

Reconstructing the Islamic Green Economy: Ethics, Institutions, and Sustainable Development

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Abstrak

Penelitian ini merekonstruksi Islamic Green Economy sebagai paradigma integratif yang menghubungkan fondasi etika, dinamika kelembagaan, dan jalur pembangunan berkelanjutan. Kajian ini berangkat dari kritik terhadap pendekatan ekonomi hijau arus utama yang cenderung menekankan solusi teknokratis, sementara dimensi moral dan spiritual perilaku ekonomi kurang mendapat perhatian. Penelitian menggunakan metode kualitatif deskriptif-analitis dengan menelaah literatur klasik dan kontemporer ekonomi Islam, dokumen kebijakan, serta studi empiris mengenai keuangan syariah berkelanjutan. Analisis dilakukan melalui tiga tahap, yaitu analisis normatif berbasis *maqāṣid al-sharī'ah*, analisis institusional terhadap lembaga keuangan dan sosial Islam, serta sintesis interpretatif. Hasil penelitian menunjukkan bahwa keberlanjutan dalam ekonomi Islam bersifat intrinsik dan berakar pada prinsip kekhalifahan, keseimbangan (*mīzān*), keadilan, serta larangan terhadap perilaku berlebihan (*isrāf*). Secara kelembagaan, Islamic Green Economy terwujud melalui inovasi seperti green sukuk, wakaf produktif berbasis lingkungan, mikrofinans syariah, dan model pembiayaan sosial terpadu. Transformasi ini mencerminkan pergeseran dari kepatuhan syariah formal menuju praktik ekonomi yang berorientasi nilai dan dampak. Penelitian ini menyimpulkan bahwa Islamic Green Economy menawarkan paradigma pembangunan yang holistik, etis, dan berkeadilan, serta relevan sebagai alternatif pembangunan berkelanjutan, khususnya bagi negara berkembang dan masyarakat Muslim.

Keywords :

Islamic Green Economy;
Maqāṣid Al-Sharī'ah;
Sustainable Development;
Islamic Finance;
Environmental Ethics

Abstract

This study reconstructs the Islamic Green Economy as an integrative paradigm that connects ethical foundations, institutional dynamics, and sustainable development pathways. The research responds to the limitations of mainstream green economy approaches that tend to emphasize technocratic solutions while marginalizing moral and spiritual dimensions of economic behavior. Using a qualitative

descriptive–analytical method, the study critically examines classical and contemporary Islamic economic literature, policy documents, and empirical studies on sustainable Islamic finance. The analysis is conducted through three stages: normative analysis based on maqāṣid al-sharī‘ah, institutional analysis of Islamic financial and social institutions, and interpretative synthesis. The findings indicate that sustainability in Islamic economics is intrinsically embedded in its ethical framework, particularly through principles of stewardship (khillāfah), balance (mīzān), justice, and the prohibition of excess (isrāf). Institutionally, the Islamic Green Economy is manifested through innovations such as green sukuk, environmentally oriented waqf, Islamic microfinance, and blended social finance models. These developments signify a shift from formal Shariah compliance toward value-driven and impact-oriented economic practices. The study concludes that the Islamic Green Economy offers a holistic and ethically grounded development paradigm that aligns environmental sustainability with social justice and long-term human well-being, contributing an alternative framework for sustainable development, particularly in Muslim-majority and developing countries.



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INTRODUCTION

The global environmental crisis—manifested in climate change, natural resource depletion, and widening socio-economic inequality—has increasingly exposed the limitations of conventional development paradigms that prioritize economic growth over ecological sustainability and social justice. Modern economic systems have largely detached ethical considerations from production and consumption activities, resulting in growth trajectories that often undermine environmental integrity and intergenerational equity. In response, the concept of the green economy has emerged as an effort to reconcile economic efficiency with environmental responsibility (United Nations Environment Programme [UNEP], 2011).

Despite its normative appeal, the mainstream green economy discourse remains predominantly technocratic. It emphasizes technological innovation, carbon markets, and regulatory mechanisms while paying limited attention to the moral and spiritual dimensions of human economic behavior. Consequently, sustainability transitions often remain procedural and policy-driven rather than rooted in deeply internalized ethical commitments capable of transforming consumption patterns, production structures, and institutional incentives.

Islamic economics offers an alternative epistemological and normative framework by positioning economic activity as an integral component of religious, social, and moral responsibility. The concept of *maqāṣid al-sharī‘ah* underscores that the objectives of Islamic law extend beyond the protection of faith and wealth to include

the preservation of life, intellect, posterity, and social harmony—dimensions that implicitly encompass environmental sustainability (Chapra, 2008). Sustainability in Islam, therefore, is not an external adaptation of modern discourse but an intrinsic ethical imperative embedded within its worldview.

