

Research Article

Government Policies and Sharia Economic Instruments in Advancing Green Economy Development in Indonesia

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Abstract: This research investigates the integration of Sharia economic instruments into green economy policies in Indonesia, focusing on how these instruments can enhance sustainability efforts. Specifically, it evaluates the role of Green Sukuk, zakat, and waqf in supporting sustainable development projects. Sharia economic instruments are identified as essential tools for financing environmentally friendly projects while aligning with social and ethical values. The research explores how these instruments contribute to the green economy by expanding funding sources, increasing public participation, and promoting social welfare. The study finds that the hybrid approach of integrating Sharia instruments with green policies leads to more sustainable outcomes compared to secular-only frameworks. The integration fosters long-term stability, attracts ethical investors, and supports social inclusion, making green initiatives more resilient. This research highlights the potential of Sharia-compliant financing in advancing the Sustainable Development Goals (SDGs) and fostering a more inclusive and sustainable economic model. Recommendations are made for the Indonesian government to develop policies that incorporate Sharia instruments into the green economy framework to enhance financial support and community engagement.

Keywords: Green Economy; Green Sukuk; Islamic Finance; Sharia Instruments; Sustainable Development.

1. Introduction

Public policy serves as a fundamental driver in fostering eco-friendly economic growth and sustainable development. The shift toward a green economy aims to minimize environmental degradation across various sectors while maintaining economic productivity and social equity. This transformation necessitates comprehensive policy frameworks that not only regulate but also incentivize green innovation and ethical investment practices.

Effective public policies play a multifaceted role in accelerating the green transition. First, policies that strengthen price signals, such as carbon taxes and cap-and-trade mechanisms, help internalize environmental externalities, encouraging industries to adopt cleaner technologies (Braga & Ernst, 2023). Second, public and hybrid financing tools like green bonds and nature-based capital mobilize financial resources for environmentally sustainable projects (Braga & Ernst, 2023). Third, well-designed policies also mitigate social and labor impacts by ensuring that the transition from polluting industries to green alternatives remains inclusive and socially just (Braga & Ernst, 2023).

The integration of economic, social, and environmental dimensions within public policy design is crucial for sustainable growth. Tang & Solangi (2023) highlight that green economic transitions significantly contribute to combating climate change by promoting energy efficiency, renewable energy, and environmentally sustainable governance (EESG). Similarly, Crespi (2016) emphasizes that systemic and complex policy frameworks, which acknowledge interdependencies among multiple instruments, are key to achieving effective and resilient

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green transformations. These insights affirm that coherent and adaptive public policy design can enhance the long-term success of environmental governance.

In parallel with conventional green finance mechanisms, the integration of Sharia economic instruments into public policy offers a unique ethical and value-based framework for achieving sustainability. Islamic finance operates under the principles of *Maqasid al-Shariah*, emphasizing justice, social welfare, and the preservation of wealth and the environment (Rahim et al., 2024). This moral foundation aligns closely with global sustainability objectives, particularly those outlined in the Sustainable Development Goals (SDGs).

Sharia-compliant instruments such as *sukuk*, *zakat*, and *waqf* have the potential to support environmentally sustainable projects and inclusive social development. Rahim et al. (2024) assert that these instruments can mobilize ethical capital toward green energy, sustainable cities, and responsible consumption initiatives. Mursid et al. (2024) argue that Sharia economics plays a critical role in realizing green economic development by linking financial activities with moral imperatives and social responsibilities.

Integrating Islamic finance with public green finance mechanisms provides a holistic pathway toward sustainability. This synergy ensures not only environmental protection but also equitable growth and economic stability (Mursid et al., 2024; Rahim et al., 2024). By incorporating Sharia-based instruments within policy frameworks, governments can create resilient and inclusive economies capable of addressing global challenges such as climate change, inequality, and resource scarcity.

The primary objective of this research is to assess the effectiveness of Sharia instruments in supporting green policies and their role in enhancing the sustainability of these policies. This study evaluates how Sharia-compliant financial mechanisms such as green *sukuk*, *zakat*, and *waqf* contribute to environmental sustainability and strengthen broader green economy initiatives in Indonesia. These instruments, when integrated into national policy frameworks, can enhance financing for environmentally friendly projects and align economic activities with Islamic ethical principles emphasizing justice, social welfare, and sustainability (Rahim et al., 2024).

