

The Role of Participation Finance in Ecological Economy in Türkiye: Building a Bridge Between Finance and Green Transformation

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Abstract: With the rise of the linear economic model that dominated following the Industrial Revolution, the depletion of natural resources—once perceived as inexhaustible—combined with the accumulation of waste in the atmosphere and on Earth has led to climate change. The environmental shifts and destruction have intensified the frequency and severity of natural disasters, creating serious risks for global economic and social structures. Given that sectors such as energy, water management, and agriculture directly affect societies' quality of life, effective risk management is increasingly dependent on cooperation among international organizations, governments, businesses, and civil society. To halt these problems and offer viable solutions, approaches such as circular, ecological, and green economy have been developed. Likewise, in place of conventional economic and financial systems that fail to address these challenges, an Islamic-based economic perspective and participation finance model offer alternative solutions. Referred to as green financing, these proposals encompass the funding of activities aimed at mitigating climate change, improving environmental conditions, and ending harmful economic processes. This study explores methods to bridge the gap between finance and sustainability, presenting recommendations for successful implementation through participation finance instruments. The core viewpoint of these recommendations emphasizes that increasing the share of participation-based financing in the green economy requires trust in companies. To achieve this, it is crucial that companies align their operational practices with international standards without wasting resources—and that these standards be internalized and trackable.

Keywords: Ecological Economy, Green Transformation, Islamic Banking Products, Participation Finance, Faith-Based Investments

Jel Codes: G21, Q54, Q56

Introduction

In the past, economic growth often depended on the consumption of natural resources as if their resources were limitless. The consequence of this is the current crisis regarding natural resources with the threat of a shortage of raw materials and ever-increasing prices. Today, more and more societies/countries and economists are turning to other models of the economy, according to which wealth can be created without destroying the environment. There is an ever-growing need for a transition to green economy – through better resource management, using economic instruments that favour environmental protection, supporting innovative projects, conducting more effective water and waste management policies, and making efforts to develop sustainable consumption and production (Cheba, Bąk, Szopik-Depczyńska, & Ioppolo, 2022 :2).

Achieving the balance between environmental sustainability and economic development has become important due to problems such as the climate crisis experienced today. Aiming to establish this balance the ecological economics approach takes into account environmental sustainability and the environmental impacts of economic activities. For this purpose, it advocates the restructuring of economic systems in order to protect natural capital and prevent environmental degradation. The basic principles of ecological economics include efficient use of resources, minimizing waste, and encouraging renewable energy sources and can be summarized as follows:

- Efficient use of resources supports economic growth while preventing environmental degradation and serves to manage natural resources sustainably.
- Minimizing waste aims to reduce waste through recycling and reuse methods in production and consumption processes.

- In order to increase environmental sustainability by reducing the carbon footprint, renewable energy sources should be encouraged instead of fossil fuels.

Ecological economy aims to balance environmental sustainability and economic growth. Green economy includes the adoption of innovative technologies, efficiency measures and sustainable production methods in order to reduce the environmental impacts of activities. In addition to the principles listed above, it is important to take sustainable development goals as a reference and achieve them while trying to achieve green transformation with decarbonization, greenhouse gas reduction activities, energy and resource efficiency, sustainable production models for the protection of water resources.

Sustainable development aims to achieve economic development and growth while meeting the needs of today without compromising the ability of future generations to meet their needs. In order to achieve this fundamental goal, environmental, economic and social dimensions must be addressed in a balanced manner. The United Nations has defined what these mean on an international scale with the 17 Sustainable Development Goals. These goals include ending poverty, eliminating hunger, clean water and sanitation, climate action and sustainable cities and communities.

Financing methods stand out as a critical tool in reaching the goals of ecological economy in micro scale and green transformation in macro. Using participation finance business models as a financing method to bridge finance and green transformation; supports economic activities by contributing to investing in environmental and social projects, implementing sustainable projects, achieving environmental goals and thus promotes environmental sustainability. This study explores ways to forge connections between finance and sustainability and develops recommendations for effective use of participation finance instruments. The suggested perspective is that in order to increase the share of participation finance methods in the green economy, companies need to be trusted. For this to happen, it is essential that companies align

their business practices with international standards without wasting resources and integrate these standards into their operations in a traceable manner.

Such standards support companies in reaching environmental sustainability targets and facilitate their transition to a green economy. In this process, participation finance systems help build bridges between finance and green transformation and make it easier to achieve sustainable development goals. The expansion of green financing through participation finance necessitates the adoption of international standards that shape corporate business conduct.

In the first main title of this interdisciplinary qualitative study conceptual framework is given then the reasons for the failure of the traditional economy and the general prescriptions of transformation searches are mentioned. Afterwards, the role of participation finance in building a bridge between finance and green transformation is given. Then the reasons for the failure to develop trust-based business with companies in the development of participation finance in Türkiye and how to overcome these; how to establish trust with stakeholders and the relationships between them are conveyed. The last main title examines the importance of national and international standards that regulate the relations of companies in Türkiye with their stakeholders and their differentiating situations according to their stakeholders.