Existing scholarship highlights that Islamic economics is grounded in strong moral foundations, including distributive justice, balance (*mīzān*), moderation, and the prohibition of excessive exploitation (*isrāf*) (Asutay, 2013). These principles form the basis of what has been termed the Islamic moral economy, which prioritizes collective well-being over unrestricted capital accumulation and situates economic activity within a broader framework of social and ecological responsibility.

In contemporary practice, the integration of Islamic principles with sustainability agendas has become increasingly visible through innovations such as green sukuk, renewable energy financing, and environmentally oriented productive waqf (Obaidullah, 2020; Lahsasna, 2022). These developments signal a gradual shift within Islamic economic practice from a compliance-based orientation toward a value- and impact-driven paradigm, suggesting the practical relevance of Islamic economics in addressing contemporary environmental challenges.

Nevertheless, despite the growing volume of research at the intersection of Islamic economics and sustainability, the existing literature remains conceptually fragmented. A significant portion of studies adopts an instrumental focus on specific financial products or policy tools, such as green sukuk or Islamic social finance, without sufficiently situating them within a comprehensive ethical and philosophical framework. Conversely, studies emphasizing Islamic environmental ethics often remain normative and textual, offering limited engagement with institutional dynamics and real-world economic practices. This disjunction creates a theoretical and analytical gap in which ethical foundations, institutional transformation, and development outcomes are rarely examined as an integrated system.

Addressing this gap, the present study seeks to reconstruct the Islamic Green Economy as a coherent and integrative paradigm that connects ethical foundations rooted in *maqāṣid al-sharī'ah*, institutional dynamics of Islamic economic practices, and pathways toward sustainable development. The novelty of this study lies in its paradigmatic synthesis, which moves beyond sectoral, product-based, or purely normative analyses by bridging moral philosophy and institutional practice. Rather than treating sustainability as an external policy agenda appended to Islamic economics, this research conceptualizes sustainability as an inherent outcome of Islamic moral reasoning and socio-economic organization. In doing so, the study contributes a holistic framework that repositions the Islamic Green Economy as a value-driven development paradigm with broader civilizational implications, offering an alternative lens for sustainable development in both Muslim-majority and pluralistic socio-economic contexts.

METHODS

This study adopts a qualitative descriptive–analytical approach to examine the Islamic Green Economy as both an intellectual construct and an evolving institutional practice. Rather than measuring quantitative trends or testing statistical relationships, the research seeks to interpret meanings, conceptual developments, and their relevance to contemporary sustainable development discourse. This approach is particularly suitable given the normative, philosophical, and institutional dimensions of the Islamic Green Economy, which cannot be adequately captured through purely quantitative techniques.

The data are derived from a critical review of classical and contemporary Islamic economic literature, policy documents, and selected empirical studies on sustainable Islamic finance and Islamic social institutions. These sources are treated as reflective and interpretive materials rather than as datasets for aggregation, allowing the study to trace how Islamic ethical values are articulated, contested, and translated into modern economic contexts across different scholarly and policy traditions.

The first analytical stage involves normative analysis, focusing on *maqāṣid al-sharī‘ah* as an ethical framework governing the relationship between humans, economic activity, and the natural environment. This stage aims to identify the philosophical and moral foundations of sustainability embedded within Islamic teachings, emphasizing how concepts such as stewardship, justice, and intergenerational responsibility shape the Islamic understanding of development.

The second stage applies institutional analysis to examine how these ethical principles are operationalized through Islamic financial institutions, Islamic social finance instruments, and development-oriented policies. Particular attention is given to the evolving roles of these institutions, highlighting their transformation from conventional financial intermediaries into agents of sustainable and inclusive development. This stage allows for an examination of how ethical norms are institutionalized through governance structures, financial instruments, and policy frameworks.

The third analytical stage employs interpretative synthesis, integrating insights from normative theory and institutional practice to formulate a conceptual model of the Islamic Green Economy. This synthesis facilitates a holistic understanding of how Islamic economics responds to contemporary ecological challenges by aligning moral reasoning with institutional mechanisms. Rather than treating ethics and practice as separate domains, the model emphasizes their dynamic interaction within a unified development paradigm.

Methodologically, this narrative–analytical approach enables the study to move beyond descriptive accounts of Islamic green finance initiatives toward a deeper paradigmatic reconstruction. By systematically linking ethical foundations, institutional dynamics, and development objectives, the research seeks to explain not only *what* constitutes green economic practice in Islam, but also *why* and *how* it functions as an integral and coherent component of sustainable development. This

approach strengthens the study's theoretical contribution while maintaining relevance for policy and institutional design.