Indonesia has implemented various policies to support the green economy, integrating low-carbon development, resource efficiency, and social inclusivity into its national agenda (Anggraeni et al., 2023; Parluhutan et al., 2022). One of these is green budgeting, which directs public funds to environmentally sustainable programs, though challenges remain such as insufficient data and limited local understanding (Azzahra et al., 2022). Another key initiative is green bonds, which serve as funding instruments for sustainable development projects and are strongly influenced by public policy design (Saa, 2024). Complementing these efforts, green banking regulations under Financial Service Authority Regulation No. 51/POJK.03/2017 require banks to assess environmental risks before approving financing, ensuring that project funding supports sustainable development goals (Arinal et al., 2018).

Sharia economic instruments complement these public initiatives by embedding ethical and moral principles within financial practices. *Maqasid al-Shariah* provides a philosophical foundation for justice, social welfare, and environmental preservation, aligning perfectly with sustainability principles (Rahim et al., 2024). Green *sukuk* as a Sharia-compliant innovation plays a critical role in channeling investments into renewable energy, infrastructure, and ecological conservation. Kismawadi et al. (2024) emphasize that Islamic financial institutions are increasingly supporting sustainable energy transitions through such mechanisms, ensuring that financial growth aligns with ecological responsibility and long-term resilience.

Furthermore, integrating Sharia-based financial products into Indonesia's green finance framework enhances social responsibility and strengthens ethical governance in environmental policy. Rosman & Marzuki (2024) explain that Islamic finance prioritizes social and environmental stewardship through corporate social responsibility principles embedded within its operational ethics. Thus, combining government-led green policies with Sharia-compliant finance fosters a synergistic pathway toward a sustainable, inclusive, and ethically grounded green economy in Indonesia.

2. Literature Review

Government Policies in the Green Economy

Definition and Characteristics of the Green Economy

The green economy represents a holistic approach that integrates economic growth with environmental sustainability and social welfare. It is designed to minimize ecological degradation while enhancing human well-being. This economic paradigm emphasizes low-carbon development, efficient resource use, social inclusivity, and sustainable urbanization as its fundamental pillars.

Low-carbon development is achieved by transitioning toward renewable energy sources and promoting energy efficiency to mitigate climate change impacts (Anggraeni et al., 2023; Arifin et al., 2024; Parluhutan et al., 2022). Resource efficiency emphasizes the optimal utilization of natural assets to minimize waste and ensure environmental balance (Azzahra et al., 2022; Anggraeni et al., 2023). Social inclusivity ensures that economic prosperity is distributed equitably among all societal groups, including marginalized communities (Arifin et al., 2024; Anggraeni et al., 2023). Moreover, sustainable urban development emphasizes the creation of green spaces, improvement of public transport systems, and effective waste management to enhance urban resilience and citizens' quality of life (Arifin et al., 2024). According to Anggraeni et al. (2023), the green economy is not merely an environmental framework but a transformative economic pathway that integrates innovation, equity, and sustainability to achieve long-term growth that benefits both people and the planet.

Government Policies in Indonesia to Support Green Economic Development

The Indonesian government has launched various policies to transition toward a sustainable and environmentally friendly economy. These initiatives reflect a growing national commitment to environmental preservation while maintaining economic competitiveness. The promotion of renewable energy has become a main focus, aiming to reduce dependence on fossil fuels through the development of geothermal, hydroelectric, and solar power (Arifin et al., 2024). Indonesia's vast geographical conditions provide great potential for the utilization of renewable energy to support low-carbon growth.

In addition, green budgeting has become an essential step to ensure the allocation of funds for environmental programs. However, the implementation of this policy still faces challenges at the regional level due to limited institutional capacity and data availability (Azzahra et al., 2022). Meanwhile, green bonds have emerged as an important financing instrument, providing innovative funding sources for sustainable development projects. Saa (2024) emphasized that Indonesia's green bond framework aligns with global sustainability goals, encouraging investment while maintaining transparency and accountability. The green banking policy is also enforced, requiring financial institutions to integrate environmental risk assessments into their investment decisions (Arinal et al., 2018).

Educational and public awareness programs have been developed to foster environmentally friendly behavior among communities and to encourage individual responsibility for sustainability (Arifin et al., 2024). The decentralization policy also grants greater authority to local governments in managing natural resources, although alignment between national and regional policies remains a significant challenge (Parluhutan et al., 2022). To address this, Green Growth Programs have been designed to integrate economic growth with social equity and environmental conservation, focusing on resource efficiency and poverty alleviation (Azzahra et al., 2022).

