a significant relation to the performance of the environment, in particular the operational efficiency and improved corporate image, but does not affect the company's revenues and profits.

Believed that the traditional view of environmental activities will have a negative impact on the company performance, in particular the sales growth and profit. The traditional view that basing the need for high investment as a reflection in creating products and production processes in order to achieve economic and better environmental value. View according Bandlely (1992) reveals that there are indications of proactive environmental management practices may affect the long-term economic advantage. Ahmed et al. (2004) concluded that environmental concerns have a significant relation to the performance of the environment, in particular the operational efficiency and improved corporate image, but does not affect the company's revenues and profits. Study will be developed in the Islamic perspective, to determine the relationship between islamic environmental corporate management and islamic corporate performance, islamic environmental performance, labor absorption, and islamic employee welfare. Theoretical Development

All figures should be numbered with Arabic numerals (1,2,3,...). Every figure should have a caption. All photographs, schemas, graphs and diagrams are to be referred to as figures. Line drawings should be good quality scans or true electronic output. Low-quality scans are not acceptable. Figures must be embedded into the text and not supplied separately. In MS word input the figures must be properly coded. Lettering and symbols should be clearly defined either in the caption or in a legend provided as part of the figure. Figures should be placed at the top or bottom of a page wherever possible, as close as possible to the first reference to them in the paper.

## 2. Literatur Review

### 2.1. Islamic leadership

Environmental management is a human responsibility as a vicegerent on earth, as mentioned in Surah al-Baqarah (2: 30), which means: It means: *Remember when your Lord said to the angels: "Behold, I am about to make a caliph in the earth." they say: "Why do you want to make (caliph) on earth that person who will make mischief therein and shed blood, while we always praises you and purify you?" The Lord said: "Verily I know what ye know not."* This paragraph describes in more detail the meaning of caliph with ennoblesome of you over others some degree, then the destination is mankind generally. They race to be gaining power, so that one may be superior to the other. The word caliph in this context translates as rulers or those who have power. Khilafah in the Encyclopedia of Islam is the term that appears in history as an Islamic government Islamic political institution, which is synonymous with the word meaning Imamate leadership. According to Mawardi in Rahardjo (2002) states that the caliphate replace function in maintaining the prophetic role of religion and rule the world. Human undertaking the caliphate for its quality and its ability to think, capture, and use communication symbols (Rahardjo, 2002). Caliphate human task on earth is strongly associated with the mandate. Amanah is one of the principles of leadership. Prophet Muhammad has four leadership traits: Siddiq (truthful), fathanah (intelligent), trustworthy (reliable), and sermons (communicative).

### 2.2. Islamic Environmental Performance

From the standpoint of economics, teachings and self exemplary Prophet Muhammad was far ahead of his time so that the various moral or ethical principles inherited businesses increasingly felt the urgency and relevance if we create a society that is fair-prosperous under ridla divine. Modern business principles such as efficiency, transparency, fair competition, credibility, maintaining relationships through human services and so on, all of them easy to get in ethics and business conduct before becoming Prophet Muhammad. If the terms of human resources (HR) emerged from the western society due to the personality of depletion of natural resources and then used as a substitute for human survival support their industry, then unconsciously human dignity has been reduced to a mere factory screws. The current perspective is strongly opposed by Islam. Islam teaches that man is the vicegerent of God, and the work is self-actualization which has a value of worship. Therefore every Muslim to work or trade is always trying to get a double advantage, material and immaterial, the world and the hereafter.

Industry's views in Islam, is mentioned in the hadith of the Prophet Muhammad: *"No one ever eat something better than what he ate from the work of his own hands"*. A lot of what we need for daily necessities, such as food, clothing and some equipment. We have to produce clothes, for themselves, family members, and for supplying the general public through the fabric industry. Human role is very important in creating a quality and rewarding environment in a sustainable manner. God also expressly prohibit the people to do damage, as described in the Surah al-Qasas (28: 77): Meaning: *"And do not do mischief on the earth. Allah loveth not those who do mischief"*.

Prohibition to not do mischief on the earth is very serious attention through various verses of the Qur'an. Various verses were investigated mischief prohibition implies that the impact of the damage will be very dangerous, especially for future generations. God is the most serious threat that the actions do affect the damage is destruction (Surah al-Baqarah, verse 205), damage to the earth (Surah al-Baqarah, verse 251).