Conceptual Framework

With the linear economic model that dominated the industrial revolution, the global climate crisis began due to the depletion of natural resources used in the production process and due to the waste generated on the planet. In addition to this negativity, the waste caused by errors in the production-to-consumption chain, and in a broader sense, the depletion of the ozone layer, demonstrate that ecological limits are being pushed. In order to stop or find solutions to these problems approaches such as circular, ecological, and green economies have been developed. Similarly, instead of approaches like socialism-communism and liberalism-capitalism, which

fail to address these problems, and the traditional financial system they employ, a participatory finance system that takes Islam as a reference offers alternative solutions. Proposals called green finance include financing activities aimed at improving environmental factors, particularly combating climate change, and ending harmful economic processes. Before delving into the importance of the financial system's, and in this case specifically participation finance's, support for green transformation, it is necessary to present the differing perspectives on these negative experiences in normal economic activities and their impacts throughout the historical process, summarized in Table 1.

Circular Economy

The linear economy model leads to the rapid depletion of resources, the rapid pollution of the planet with waste, and the waste resulting from errors in the production-to-consumption chain, pushing ecological boundaries. Circular economy is an important paradigm shift that was introduced to reduce the negative effects of the linear economy model, which uses production factors endlessly and causes environmental and climate crises. Following this shift, "while the linear economy implements a take-use-dispose model, the circular economy prioritizes the long-term use of all resources (such as energy, raw materials, and water)" (Balbay, Sarıhan, Avşar, 2021: 558). Because:

Reusing and recycling products would slow down the use of natural resources, reduce landscape and habitat disruption and help to limit biodiversity loss. Another benefit from the circular economy is a reduction in total annual greenhouse gas emissions. According to the European Environment Agency, industrial processes and product use are responsible for 9.10% of greenhouse gas emissions in the EU, while the management of waste accounts for 3.32%. Creating more efficient and sustainable products from the start would help to reduce energy and resource consumption, as it is estimated that more than 80% of a product's environmental impact is determined during the design phase. A shift to more reliable products that can be

reused, upgraded and repaired would reduce the amount of waste. Packaging is a growing issue and, on average, the average European generates nearly 180 kilos of packaging waste per year. The aim is to tackle excessive packaging and improve its design to promote reuse and recycling (European Parliament, 2023).

The circular economy, see second column of Table 1, aims to increase resource efficiency while supporting economic growth, thus creating businesses that benefit society.

Concept	Circular Economy	Ecological Economy	Green Economy	Islamic Economy
Scope and Basic Principles	The basic approach to redesigning production and consumption processes, reusing resources and minimizing waste: reduce, reuse, recycle.	In harmonizing economic systems with ecological systems, activities are carried out according to ecological limits for the protection of ecosystems and sustainability.	To ensure sustainability by establishing a balance between environmental protection and economic growth for sustainable development and social equality.	Preventing waste to protect natural resources and ensure fair distribution; the perspective of justice and balance is also valid in the protection of natural resources.
Development Process	Acceptance of the European Green Deal, circular business models.	It emerged in the 1980s as a response to ecological crises.	It developed in line with the sustainable development goals in the 2000s.	The basic principles of Islam and the Holy Quran.
Approach and Tools	To reduce waste and ensure resource efficiency by creating closed-loop systems through eco-design to extend the life cycle of products.	Increasing economic value, protecting biodiversity, and performing ecological taxation through policies to protect natural resources and the use of ecosystem services.	Reducing the carbon footprint by reducing environmental risks and promoting green technologies; increasing the number of green jobs by promoting the use of renewable energy and sustainable agriculture.	Zakat, charity and environmental protection policies

Application Areas and Policies	Repair for recycling and reuse in manufacturing processes, supply chains and product design.	Recognizing the economic value of ecosystem services in areas such as agriculture, water management, and energy production.	Reducing carbon footprint and using renewable energy sources in energy, transportation, construction and agriculture.	Preventing waste and protecting natural resources in all economic and social activities.
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Table 1. *Analysis of Different Perspectives on Economic Transformation*

Ecological Economics

Ecological economics is a discipline that aims to achieve sustainable development by considering the environmental impacts of economic activities to protect natural resources and ecosystems, ensuring they remain within ecological boundaries. It offers recommendations that include restructuring economic systems to ensure efficient use of resources, minimizing waste, and promoting renewable energy sources.

Various approaches to solutions to environmental problems exist in the literature. Within the discipline of economics, there is an open debate on environmental issues between neoclassical environmental economics and the rapidly developing school of ecological economics. Both aim to understand the human-economy-environment relationship for the sustainability of economies. While environmental economics systematically follows relevant issues within the neoclassical approach, ecological economics proceeds using a "diversified approach". (Zengin Taşdemir, 2021: 356).