Recent Developments

In recent years, Indonesia's green economy initiatives have evolved to incorporate local adaptation, technological innovation, and public participation. Public sentiment toward green economy policies has generally been positive, with growing support for government-led sustainability efforts (Arifin et al., 2024). In alignment with the Sustainable Development Goals (SDGs), local governments have begun implementing eco-governance strategies. Megawati et al. (2024) highlight how Sidoarjo Regency adopted a green government initiative that integrates SDG targets, focusing on energy efficiency, public health, and waste

management. This local effort illustrates how national green policies can be effectively localized through collaboration and innovation.

Furthermore, Anggraeni et al. (2023) emphasize that the Indonesian government is working to create measurable indicators for green growth by optimizing natural resource utilization and enhancing institutional coordination. Ensuring policy coherence between various levels of government remains crucial to embedding sustainability principles in both policy formulation and implementation. Parluhutan et al. (2022) also note that while decentralization empowers regional authorities, it has led to varying interpretations of environmental policies, which sometimes hinder consistent protection efforts. Hence, establishing a unified framework that aligns central and local green economy agendas is essential for achieving cohesive and sustainable progress.

In terms of financial innovation, Saa (2024) observes that green bonds have become a key tool for financing Indonesia's green transition, particularly in infrastructure development. Likewise, green banking initiatives have played a significant role in channeling investments toward projects that align with national sustainability goals (Arinal et al., 2018). Overall, Indonesia's green economy development from 2016 to 2023 demonstrates consistent progress supported by increased institutional capacity and stronger global partnerships, although challenges in policy integration and data-driven monitoring still persist. Overall, Indonesia's green economy development between 2016 and 2023 illustrates steady progress, supported by increasing institutional capacity and stronger global partnerships, though challenges in policy integration and data-driven monitoring persist.

Sharia Economic Instruments and Their Contribution to the Green Economy

The relationship between Islamic finance and the green economy reflects an ethical financial model that integrates environmental and social objectives within the framework of Shariah law. Islamic financial instruments such as Green Sukuk, zakat, and other Sharia-based sustainable investments embody principles of justice, risk-sharing, and environmental stewardship. These mechanisms not only foster economic inclusion but also align closely with the global Sustainable Development Goals (SDGs) (Mursid et al., 2024). The Maqasid al-Shariah framework emphasizes preserving religion, life, intellect, lineage, and wealth, making Islamic finance an effective vehicle for promoting both ethical and sustainable development (Rahim et al., 2024).

Green Sukuk and Its Environmental Impact

Green Sukuk are innovative, Sharia-compliant bonds designed to finance projects that promote environmental sustainability, including solar power plants, bio-gas facilities, and wind farms (Alam et al., 2016). These instruments avoid interest (riba) and encourage asset-backed and risk-sharing mechanisms, consistent with Islamic principles. According to Ebrahim et al. (2021), Green Sukuk have contributed significantly to achieving SDG targets such as affordable and clean energy, sustainable cities, and climate action. In Indonesia and the United Arab Emirates, Green Sukuk issuance demonstrates their practical potential to drive sustainable development globally (Bin-Armiya & Riana, 2023). However, despite their promise, challenges remain in terms of standardization, liquidity, and investor awareness. Delle & Keshminder (2024) highlight that establishing universal frameworks and regulatory consistency is crucial to enhancing the long-term sustainability of the SRI Sukuk market.

Zakat as a Mechanism for Social and Environmental Welfare

Zakat, one of the Five Pillars of Islam, serves as a vital instrument for wealth redistribution and social equity. It involves the mandatory giving of a portion of one's wealth to those in need, directly addressing poverty (SDG 1), hunger (SDG 2), and inequality (SDG 10) (Khan & Haneef, 2022). In the modern context, zakat funds are being utilized not only for social welfare but also for environmental programs such as tree planting and sustainable livelihood projects, enhancing both human and ecological welfare (Asnaini et al., 2023). Through these applications, zakat embodies the principles of Maqasid al-Shariah, promoting harmony between economic development and environmental protection.

Sharia-Based Sustainable Investments

Beyond zakat and Green Sukuk, Sharia-based sustainable investments include financing models such as mudarabah, musharakah, and waqf-based initiatives. These instruments adhere to Islamic principles while funding projects related to renewable energy, sustainable agriculture, and marine conservation (Alshaleel, 2019). Faizi et al. (2024) note that Indonesia's Islamic green finance framework exemplifies how faith-based finance can support climate goals while maintaining ethical transparency. Such investments foster environmental responsibility, social welfare, and long-term financial stability. Rahim et al. (2024) emphasize that these instruments serve as a bridge between ethical finance and environmental sustainability, aligning financial growth with ecological preservation.