RESULT AND DISCUSSION

Ethical Foundations of the Islamic Green Economy

The Islamic Green Economy paradigm is grounded in an ontological assumption that the relationship between humans and nature is based on stewardship (*amānah*), rather than domination. While conventional economics often treats nature as a factor of production to be exploited for utility maximization, Islam views the natural environment as part of a moral and cosmic order endowed with intrinsic value. The concept of *khilāfah* binds economic behavior to transcendent responsibility, rendering ecological destruction an ethical violation rather than merely a regulatory failure (Chapra, 2008).

The framework of *maqāṣid al-sharī'ah* provides normative justification for sustainability by prioritizing the protection of life and resources as core objectives of Islamic law. This perspective expands the meaning of development beyond short-term growth to encompass intergenerational continuity, making sustainability an inherent consequence of Shariah objectives rather than an externally imposed policy goal (Dusuki & Bouheraoua, 2011).

Islamic economic thinkers further emphasize the principle of balance (*mīzān*), which reflects ecological rationality by advocating moderation in production and consumption. This principle challenges capitalist tendencies toward limitless accumulation by embedding welfare within a moral and social context, thereby redefining economic rationality in ethical rather than purely instrumental terms (Asutay, 2013).

Prohibitions against *isrāf* (excess) and *fasād* (corruption or destruction) reinforce Islam's robust environmental ethic, highlighting that ecological crises fundamentally stem from moral failures in resource governance. Justice occupies a central role in this framework, as unequal resource distribution often drives environmental degradation. Through distributive justice, Islamic economics seeks to address the structural roots of ecological harm by balancing individual interests with collective welfare (Chapra, 2008; Zaman & Asutay, 2019).

Beyond its normative orientation, the ethical foundations of the Islamic Green Economy also carry significant epistemological implications for how economic knowledge and policy are constructed. By embedding ethics within the ontology of economic action, Islam rejects the value-neutral assumption that dominates neoclassical economics. Economic rationality is thus redefined not merely in terms of efficiency or profit maximization, but in relation to moral accountability, social consequences, and ecological impact. Within this ethical epistemology, economic success is measured by the realization of *maṣlahah* (public good), ensuring alignment between individual incentives and collective sustainability outcomes.

Furthermore, this ethical framework generates a distinctive form of moral agency among economic actors, positioning individuals, institutions, and the state as co-responsible guardians of ecological balance. Such shared responsibility fosters a participatory and internally motivated approach to sustainability, where environmental stewardship is embedded in everyday economic behavior rather than enforced solely through regulatory mechanisms. Consequently, the Islamic Green Economy emerges not only as a compatible model with contemporary sustainability discourse but as a transformative ethical paradigm that reframes development as the preservation of harmony between humanity, society, and the natural environment.

Institutional Dynamics and the Transformation of Islamic Economic Practices

The evolution of the Islamic Green Economy extends beyond normative ideals into the institutional transformation of Islamic economic practices. Islamic financial institutions have increasingly integrated sustainability considerations into financing and investment decisions, signaling a gradual shift from formal Shariah compliance toward value-based and impact-oriented operations. This transition reflects an expanding understanding of Shariah objectives, in which financial performance is evaluated alongside social and environmental outcomes (Khan & Bhatti, 2021).

Green sukuk represent a tangible manifestation of this institutional shift, illustrating how Shariah principles can be mobilized to finance sustainable infrastructure projects such as renewable energy, climate-resilient development, and environmentally friendly transportation systems. These instruments demonstrate the capacity of Islamic finance to function as a viable mechanism for environmentally aligned development financing, while simultaneously adhering to ethical and legal principles (Lahsasna, 2022).

Beyond the formal financial sector, Islamic philanthropic institutions—particularly waqf have undergone functional revitalization through environmentally oriented productive models. Rather than serving solely as static charitable endowments, contemporary waqf initiatives increasingly support sustainable agriculture, renewable resource management, and community-based environmental projects. This transformation enables social assets to contribute directly to long-term ecological resilience and inclusive economic development (Putra & Hidayat, 2020).

Islamic microfinance institutions further reinforce this institutional dynamic by promoting community-based green economies through financing environmentally responsible micro and small enterprises. By prioritizing livelihood sustainability and, Islamic microfinance strengthens local economic systems while encouraging production patterns that minimize ecological harm (Nuraini & Kurniawan, 2019).