Ecological economics, see third column of Table 1, advocates that economic growth should remain within ecological limits and that society's ecological awareness should be increased. Therefore, "ecological economics is more pluralistic and aims to integrate existing understandings. While not always internally consistent, it is more creative and innovative at the conceptual level. Costanza et al. (1997) state that a choice must be made between criteria in

theory and modeling: generality, precision, and realism. Environmental economics emphasizes generality and precision, while ecological economics focuses on realism" (Zengin Taşdemir, 2021: 364).

The Green Economy

The linear economy that became dominant with the industrial revolution is called the brown economy because it uses fossil fuels such as coal and oil, which significantly pollute the environment, air, and water. From this perspective, the color language of the economy can be summarized as follows: "While the brown economy represents the traditional mode of production, the green economy forms the basis of an environmentally sensitive and sustainable economic approach. The blue economy particularly prioritizes the ocean economy. Furthermore, all economic activities related to water can be considered within this scope. The red economy rather represents mass production. This approach, which refers to the socialist economic order, operates with the dynamics of the brown economy (Özdemir, 2022: 28).

Green transformation has become one of the most important directions in the further development of the world. It involves the development of green technologies and the creation of legal regulations enforcing, for example, saving energy or reducing the emissions of greenhouse gases, as well as any other activities aimed at changing society's attitude towards the acceptance of – frequently more expensive but more environment-friendly – technological solutions and legal norms. Thus, green transformation can be defined as combining economic growth with caring about the environment in order to guarantee a high quality of life for present and future generations at the level which is attainable due to civilizational development, as well as to an effective and rational use of the available resources. Still, there is no single globally accepted way to this transformation. It is proceeding in a variety of ways and depends on many different factors (Cheba, Bąk, Szopik-Depczyńska, & Ioppolo, 2022: 1).

The green economy criticizes the excessive individualism of the free market economy and the exploitation of natural resources. This approach encourages sustainable production and consumption patterns. In order to raise social awareness and protect nature reforms are necessary. Because in combating climate change, protecting natural resources and increasing social welfare are crucial for achieving a green transformation. "Achieving a green transformation will only be possible by reshaping economic growth and social well-being within the planet's natural boundaries. With combating climate change at its core, the green transformation aims to reduce greenhouse gas emissions, combat pollution, and protect natural habitats by increasing energy and resource efficiency, transitioning away from fossil fuels, and transitioning to sustainable production practices. This multidimensional and comprehensive transformation also aims to transform the socio-technological structure of how people live and work, encouraging innovation in all areas of society. The successful implementation of green transformation strategies requires comprehensive governance frameworks, innovative policies, and the active participation of all segments of society" (TBB, 2024: 16).

As explained in the third column of Table 1, the green economy aims to establish a balance between economic growth and environmental protection, and to ensure social equality and a fair distribution of resources through systems that encourage sustainable production and consumption patterns.

Islamic Economy

The basis of Islamic economics is that it prohibits unjustly taking or exploiting others' property, thus prohibiting actions such as deception, usury, unjust enrichment, theft, waste, and gambling. However, buying and selling based on mutual consent, without unjust means or prohibited goods, is permitted. In this context, "there are three types of income for a Muslim: wages, profit, and rent. They should not receive interest. In securing these three types of income" (Zaim, 2013: 70-71):

- a) They observe the criteria of what is lawful and unlawful, pursues lawful earnings, and know that illicit earnings are prohibited (An-Nisa, 4:29, 30).
- b) They base their earnings strictly on elements of labor or risk.
- c) They know that it is impossible to earn money (forbidden) simply by using its money without labor or risk (prohibition of interest).
- d) They accept that there can be no absolute equality in earnings and income among people.
- e) They avoid easy and effortless ways of earning, such as gambling, betting, etc., knowing that these are forbidden (Al-Ma'idah, 5:90, 91).
- f) They know that trade is lawful (Al-Baqarah, 2:275), but that speculation and black marketeering are forbidden, and whoever engages in profiteering commits a major sin.
- g) They avoid waste (An-Nisa, 4:141; A'raf, 7:31; Isra, 17:27) and stinginess (Ali Imran, 3:180; Muhammad, 47:38), as well as hoarding wealth (keeping it away from production), iddihar (At-Tawbah, 9:34, 35).
- h) They do not use their wealth to harm society. They help the needy, the poor, and orphans.

As explained in the last column of Table 1, the Islamic economy prioritizes fair and balanced growth, the prevention of waste, social welfare, and solidarity. The institution of zakat and infaq was introduced because it aims to reduce income inequality and achieve social justice. Islam also prioritizes workers' rights and the value of labor.