Integration of Sharia Economic Instruments in the Green Economy

The integration of Sharia economic instruments with the green economy illustrates a holistic approach to development that balances profit with planetary care. Islamic finance inherently promotes social justice, transparency, and environmental accountability core aspects of green finance (Mursid et al., 2024). Green Sukuk in particular has become a key tool for mobilizing funds for environmentally beneficial projects while adhering to Islamic ethics (Ebrahim et al., 2021). Moreover, the ethical framework of Islamic finance ensures that investments exclude industries harmful to people and the environment, reinforcing sustainability principles (Rahim et al., 2024). Nevertheless, obstacles such as inadequate standardization, market fragmentation, and limited investor literacy still hinder full implementation (Delle & Keshminder, 2024). Addressing these challenges through institutional cooperation and regulatory innovation will enhance the contribution of Islamic finance to global green growth.

Integration of Sharia Economics with Green Policies

The integration of Sharia economics and green policies has become a significant focus in the global discourse on sustainable development. Both approaches offer ethical paradigms to address increasingly complex environmental and economic challenges. Sharia economics, based on Islamic principles, emphasizes social justice, economic sustainability, and the preservation of natural resources. Meanwhile, green policies aim to reduce carbon footprints, protect ecosystems, and promote environmentally friendly economic growth.

These two systems share strong points of convergence, particularly in their commitment to moral and social responsibility toward the environment. This integration opens opportunities to create an economic model that is not only financially profitable but also socially equitable and ecologically sound. In the context of sustainable development, the synergy between Islamic values and green principles provides a foundation for transforming economies toward fairness, ethics, and environmental stewardship (Rahim et al., 2024; Mursid et al., 2024).

Key Concepts

Sharia economics represents a financial system founded on justice, balance, and sustainability. Its main principles include the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and speculative practices. Instead, it promotes productive investments, asset-backed financing, and risk-sharing mechanisms between parties. The ultimate goal is to achieve *maslahah* (public good) by ensuring social welfare and fair distribution of wealth.

Green policies, on the other hand, are development approaches focused on environmental sustainability and resource efficiency. These initiatives involve policy formulations that aim to reduce carbon emissions, promote renewable energy, and strengthen environmental governance. Thus, both Sharia economics and green policies share a moral foundation to create a balance between human needs and environmental preservation. Integrating the two can establish an Islamic green economy that supports low-carbon and socially just development (Johan, 2022; Alnabulsi & Jreisat, 2024).

The Relationship Between Sharia Economics and Green Policies

Sharia economics and green policies share a common goal of achieving sustainable development. The Islamic concept of *maqasid al-shariah*, which includes the protection of faith, life, intellect, lineage, and wealth, emphasizes ethical and responsible resource management. These values align with green policy principles such as energy efficiency, social justice, and environmental preservation. Both approaches play a vital role in creating an economic ecosystem that harmonizes human prosperity with ecological balance (Rahim et al., 2024; Mursid et al., 2024; Johan, 2022).

Furthermore, Sharia financing and green financing are viewed as complementary approaches to achieving the Sustainable Development Goals (SDGs). Both promote welfare and environmental sustainability through ethical and socially responsible financial instruments. According to Alnabulsi and Jreisat (2024), Sharia-based green finance holds immense potential for advancing sustainable growth by merging Islamic ethics with modern financial mechanisms. Consequently, this integration strengthens economic resilience while expanding social and ecological impacts globally.

Applications Across Countries

In Indonesia, Sharia economics has played a pivotal role in supporting green policies through instruments such as green sukuk and sustainable Islamic financing. These mechanisms help fund renewable energy, eco-friendly agriculture, and green infrastructure projects. The Indonesian government has also incorporated Sharia principles into its national sustainable finance framework, positioning the country as a regional model. Moreover, the Sharia capital market actively supports companies that prioritize social and environmental responsibility (Syarifuddin, 2022; Mursid et al., 2024).