### 2.3. Hypothesis

#### **The relationship between Islamic corporate environmental management, Islamic environmental performance, Islamic corporate performance, labor absorption, and Islamic employee welfare.**

Research on environmental initiatives and their impact on environmental performance gain different conclusions (Naffziger, 2003). Believes that the traditional view of environmental activities will have a negative impact on the performance of the company, in particular the growth of sales and profit levels. This view basing that there needs to be a reflection of high investment in creating products and production processes in order to achieve economic and environmental value better. In other findings, Bandlely (1992) reveals that there are indications of proactive environmental management practices may affect the long-term economic advantage. Ahmed et al. (2004) concluded that environmental concerns have a significant relation to the performance of the environment, in particular the operational efficiency and improved corporate image, but does not affect the company's revenues and profits.

H1: Islamic corporate environmental management influence on islamic environmental performance.

H2: Islamic corporate environmental management influence on the islamic corporate performance.

H3: Islamic corporate environmental management influence on employee absorption.

H4: Islamic corporate environmental management influence on islamic employee welfare.

#### **The relationship between islamic environmental performance with islamic corporate performance, labor absorption, and islamic employee welfare.**

Believes that the traditional view of environmental activities will have a negative impact on the performance of the company, in particular the growth of sales and profit levels. The traditional view that basing the need for high investment as a reflection in creating products and production processes in order to achieve economic and environmental value better. View according Bandlely (1992) reveals that there are indications of proactive environmental management practices may affect the long-term economic advantage. Ahmed et al. (2004) concluded that environmental concerns have a significant relation to the performance of the environment, in particular the operational efficiency and improved corporate image, but does not affect the company's revenues and profits.

Freeman (1994) in his research found that environmental initiatives had a negative impact to company performance. However, in the other study conducted by Porter and Linde (1995), Ahmed et al. (1998), found that environmental stewardship can proactively create long-term benefits. In his research, Clelland et al., (2000) presented evidence that the pollution prevention and waste minimization practices will be Able to Achieve the operational efficiency. This research results were supported by the study conducted by Ahmed et. al., (2003) found a positive relationship between WHO improvement Efforts of the company environment and operational efficiency. Naffziger study (2003) was motivated by the desire to protect and preserve the natural environment. Initiatives to create green comes in many business organization. Business Organizations are expected to be more environmentally responsible than the previous time. Various traditional beliefs stated that activities had a negative environmental impact to the company performance, such as sales and profit growth. However Bandlely (1993) stated that there were indications that the implementation of proactive environmental management would influence the long-term economic benefits. The results of research conducted by Naffziger (2003), suggested that the conceptualization of environmental concern, environmental effort and the company performance were closely related. The improvement of environmental concerns will improve the environmental effort, and also the company performance. Ashrof (1993) concluded that the environmental effort is positively related to the company performance, in addition to profit, revenue and operational efficiency indicators.

Management of the company is not just for the sake of profit, but the interests of employees as stakeholders also get priority through increased knowledge, adequacy of income, health, and fulfillment of the rights of employees. Employee benefits not only to the demands of physical needs, but also the need for a balance with spiritual needs. Welfare in the view of Islam based on the happiness of the world and the hereafter, and a more respectable life. Falah includes three terms, namely: survival (Baqat), freedom from poverty (ghana), as well as strength and honor ('Izz). As for the afterlife, Falah includes the notion of **eternal** survival, well-being immortal, eternal glory, and the knowledge that is free from all ignorance (Anto, 2003). In theory incorporate Sharia enterprise indirect participant in the distribution of value added. Indirec participant consists of community mustahiq (zakat recipients, infaq, and Sadaqah) and the natural environment. Islamic corporate performance measurement that is appropriate if it is measured by taking into account the wider interests, which were carried out with the payment of zakat, infaq and Sadaqah. The results of this study support previous research conducted by Bhushan and MacKenzie (1994) which states that there needs to be an effort for employees to do the right thing, so that the necessary training programs, team building, and creating a culture of environmental improvement.

H5: Islamic environmental performance influence on Islamic corporate performance.