An Overview of the Reasons for the Failure of the Traditional Economy and the General Recipes for Transformation Efforts

With the industrial revolution, the linear economy, which ignored many costs as a classic business model, caused problems stemming from the climate crisis because it exploited

production factors endlessly. As a solution to these problems, the different perspectives of circular, ecological, green, and Islamic economics summarized in Table 1 ultimately aim to achieve a green transformation. The fundamental prescription for this orientation, on both the micro and macro scales, is restructuring. If this is not achieved, the situation is unsustainable. As follows:

Neoclassical regulatory programs face problems because, within the value-neutral liberal tradition, they primarily approach the problem from the perspective of stability and nominal efficiency, assigning only secondary importance to justice. However, if a program is designed to achieve both efficiency and justice, it will have a greater chance of success. But, such a program cannot be designed within a value-neutral framework, and even if it were, it cannot be implemented without an effective incentive system. Therefore, it becomes even more imperative for Muslim countries to implement socioeconomic reform with the urgency required by the circumstances and to play a positive and confident role. The more sincerely and decisively they play their roles, and the more active social reform organizations and educational institutions are in achieving social change, the shorter the time required for transformation (Chapra, 2018: 372-374).

In this process, according to Naqvi (2019: 64), for public policy to succeed in striking a balance between economic and non-economic freedoms, as well as between political freedom and the equitable distribution of income and wealth, it must be seen as fair, just, impartial, and not serving vested interests. Only then can an inclusive political consensus be built and public support for a legally equitable public policy be gained.

According to Acemoğlu and Robinson (2016: 407), the fundamental conditions for system transformation must be inclusive economic institutions that enforce property rights, ensure equal competitive conditions, and encourage investment in new technologies and skills. According to Rodrick (2014: 41), markets in the opposite situation collapse if participants

engage in corruption or anti-competitive behavior. They also collapse if transaction costs prevent the internalization of technological and other non-monetary externalities, and also if incomplete information leads to moral hazards and adverse selections.

To prevent market collapses, within the scope of these recommendations, institutions that regulate and supervise the system at both local and global levels must be established. As can be seen in the auditing processes for companies, international standards must be established and implemented in an inclusive manner. Thus the transformation can be possible. If the proposed transformation is realized, according to Saraç (2017: 46): The confidence potential provided by the interest rate ban, coupled with more effective regulation and supervision and the introduction of greater discipline into the financial system, will significantly reduce volatility in the financial market and contribute significantly to faster development.

The Importance of Participatory Finance in Bridging Finance and Green Transformation

Despite the differences between the perspectives of circular, ecological, green, and Islamic economics summarized in Table 1, access to finance is a common ground for achieving their objectives. Therefore, "the extent to which central banks should use their available tools to play a proactive sustainable development role by encouraging green investments and deterring dirty ones is being debated" (Dikau and Volz, 2021: 19). Monetary policy authorities must manage activities aimed at green transformation, directly and/or indirectly, without conflicting with their primary objectives. In this context, alongside the traditional economic and financial system, which has failed to address problems, an economic perspective and participatory financial solutions that draw on Islam should be considered. Great caution and patience are required during this process. The mainstream global and local financial institutions within the financial system are also not sitting idle. As Asutay (2012: 101) stated in his study: Islamic banks and financial institutions operate within the existing conventional economic and monetary system and are inevitably affected by movements caused by this system.

The Relationship Between Participation Finance and Entropy

Türkiye's Participation Finance Strategy Document (KFSB) uses the term "participation finance" instead of interest-free finance. Participation finance refers to an umbrella term encompassing all sectors operating according to the principles of participation finance, as well as the products, services, and activities offered by these sectors (KFSB, 2022: 7).

Entropy is a term used to describe the degree of deterioration or disorder in a physical system. With the linear economic practices that have dominated the world since the industrial revolution, the environment, air, and water are experiencing increasing entropy, as they are significantly declining. Without energy to protect them, fruits rot and buildings deteriorate (Saraç, 2017: 37). One-way processes are harbingers of the end. The aging process of humans is similar, as is the increase in entropy in the universe. In fact, we constantly observe many one-way processes that cause an increase in entropy in the universe (Taslaman, 2006: 90). Therefore, those involved in the system, especially those who use it, have a responsibility to protect the planet and ensure its sustainability.

The traditional economy, a selfish and exploitative form of behavior on both a macro and micro scale, and its instrument, interest, can also be explained by the law of entropy. "The striking feature of the interest tradition is that anyone who wishes to increase their wealth without exerting any effort or assuming any risk always has the opportunity to increase it simply by lending. In the application of compound interest, monetary value enjoys an infinitely linear geometric increase. Physical wealth, on the contrary, exhibits an increasingly accelerated decline due to increasing entropy, tending toward but never quite reaching zero" (Saraç, 2017: 39).

In order not to accelerate this decline at least with the financial system, participation finance, which operates on an interest-free basis and is called good finance, is crucial. Because "good finance considers not only financial measures but also environmental, social, and administrative issues, operating on a foundation of integrity. Long-term trust in markets depends solely on behavior consistent with social responsibility" (Saraç, 2017: 13).