In Bangladesh, the green banking policy introduced by Bangladesh Bank aligns with Islamic financial principles. This policy encourages Islamic banks to actively participate in environmentally friendly initiatives such as energy efficiency and waste management. Julia et al. (2016) emphasized that the green banking framework in Bangladesh has created a positive synergy between Islamic financial ethics and environmental accountability. Similarly, Malaysia has become a leader in issuing green sukuk, financing clean energy, sustainable transportation, and eco-efficient industrial projects (Johan, 2022; Alnabulsi & Jreisat, 2024).

Literature Evidence and Research Developments

Recent studies highlight the growing importance of integrating Sharia economics and green policies globally. Rahim et al. (2024) proposed a theoretical framework linking *maqasid al-shariah* and green finance, demonstrating Islam's role in advancing environmentally sustainable economies. Mursid et al. (2024) emphasized that Sharia economics enhances economic resilience through sustainable approaches. Meanwhile, Johan (2022) found that Sharia financing and green financing can complement one another in achieving the SDGs.

Additional research further strengthens these insights. Ahmed et al. (2024) underscored the need for policy alignment between Islamic finance and green development to accelerate sustainability transitions. Jasmine & Rohim (2024) introduced a Sharia green crowdfunding model as a sustainable financing solution for halal MSMEs in Indonesia. Syaichoni (2023) explored green investment strategies within Islamic economics, highlighting their potential for long-term economic and environmental benefits. Moreover, Ulfah et al. (2024) demonstrated that green sukuk outperform conventional green bonds due to their compliance with Sharia principles and ethical screening mechanisms.

Challenges and Opportunities

Despite significant progress, integrating Sharia economics with green policies faces several challenges. Regulatory complexity and the lack of standardized frameworks for Sharia-compliant green instruments remain key obstacles. In addition, limited market liquidity and low levels of green financial literacy among the public hinder broader implementation (Ulfah et al., 2024). Differences in interpretation between Islamic financial institutions and environmental authorities may also cause policy inconsistencies (Syarifuddin, 2022).

However, substantial opportunities exist. Rising environmental awareness, growing international support, and innovations in Islamic finance can accelerate this integration. The convergence of green policy and Sharia finance has the potential to drive inclusive and sustainable development. Collaboration among governments, private sectors, academics, and Islamic financial institutions will be crucial in maximizing these opportunities (Ahmed et al., 2024).

3. Materials and Method

Research Design

This research will use a policy analysis and literature review approach to explore various government policies in Indonesia that support the green economy and how Sharia instruments are integrated into these policies. This approach aims to provide an in-depth understanding of the implementation of green economy policies and the role of Sharia instruments in strengthening the sustainability of these policies. The research will examine relevant policies in Indonesia that have integrated Sharia principles.

Data Collection Process

Data will be collected through a literature study focusing on government policies in Indonesia related to the green economy and Sharia economic instruments. The data collection process will also involve the analysis of policy documents and related reports, such as annual reports from government agencies and relevant prior research. These sources will be analyzed to understand the application of policies and the integration of Sharia instruments in the context of the green economy.

Data Analysis

Data analysis will be conducted by comparing green economy policies based on secular frameworks with policies that integrate Sharia instruments. The purpose of this analysis is to assess the differences in effectiveness and sustainability between the two types of policies. In this analysis, factors such as the economic, social, and environmental impact of the implemented policies will be considered, as well as the extent to which the integration of Sharia instruments can strengthen sustainability goals.

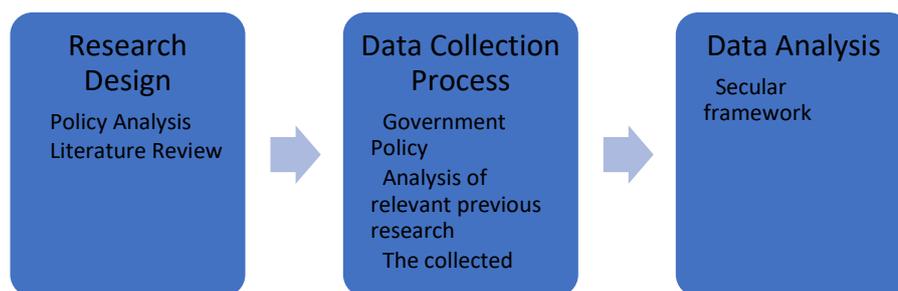


Figure 1. The structure of the Research Methodology flowchart.