H6: Islamic environmental performance influence on islamic employee welfare.

H7: Islamic corporate performance influence on labor absorption.

H8: Islamic corporate performance influence on the islamic employee welfare.

### Relationship between Employee absorption and Islamic employee welfare.

Labor is one important factor in production. Natural wealth of a country can not be used, unless handled by a skilled workforce. Nature provides abundant resources, but without the hard work of man, it will not be taken advantage. The human ability to process natural resources will basically be utilized for the welfare of the entire population of the earth. Given the importance of labor in producing wealth, the Qur'an gives tremendous pressure on labor issues, as described in the Qur'an. Al-Najm (53: 39), which means: "A person does not gain anything except what has been earned." Clearly stated in this verse that the only way to produce something of that nature is by working hard. Prophet Muhammad in various occasions has always stressed the importance of labor and always appreciate the work of the workers and experts in a particular field of work. Surely someone working for their livelihood, and always expect the pleasure of Allah. Although one works for himself and for his family, but because he worked honestly for the sake of getting a reward from Allah, then he will receive a reward from Allah on his honesty.

According to Chapra (2000), the purpose of sharia is to increase a better life to all mankind. There are five objectives that must be passed, including protection against faith or religion (din), happiness (nafs), intellect ('aql), nasl, and welfare (the mall). Sharia fifth goal can be achieved by the entire human endeavor. In sharia purpose, the protection of religious faith or that placed first, because it will provide a worldview that tendency affects the whole human personality, behavior, lifestyle, tastes, preferences, and attitudes towards other human beings, resources, and environment. Religion would provide a balance between material and spiritual interests of man. Besides, it is also a moral filter, so that people are able to use resources more valuable. The findings of the study results support the findings of previous studies conducted by Hanna (2000) which states that the employment significantly influence the level of safety, health, and employee morale.

H9: Labor absorption influence on islamic employees welfare.

## 3. Data and Methodology

### 3.1. Population and Sample

This study was a census of all companies in the form of convection in Central Java province, considering the population is considered small. Thus a sample of the full sample, by taking the entire study population. The distribution of the population in the study include convection industries in Central Java with distribution: Kudus 8 companies, Semarang 4 companies, Batang 6 companies, Pekalongan 29 companies, Pemalang 27 companies, and Tegal 12 companies. So that the number of respondents who participated in this research amounted to 86 people. In the study of the management of this environment, as the respondent is head of the company or mid-level managers, in particular the production manager.

### 3.2. Operational Definition and Measurement of Variables

Islamic corporate environmental management (X) is an activity to plan a, implement, and supervise the corporate environment in order to achieve harmony and balance in creating a corporate environmental sustainability based on Islamic values. has three dimensions, namely: environment Initiative (X1), with indicators: Activity use of environmentally friendly materials, activities to reduce waste, reduce pollution, the use of clean technology activities. Employee empowerment (X2), with indicators: employee involvement, employee training, employee task clarity, standard employee engagement. Integration with supplier (X3), with indicators: Selection suppliers with environmental criteria, pressure to suppliers for environmental care, Make environmental management system, Inform importance of clean production. Islamic environmental performance (Y1) is a company's achievements in creating efforts to develop environmental sustainability strategy based on the values of Islam, and have four indicators: reduction of pollution (Y1.1), reduction of waste (Y1.2), reduced customer complaints (Y1.3), and reduction of energy consumption (Y1.4). Islamic corporate performance (Y2) is an enterprise achievement measured in terms of work outcomes and corporate responsibility to the environment based on the Islamic values, measured by four indicators, namely: increased profits (Y2.1), provision of social amenities (Y2.2), sponsoring community events (Y2.3), and payment infaq (Y2.4). These three variables were measured using a Likert scale of 5 points; strongly agree - strongly disagree.

Employee absorption variable (Y3) is an enterprise management capabilities to absorb labor in the company as a form of corporate responsibility to the community has a single indicator, the number of workers absorbed in the company convection. Employment variable is measured by the amount of labor that can be absorbed by the company convection. Variable Islamic welfare of employees (Y4) is the realization of employee goals to achieve happiness and Hereafter (Falah), as well as a better life and a respectable (hayyatan toyyibah) based on Islamic values, measured by five indicators, namely: ad-Din (prayer / Y4.1), nafs (health / Y4.2), aqli (education / Y4.3), nasl (descent / Y4.4), and the mall (adequacy / (Y4.5).