One of the fundamental principles of a good finance model is that cash flows related to financial contracts/transactions are directly related to cash flows generated from real economic activities. In today's financial system, which is based on interest-bearing debt financing, companies become debt payment machines even when the economy stagnates. They prefer high-risk, short-term projects over high-value projects in the long term, and they adopt a behavior that disregards social responsibility. The necessity of prioritizing equity financing for sustainable development is a fact proven both by scientific studies and by crises. For equity financing to be implemented and spread at the desired level, it is essential that principles such as good corporate governance, a stakeholder approach, a culture of sharing, and honesty are sufficiently adopted and implemented. Furthermore, of course, the legal infrastructure and tax regulations in the country must also encourage this understanding (Saraç, 2017: 12). If the conditions mentioned here do not materialize, the necessary steps to overcome the challenges of the participation finance system's underdevelopment are the subject of the following sections.

A Fundamental Principle in Improving Business with Companies in the Development of Participation Finance in Türkiye: Establishing Trust

Participation finance encompasses partnership-based contracts such as mudaraba and musharaka; sales-based contracts such as murabaha, istisna, and salam; leasing-based contracts such as ijarah; and agency-based contracts such as investment mandates, as well as non-profit-making contracts such as qard-i hasan. Within this framework, the participation finance system has the potential to offer a wide range of financial products and services to meet the financial

needs of all its stakeholders. In addition, in terms of its principles, participation finance is based on the close relationship between the financial system and the real sector activities (KFSB, 2022: 102).

Despite this important foundation, there are several reasons why its share is not increasing. The reasons for the "alleged lack of trust for not using partnership-based financing" in the participation finance system or active participation banks, as recently discussed in Türkiye, are listed below (Emeç, 2020: 120):

- Unilateral obligation to trust the partnered company
- Lack of full implementation of honesty and ethical principles in the market
- Requirement for strict monitoring of the trust problem
- Lack of developed audit/control mechanisms
- Past experiences exacerbating the trust problem

Overcoming these reasons for the low share of partnership-based financing in participation banks' assets, training specialists, and considerations for participating companies can be summarized under the following headings:

- Planning business processes within international standards for defining and managing key considerations within companies.
- Companies must internalize these standards in the management of their operations, transforming their qualities into behaviors and aligning them; in short, it is necessary to decide which standards companies will use during their establishment and the execution of their activities.
- Proactive measures against systemic and non-systemic risks can be taken, and what can be done before and after the possibility of increasing bankruptcies in the relevant sector.

To manage these factors, it is necessary to understand the factors that differentiate stakeholders within the ecosystem in which companies operate, such as the environment, employees, the government, partners, and suppliers.

Key Stakeholders in the Business World

A fundamental principle for financiers conducting company assessments and intelligence, or those developing partnerships with new companies, is to address the trust gap. Building trust is fundamental to addressing the information gap. This requires an analysis of all stakeholders in the business environment. This analysis helps understand their expectations, needs, and potential risks. Detailed information about stakeholders can be obtained from tools and sources such as financial reports, market research, industry analyses, and on-site assessments. This information contributes to addressing the information gap regarding stakeholders, allowing companies to assess potential risks, identify potential problems early, and take preventative measures.

In this process, companies should aim to engage all their stakeholders in creating shared and sustainable value. While creating such value, companies should serve not only their shareholders but also all stakeholders (employees, suppliers, customers, and others), including society, while also protecting the environment. The best way to achieve this approach is for all companies to develop and implement long-term policies aimed at this goal. This increases companies' costs, making it difficult for them to undertake such activities on their own initiative. Therefore, both local and global regulatory and supervisory bodies, have a significant responsibility to ensure that companies work towards these goals. The stakeholders and their general characteristics listed in Table 2 can be summarized as follows (Yazıcı, 2021):

Environment

Companies continually expand the boundaries of knowledge, innovation, and technology to improve people's living standards. Companies are more than economic units that generate

wealth. Therefore, company performance should be measured not only in the interests of shareholders but also in terms of whether environmental, social, and good governance objectives are achieved. Companies should be encouraged to work and use resources to develop core skills, competencies, and entrepreneurship in collaboration with other companies and stakeholders to improve the world and achieve sustainable development. This requires the effective operation of regulatory and supervisory institutions at both the local and global levels.

Employees

Companies treat their employees with respect, ensuring their loyalty and respect. They ensure diversity in their workforce. They strive for continuous improvements in working conditions and employee well-being. This ensures continuity in employment based on a win-win philosophy in a rapidly changing business world.

Government

Regulations binding on companies, such as legal compliance, tax obligations, and compliance with public procurement laws, are implemented with the authority of a strong state. Thus, the government can ensure the rationalization of the system of economic and social life, the implementation of institutionalization principles, the elimination of market failures, the elimination of informal and illegal economic activities, and the protection of markets from populist interventions. Briefly, state authority is crucial for meeting the legal compliance and regulatory requirements of all stakeholders and their inclusive implementation.