The integration of Islamic philanthropy with commercial Islamic finance has also given rise to blended finance models that bridge social objectives and sustainable investment needs. By combining profit-oriented instruments with redistributive mechanisms such as zakat and waqf, these models highlight the institutional flexibility

of Islamic economics in addressing complex development challenges, including poverty alleviation and environmental degradation (Obaidullah, 2020).

Beyond their functional contributions, these institutional transformations carry significant implications for the governance of sustainable development. By embedding ethical values within financial and social institutions, the Islamic Green Economy challenges the dominance of market-centric sustainability models that rely primarily on price signals and regulatory enforcement. Instead, it promotes an institutional logic in which moral accountability, social trust, and collective responsibility form the basis of economic coordination. This ethical institutionalism enhances the legitimacy and durability of sustainability initiatives, particularly in contexts where formal regulation alone proves insufficient.

Taken together, these dynamics indicate that the Islamic Green Economy is emerging through the progressive institutionalization of ethical values within contemporary economic systems. Rather than remaining confined to abstract moral discourse, Islamic principles are translated into operational mechanisms that link religious norms with tangible development outcomes. This process underscores the potential of Islamic economic institutions to function not merely as financial intermediaries, but as transformative agents of sustainable and inclusive development (Khan & Bhatti, 2021).

Pathways Toward Sustainable Development in the Islamic Economic Framework

The Islamic Green Economy offers an alternative development pathway that rejects the conventional dichotomy between economic growth and environmental sustainability by positioning holistic well-being (*falāḥ*) as the ultimate objective of development. Within this framework, material prosperity is inseparable from social justice, ethical conduct, and spiritual fulfillment, resulting in a unified paradigm of sustainability that transcends purely economic indicators of success (Chapra, 2008).

Embedding religious and moral values in economic policy enhances the social legitimacy of sustainability agendas, as environmental preservation is perceived not merely as a regulatory requirement but as a moral and religious obligation. This ethical internalization strengthens the effectiveness and durability of sustainability initiatives, as compliance is driven by conscience and shared values rather than external enforcement alone. Compared to technocratic approaches, such value-based governance fosters deeper behavioral change and long-term commitment among economic actors (Zaman & Asutay, 2019).

Redistributive instruments such as zakat and waqf can be strategically aligned with green empowerment programs, enabling sustainability initiatives to simultaneously address poverty alleviation, social inclusion, and environmental protection. By channeling resources toward sustainable livelihoods, renewable energy access, and environmentally responsible entrepreneurship, Islamic social finance instruments create synergies between ecological sustainability and socio-economic justice (Obaidullah, 2020).

At the global level, this development paradigm is particularly relevant for developing countries that face persistent trade-offs between economic growth and environmental conservation. The Islamic Green Economy promotes development based on ethical optimization rather than resource exploitation, offering an alternative to growth models that rely on extractive practices and environmental externalization (United Nations Environment Programme, 2011). Furthermore, the convergence between the Sustainable Development Goals and *maqāṣid al-sharī'ah* underscores shared priorities, including the protection of life, reduction of inequality, and preservation of ecological systems (Dusuki & Bouheraoua, 2011).

Beyond policy alignment, the pathways proposed by the Islamic Green Economy also carry important implications for development governance and societal transformation. By integrating ethical reasoning into development planning, this framework encourages participatory and inclusive decision-making processes that recognize communities not merely as beneficiaries but as moral agents of sustainability. Such an approach strengthens institutional trust and social cohesion, which are critical for sustaining long-term development outcomes in diverse socio-economic contexts.

Overall, the development pathways articulated within the Islamic Green Economy reaffirm that sustainability is not merely an economic strategy or policy choice, but a civilizational project that redefines humanity's role as guardian of ecological balance. By subordinating economic activity to ethical responsibility and collective well-being, this paradigm directs systemic transformation toward a more inclusive, morally grounded, and long-term economic order capable of addressing the intertwined challenges of environmental degradation and social inequality.

CONCLUSION

The reconstruction of the Islamic Green Economy demonstrates that sustainability is inherently embedded in the Islamic economic vision grounded in *maqāṣid al-sharī'ah*. This paradigm integrates ethics, institutions, and development within a framework of human responsibility as stewards of the natural order.

Ongoing transformations in Islamic finance, philanthropy, and development policy reflect a shift from normative compliance to substantive sustainability orientation. The Islamic Green Economy thus represents not a passive adaptation to global trends but a rearticulation of Islamic values in response to contemporary ecological challenges.

Future efforts should focus on regulatory strengthening, institutional innovation, and multidisciplinary collaboration to operationalize this paradigm more broadly as an equitable and inclusive model of sustainable development.

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