### 3.3. Data analysis

Partial Least Square (PLS) analysis is a powerful method because it can be applied at all scales of the data, does not require a lot of assumptions and sample size should not be large. The sample size in PLS may be small, with estimates as follows (Solimun, 2006): ten times the scale with the largest number of formative indicators (ignoring reflective indicators), or ten times the number of structural paths (structural paths) that lead to a particular construct in the structural model .

## 4. Finding and Discussion

Types of products produced by industrial convection in Central Java is the predominant batik sarong (34%) and Muslim dress (34%). While it ranked third is woven sarong products that reach 14% of the total respondents, and veils products as much as 4%. While industrial convection with the number of employees between 20 to 39 people amounted to 42%, and the industrial convection by the number of employees between 40-59 people amounted to 10%. Industry by the number of employees between 20-99 people belonging to medium industries.

Table 2  
Mean Value of Indicators

Variables	Indicator	Mean
Islamic corporate environmental management (X)	• Environmentally friendly raw materials, (X <sub>1</sub> )	2,83
	• Reduce Waste, (X <sub>2</sub> )	2,92
	• Reduce pollution (X <sub>3</sub> )	2,12
	• Use clean technology (X <sub>4</sub> )	2,34
	• Employee involvement, (X <sub>5</sub> )	2,07
	• Employee training, (X <sub>6</sub> )	3,42
	• Clarity of the employee's task, (X <sub>7</sub> )	2,27
	• Standard of employee involvement. (X <sub>8</sub> )	1,98
	• Supplier with environmental criteria, (X <sub>9</sub> )	1,95
	• Pressure to supplier for invironmental care, (X <sub>10</sub> )	2,22
	• Environmental management system, (X <sub>11</sub> )	2,42
	• Clean production. (X <sub>12</sub> )	2,34
Islamic environmental performance (Y <sub>1</sub> )	• Reduction of pollution (Y <sub>1.1</sub> ),	2,07
	• Reduction of waste (Y <sub>1.2</sub> ),	2,79
	• Customer complaints (Y <sub>1.3</sub> ),	2,84
	• Reduction of energy consumption (Y <sub>1.4</sub> ).	2,85
Islamic corporate performance (Y <sub>2</sub> )	• Increased profit (Y <sub>2.1</sub> ),	2,77
	• Provision of social facilities (Y <sub>2.2</sub> ),	1,72
	• Sponsoring community activity (Y <sub>2.3</sub> ),	2,40
	• Payment of infaq (Y <sub>2.4</sub> ).	2,55
		3,66

There are three variable that measured by 5-point Likert scale. The Islamic corporate environmental management variable have three dimension, are: environmental initiative, employee involvevement, and supplier partnership. From three dimension there are twelve indicators. The result indicate that all indicators have value below 3.0, it means that all indicators of islamic corporate environmental management don't manage seriously. This result except to employee training (3.42). for the islamic environmental performance, all indicators too have value below the average (3.0), so it indicate that environmental performance based on islamic prespective from the convection indistries at Central Java not managed good. Surely, its will impact on the islamic corporate performance. The value of islamic corporate performance indicators are average below, exception from payment of infaq (3,66).