Stakeholders

Stakeholders, consisting of company owners, investors, and financial stakeholders, expect a return that will compensate for entrepreneurial risks and ensure the continuity of their investments. Therefore, for companies to work towards this goal, regulatory and supervisory authorities must ensure conditions for mutually reinforcing competition. This will ensure

sustainable development conditions that do not compromise both the present and the future. Since informal economic activities will not be permitted, public revenue sources will also be sustained.

Suppliers

Companies should view other companies in the supply chain that provide them with goods and services as true partners, with a win-win philosophy. They should also work with alternatives to reduce supply chain vulnerabilities.

Customers and other stakeholders

Companies must provide their customers with goods and services that best meet their needs and operate within a smoothly functioning chain. During this process, they accept and support a level playing field in a free and open competitive environment. They also serve to foster trust in the ecosystem in which they operate, avoiding any form of fraud or corruption. They inform their customers of any negative impacts or externalities associated with their products and services.

Companies also serve their other stakeholders, or more broadly, society, through their activities. They support their communities through social responsibility projects, local development, and ethical business practices. They ensure the security of the data they acquire and use in these processes and ensure its ethical and efficient use.

In their relationships with all stakeholders, companies' primary goal should be to see them as partners and include them in creating sustainable value. In short, they should not be solely focused on maximizing their own profits. To achieve these goals, the national and international standards, which will be examined in the next section, and their regulatory and supervisory structures bear significant responsibilities. What these standards are and whether they are

implemented is also crucial for those working in participation finance institutions, particularly those conducting company intelligence and valuations and undertaking partnership projects.

National and International Standards Regulating the Relationships of Companies in Türkiye with Key Stakeholders

The Importance of National and International Standards

National and international standards enable the improvement of processes in all systems within life and the achievement of better outcomes in every aspect. These standards, continuously developed with a holistic approach, enable the successful monitoring of values such as efficiency and excellence, the predetermination of production standards, and the measurement of their achievement. Thus, "common standards increase the trust of users and consumers, while supporting innovation and competition. Standardization in technology is an important tool for building a sustainable future" (Şahin, 2024).

The performance of each stage must be measurable so that the results of a given process can be compared with the initial standards and any deviations can be corrected. Therefore, open standards are used as an important tool for achieving excellence. But "the most important accelerator of excellence is transparency. In a lean system, everyone (contract manufacturers, first-line suppliers, dealers, customers, employees) can easily find better ways to create value because they can see the entire system and have instant feedback." (Yalın Enstitü, 2024).

The Lean Thinking Approach, which uses standards as a primary reference, "enables a winning working style for all parties involved. Individual companies' profitability increases exponentially; workers gain not only higher wages but also numerous benefits, such as decision-making and versatile skills; customers can quickly acquire high-quality products at affordable prices with the exact specifications they desire; suppliers become permanent business partners who are supported in their own development, rather than being squeezed by constant price

pressure; and countries' financial resources can be used much more effectively thanks to this system" (Yalın Enstitü, 2024).

Lean Thinking isn't just an approach applied to companies. The philosophy is evident in both the economic and social life of Japan, where it originates. For them, it's both a production technique and an internalized lifestyle. The Prophet Muhammad was the first to introduce this lifestyle, introducing the principle, "He who has two days equal is not one of us." The fact that two days are not equal should not be perceived as a time. It's important to understand that this is meant in terms of innovation, development, and the production of higher quality products (Bayraklı, 2007: 5).

“Furqan, the ability to distinguish between truth and falsehood, right and wrong, good and bad, and beauty and ugliness, is the pinnacle of piety in terms of quality. These people minimize the margin of error in all their endeavors. The Quran, which has a zero margin of error, is also called Furqan. Therefore, the Quran aims to cultivate individuals with the least margin of error and to create such a society. We can say that those who minimize the margin of error in their opinions, research, engineering, technological production, and political planning are moralized by the morality of the Quran. Such people achieve quality both in their work and within themselves. A project or behavior with a minimized margin of error is protected from harmful influences. Achieving a significant level called perfection is achieved through the quality of Furqan in the Quranic sense, or in engineering terms, by minimizing the margin of error. Humans can minimize error with their human power, but they cannot eliminate it. The reason for the revelation of the Quran is to present to humanity knowledge with ‘zero margin of error’” (Bayraklı, 2007: 6-7).