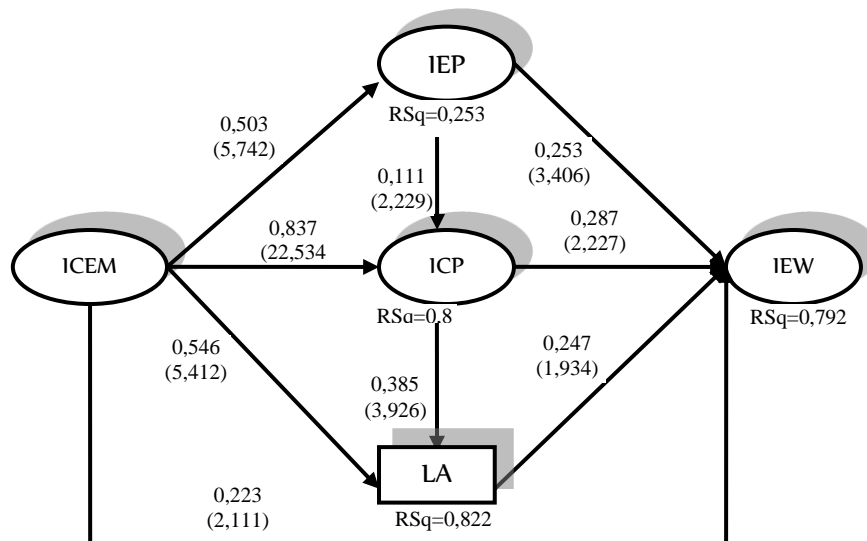


Figure 2  
The Result of Path Analysis

The results (Figure 2) indicate that there is significant influence between variables that have positive Islamic corporate environmental management on Islamic environmental performance, Islamic corporate performance, labor absorption, and Islamic employee welfare. Islamic environmental performance has significant effect on Islamic corporate performance and Islamic employee welfare. The other result shows that Islamic corporate performance has significant impact on labor absorption and Islamic employee welfare. Finally, show that labor absorption has significant effect on Islamic employee welfare.

In accordance with the concept of environmental management systems (EMS), the implementation of the environmental management system is strongly influenced by the role of the department is directly involved in achieving the goal. The role that will be associated with efforts to adopt the rules of environmental protection, reduce customer complaints, reduction of pollution, improvement of production efficiency, energy efficiency, cost savings, and conservation of natural resources. In Surah al-Qasas (28: 77), God expressly forbids also to people to do mischief: "And do not do mischief on the earth. Allah loveth not those who do mischief".

In the long term improvements in the condition of the environment can be used as a basis for building competitive advantage. On the other hand, the results of the study provide support for the research actually Shi and Kane (1995) and Ahmed (1998), which states that there is an indication that proactive environmental management will have an impact on long-term benefits through environmental awareness strategy. While this concept of enterprise theory emphasizes that we are actually stored in the property rights of others, as stated in Surah at-Tawbah (9:60). Every effort management and conservation of the environment is good and true worship to God that is able to obtain the gift and reward. Conversely, any action that cause ecological damage of life, waste of natural resources, and natural abandoning God's creation is an act of God's wrath, because classified as immoral or evil deeds are threatened with punishment. Islam teaches that man is the vicegerent of God, and the work is self-actualization which has a value of worship. Therefore every Muslim to work or trade is always trying to get a double advantage, material and immaterial, the world and the hereafter.

Good environmental management by following the existing rules, the application of moral values as the center of value, it will generate the waste from the production slightly. Decreasing the amount of waste going to have an impact on sustainable and comfortable environment. To realize these conditions need to improve discipline employees who have a significant role in efforts to reduce waste, which in turn will lead to increased environmental performance. While the evaluation of employee engagement activities in the field of environment does not yet have a dominant influence on environmental performance.

In a hadith narrated by Thabrani submitted that: "God uphold Islam on the principle of cleanliness". Health has a very broad meaning, both physical cleanliness and hygiene living. Referring to the HR Thabrani, *that cleanliness in Islam is preferred and is the beginning of the achievement of well-being*. Welfare in Islam is the result of hard work done by human beings. Humans as labor has an important role in natural resource management. The Qur'an gives tremendous pressure on labor issues, as described in the Qur'an. Al-Najm (53: 39), which means: "A person does not gain anything except what has been earned." Clearly stated in this verse that the only way to produce something of that nature is by working hard. Prophet Muhammad in various occasions has always stressed the importance of labor and always appreciate the work of the workers and experts in a particular field of work. Surely someone working for their livelihood, and always expect the pleasure of Allah.

Mannam (1997) states that Islam aims to achieve well-being in the welfare of humanity as a whole, while the economic well-being is only part of it. A similar argument is put forward by Anto (2003), which states that welfare in Islam are: Welfare holistic balance, which includes the material and spiritual dimensions and includes both individual and social. Human figure composed of physical and mental, so happiness should be balanced

between the two. Similarly, the human has an individual dimension, but it can not be separated from the social environment. Humans would be happy if there is a balance between the social environment itself. Welfare in this world and in the Hereafter, because men do not just live in the natural world but also in the hereafter. If this ideal can not be achieved then the welfare of the hereafter is certainly an advantage, because life is a life hereafter in all respects more valuable.