Although Islam long ago commanded perfection as a way of life, unfortunately, it cannot be said that these commandments are fully implemented. Deficiencies or errors arise not from Islam itself, but from the misinterpretation and application of Islam. However, since this is not

the scope of our study, we must emphasize the need to implement national and international standards that everyone can accept without delay. Successful results are achieved with tested and established standards. If necessary, deviations and errors that arise through measurements made according to these standards, can be corrected without causing excessive losses. Therefore, regulatory and supervisory functions that ensure the use of standards in everything from service delivery to product development, commercial activities, and the provision of public services are crucial. That's why, Independent Regulatory and Supervisory Institutions are needed as authorities to establish standards for a way of thinking, behaving, and doing business that can be applied in many areas of daily life. Implementing the restructuring process in Türkiye through these institutions will achieve significant success in terms of institutionalization. Because it is expected that in the markets of economies with these institutions, goods and services production processes will be established at the standards required by the global system, and compliance with these will be mandatory for all companies, and environments that create unfair competition will be eliminated.

National and international standards governing the relationships of companies in Türkiye with their key stakeholders are crucial for ethics, transparency, and sustainability in the business world. These standards ensure that both participating financial institutions and companies establishing new partnerships conduct their activities within a specific and ethical framework and manage their risks more easily. COSO (Committee of Sponsoring Organizations), which integrates all standards for this purpose, deserves special mention. COSO's Enterprise Risk Management framework supports companies in identifying, assessing, and managing risks. Thus, COSO offers a reassuring macro perspective that helps companies strengthen their internal control systems. This perspective encompasses financial reporting, operational effectiveness, and compliance processes. However, this compliance process presents challenges. Complying with the standards required by companies' differing responsibilities to

their business stakeholders, as outlined in Table 2 and the following sections, can present certain challenges. To overcome these challenges, companies must take the necessary measures regarding training, resource management, cultural compatibility, and technological infrastructure, as well as secure public support for their financing.

National and International Standards Regulating Relations with the Environment

Injustices between rich and poor in developed and developing countries, coupled with the effects of the linear economic model and globalization, have led to serious overconsumption and waste. This mentality leads to the rapid depletion of human and natural resources and irreversible economic and social disruptions. Therefore, environmental awareness and sustainability play a crucial role in companies' strategic planning. Managing and reducing environmental impacts has become critical, in line with both legal requirements and societal expectations.

Stakeholders	Responsibilities	National Standards	International Standards
Environment	Sustainable resource use, waste management, pollution control	Environmental Law, Waste Management Regulation, Environmental Impact Assessment	ISO 14001 Environmental Management System, ISO 14064 Greenhouse Gas Emissions Monitoring
Employees	Fair working conditions, health and safety measures, training and development opportunities	Labor Law, Occupational Health and Safety Inspection Regulation	ILO Conventions, ISO 45001 Occupational Health and Safety Management System, SA 8000 Social Responsibility Standard
Government	Legal compliance, tax obligations, compliance with public procurement laws	Tax Procedure Law, Public Procurement Law, Turkish Commercial Code, Court of Accounts Audits, Public Internal Audit Regulation	ISO 37001 Anti-Corruption Management System, OECD Corporate Governance Principles, UN Global Compact
Shareholders	Corporate governance,	Turkish Commercial Code, Capital Market	OECD Corporate Governance Principles,

	transparency, financial reporting, shareholder meetings	Laws and Regulations, Independent Audit and Internal Audit Regulation	IFRS- International Financial Reporting Standards, ISA- International Auditing Standards, IIA- International Internal Auditing Standards
Suppliers	Quality assurance, on-time delivery, cost effectiveness	Turkish Commercial Code, Competition Law, Supply Chain Regulation	ISO 9001 Quality Management System, ISO 20400 Sustainable Supply Management, ISO 28000 Supply Chain Security Management Systems
Customers and Society	Product and service quality, customer satisfaction, transparency, social responsibility projects, local development, ethical business practices	Consumer Protection Law and Regulation, Social Responsibility Regulation	ISO 9001 Kalite Yönetim Sistemi, ISO 10002 Müşteri Memnuniyeti Yönetim Sistemi, ISO 26000 Sosyal Sorumluluk Rehberi, ISO 9001 Quality Management System, ISO 10002 Customer Satisfaction Management System, ISO 26000 Social Responsibility Guide

Table 2. *Analysis of the Differentiating Responsibilities of Companies According to Their Stakeholders within the Framework of Standards*

Social expectations for transparency and accountability have gradually increased due to increasingly stringent legislation, increasing pressure on the environment from pollution, inefficient resource use, inappropriate waste management, climate change, ecosystem degradation, and biodiversity loss. This has led organizations to adopt a systematic approach to environmental management by implementing environmental management systems to contribute to the environmental dimension of sustainability (TSE, 2024). In this context, the environmental management standards shown in the second row of Table 2 help companies systematically manage their environmental impacts. The ISO 14001 Environmental Management System, like others, provides a framework for controlling and continuously improving environmental impacts, providing important guidance for improving environmental performance, ensuring legal compliance, and achieving sustainability goals.