However, in reality that is applied to the environmental management industry illustrates the convection is still not optimal results. Not damage to the environment (himagah) has the connotation keep from negative things and extinction, meaning that protect the environment from damage, hazards, and pollution. From the positive side and the existence, maintenance of an environment that efforts to develop, improve and preserve it. While on the negative side and its absence, requires the maintenance of everything that is destructive, polluting and dangerous. Damage done by humans as a reflection of the axiom of human greed to its environment, and low levels of one's faith. Impact damage not only affects humans, but also other creatures, as well as the entire earth. Man as God's creation is best given the task to become the vicegerent of Allah on earth with its main task prosperity of the earth, which include: *Al-Intifa'*: take advantage and utilize the best, *Al-I'tibar*: take a lesson. Thinking about, appreciate, while exploring the secrets behind nature of God's creation, and *Al-Islah*: maintain and preserve nature in accordance with the Creator's intent, which is to the benefit and prosperity of human beings, as well as maintaining the natural harmony of God's creation of life.

In the Islamic view of assessing the performance of a religious person can be seen from several indicators, among others: the intention of the operation is due to Allah, the work implement rules / norms / *Shariah kaffah*, is the spiritual motivation to seek their fortune in the world and in the hereafter, applying the principle of efficiency and benefits to keep the preservation of life, maintaining a balance between the search for treasure with worship, grateful to God in a way not consumptive, issued ZIS, and sympathize orphans and the poor (Zadjuli, 2007). Islam considers that welfare is comprehensive, because welfare in Islam aims at achieving welfare of mankind as a whole, while the economic well-being is only part of it. In an effort to create happiness of the world and the hereafter, convection company in Central Java province has been doing various routine activities, among others; distributing zakat and qurban meat to the beneficiary, giving shodaqoh, urge to always read basmallah in starting any work, invites prayers, urge to always be grateful, be sincere, and keep the trust.

## 5. Conclusion and Recommendations

Associated with the results of studies that have been conducted which showed a significant effect between Islamic corporate environmental management towards Islamic employee welfare, the Islamic corporate environmental management will be able to improve the Islamic employees welfare. However, in reality that is applied to the environmental management industry illustrates the convection is still not optimal results. Dimensions of environmental initiatives as an early attempt to realize production processes and products that are environmentally friendly yet supported by the provision of raw materials procured environmentally sustainable. Convection corporate also indicate the absence of serious efforts in productive activity that can reduce waste. In addition, the lack of the use of clean technology as a method to reduce waste production. On the dimension of employee involvement, it appears that the role of the employee is not optimal in relation to the creation of a good corporate environment. The study results indicate that the employee has not been involved in training activities related to environmental quality improvement efforts. The findings in the studies related to the environmental management of the company indicates that in general Islamic human function as *khalifatullah* not run properly and systematically, especially by operators convection in Central Java Province.

Islam considers that welfare is comprehensive, because welfare in Islam aims at achieving welfare of mankind as a whole, while the economic well-being is only part of it. Human figure composed of physical and mental, so happiness should be balanced between the two. Similarly, the human has an individual dimension, but it can not be separated from the social environment. Humans would be happy if there is a balance between the social environment itself. Convection companies in Central Java province has demonstrated its commitment to improve the welfare of employees. However, the increase in the welfare of the employees still need to be improved, given the level of income of the majority of employees still relatively low, and the level of education of employees is also dominated by educated employees who graduated from elementary school and graduated from high school, which reached 85 percent. Meanwhile employees morbidity indicators show a declining trend over the last five years. In the implementation of the obligatory prayers, the results indicate that all employees are required to carry out the compulsory prayers in the company at the time, especially for *dluhur* prayer and *Asr* prayer. Relation to the payment of zakat and *infaq* by company employees Islamic convection results show that all employees have been carrying out the payment of zakat and *infaq*.

In the scope of the convection corporate in Central Java is necessary to change the view that in order to improve the environmental performance must be preceded by an intention or initiative to improve the environment, involving all employees in the company, and involve suppliers as a party that is always associated with the company.



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