National and International Standards Regulating Relations with Employee

Employees play a crucial role in the performance of organizations. Recognizing the need to equalize the authority and responsibilities of each individual, regardless of their location, the Japanese and their companies have adopted the Lean Thinking Approach in every aspect of life: in thinking, production, and management. This approach has propelled them to a leading position in global competition. Therefore, the relation basis of companies to their employees consists of factors such as planning the right number and quality of personnel recruitment, orientation, training, career management, health and safety management, performance and wage management, and the regulation of working relations.

The national and international standards shown in the third row of Table 2 are critical for ensuring fair and safe working conditions in the workplace. Implementing these standards increases employee satisfaction, ensures legal compliance, and enhances the company's reputation. Otherwise, a management approach that disregards employees, fails to understand their needs and desires, and ignores their suggestions will fail to achieve employee integration.

National and International Standards Regulating Relations with the State

Companies' obligations and relationships with the state are regulated in many areas, including legal compliance, tax liabilities, and occupational health and safety. The primary purpose of these regulations is to prevent unfair competition among companies by preventing informal economy, eliminating tax evasion, and thus preventing unregistered employment. Therefore, they are critical for protecting the interests of companies and the state. The standards in the fourth row of Table 2 regulate companies' relationships with the state, ensuring legal compliance, transparency, and accountability.

National and International Standards Regulating Relations with Shareholders

Shareholders in Türkiye prioritize national and international standards governing all relationships, particularly those aimed at protecting their shareholder rights. The

implementation of these standards ensures transparency and accountability, reducing companies' legal risks, protecting their reputations, and facilitating the achievement of their sustainability goals. The standards listed in the fifth row of Table 2 are important in preventing information asymmetries that investors face.

National and International Standards Regulating Relations with Suppliers

The standards listed in the sixth row of Table 2, which govern the relationships of companies with suppliers in Türkiye, are vital for ensuring criteria such as quality, sustainability, and transparency in supply chain management. These standards, which define the processes in supply chain management, directly impact companies' operational efficiency and competitiveness, and are also important in reducing vulnerabilities in the supply chain.

National and International Standards Regulating Relations with Customers and the Community

The satisfaction of end-users and other companies that are its customers is essential for the continued success of companies. Therefore, national and international standards governing the relationships of companies in Türkiye with their customers and other stakeholders are critical to ensuring customer loyalty, sustainable satisfaction, and transparency. Implementing the standards listed in the last row of Table 2, which govern the community's relationships with those living in the regions where companies operate and those affected by social responsibility projects, reduces companies' legal risks, protects their reputations, and helps them achieve their sustainability goals.

Conclusion

Approaches such as circular, ecological, and green economies have been developed to address the problems caused by the linear economy that dominated the industrial revolution and to offer

solutions. Circular economics aims to increase resource efficiency while supporting economic growth, fostering the creation of businesses that benefit society. Ecological economics, on the other hand, advocates that economic growth should remain within ecological limits and raise public ecological awareness. Green economics, which takes a broader perspective on these two approaches, aims for sustainability, social equality, and the equitable distribution of resources by establishing a balance between economic growth and environmental protection. Islamic economics, which incorporates human values into these perspectives, prioritizes fair and balanced growth, the prevention of waste, social welfare, and solidarity. The solutions and recommendations of a participation finance system are crucial for the financing necessary for the transformation.

From the perspective of the recommendations, the key to achieving their objectives is the need to trust companies to increase the share of participation financing methods in the green economy. Therefore, it is crucial for companies to comply with and follow international standards in conducting business without wasting resources. These standards facilitate the transition to a green economy by supporting companies in achieving their environmental sustainability goals. Regarding the financing required in this process, the participation finance system's resource allocation through partnerships will facilitate the bridge between finance and green transformation and the achievement of sustainable development goals. Of course, companies need to establish institutional infrastructures to adapt to and internalize this change in management. A key criterion in establishing these structures is that companies must possess the capacity to comply with regulations, enabling them to maintain both their own continuity and to conduct their operations in accordance with economic sustainability conditions. This approach brings to the forefront business models that incorporate changes that can ensure the internalization of the transformation to a green economy at all levels as a mode of production that protects the interests of all stakeholders, including the environment.

The accountability standards that differ for these business models in their establishment, operations, and towards all stakeholders and the local and international standards they must comply with in their internal and external audits are important guidelines. However, since compliance with these standards cannot be voluntary, regulatory and supervisory institutions at both local and global levels bear significant responsibilities. These institutions, whether in the private or public sectors, should be equipped with structures capable of regulating a system for ideas, behaviors, and ways of doing business, from service delivery to product development, and from the regulation and oversight of commercial activities or public services. This will create a business model and capacity applicable to all areas of daily life. The participation finance system, which possesses these capacities, particularly through its human capital, must utilize and expand its potential to raise awareness. In short, the partnership-based approach presented in the study as a way of doing business will both increase the market share of the participation finance system and facilitate the achievement of sustainable development goals. Therefore, this approach will enable the participation finance system to allocate resources and overcome the reasons for the low share of partnership-based finance in its assets.

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