4. Results and Discussion

Results

This research finds that the integration of Sharia instruments, such as green sukuk and Sharia social funds, enhances the effectiveness of green economy policies in Indonesia by expanding funding sources and increasing public participation in sustainable development programs. Green sukuk, as a Sharia-compliant financial instrument, provides a reliable source of funding for environmentally sustainable projects. By aligning with Islamic principles, it attracts both institutional and individual investors interested in ethical investment

opportunities. This model not only facilitates the financing of green projects but also ensures that investments are socially responsible, aligning financial growth with environmental goals.

In addition to green sukuk, Sharia social funds, such as zakat and waqf, contribute significantly to sustainable development efforts. These funds are rooted in Islamic teachings and aim to address socio-economic challenges. By integrating these instruments into green economy policies, they help finance projects that benefit the public while encouraging greater community involvement. Zakat can be directed toward environmental preservation, and waqf can support long-term green initiatives, such as sustainable agriculture or renewable energy. These Sharia-based instruments increase societal participation by motivating individuals and organizations to contribute to the common good, beyond just financial investment.

The hybrid approach, which combines green policies with Sharia economic instruments, results in more sustainable outcomes compared to secular-only green economy policies. The hybrid model not only focuses on environmental protection and economic growth but also incorporates ethical and social dimensions, making the policies more inclusive. The integration of Sharia instruments enables the creation of policies that are not just economically viable but also socially responsible, enhancing community participation and trust in the green economy.

Furthermore, the study finds that integrating Sharia instruments into green economy policies leads to increased investments in sustainable projects. This hybrid approach has proven more effective than secular-only policies in attracting long-term investments. The moral and ethical values embedded in Sharia-compliant financial instruments resonate with a broader range of investors, particularly in regions where Islamic finance plays a significant role.

Lastly, the research highlights that community participation is notably higher in green programs that incorporate Sharia instruments compared to those based solely on secular frameworks. The spiritual and moral foundations of Sharia instruments encourage individuals to actively participate in sustainable initiatives, fostering a more engaged public.

Discussion

Interpretation of Results

The application of Sharia economic instruments significantly strengthens green policies in Indonesia by providing a stable and sustainable source of funding. Green sukuk and Sharia social funds (zakat and waqf) not only support the financing of environmentally friendly projects but also ensure that these projects align with broader social and ethical goals. The hybrid policy approach that integrates Sharia instruments enables a more inclusive and holistic strategy for achieving sustainable development. This approach moves beyond the limitations of traditional, secular green economy policies, which often focus solely on economic growth or environmental protection without fully engaging the community or addressing social welfare.

Sharia instruments also bring an additional layer of sustainability to green policies. Their integration encourages a long-term, ethical commitment to both financial and environmental goals. For example, green sukuk attracts investors who seek both financial returns and ethical satisfaction, while zakat and waqf provide a steady stream of funding that can be directed toward projects that benefit the environment and society. These instruments create a balance between economic and social goals, which is crucial for long-term sustainability.

Policy Implications

Based on the findings, it is recommended that the Indonesian government develop more inclusive policies that leverage the potential of Sharia economic instruments to support a green and sustainable economy. By integrating Sharia principles into existing green economy policies, the government can expand funding sources and increase public participation. Policies that encourage the use of green sukuk and allocate zakat or waqf funds to environmental programs can create a more sustainable financial model for green development projects.

Furthermore, the government should encourage collaboration between the public and private sectors in utilizing these instruments. By promoting Sharia-compliant financing options, such as green sukuk, the government can attract more investors to the green economy, particularly in sectors where traditional funding mechanisms may be insufficient. Additionally, by incorporating Sharia social funds into sustainable development programs, the government can ensure that the benefits of these initiatives are more broadly distributed across society, fostering greater social inclusion and community engagement.

5. Comparison

This research finds that the integration of Sharia instruments, such as green sukuk and Sharia social funds, significantly enhances the effectiveness of green economy policies by expanding funding sources and increasing public participation in sustainable development programs. Green sukuk, as a Sharia-compliant financial instrument, provides a reliable source of funding for environmentally friendly projects. By adhering to Islamic principles, this sukuk attracts institutional and individual investors interested in ethical investment opportunities. This model not only supports the financing of green projects but also ensures that these investments are socially responsible, aligning financial growth with environmental goals.

In addition to green sukuk, Sharia social funds, such as zakat and waqf, also make a significant contribution to sustainable development efforts. These funds are rooted in Islamic teachings and aim to address socio-economic challenges. By integrating these instruments into green economy policies, they help fund projects that benefit the public while encouraging greater community involvement. Zakat can be directed towards environmental preservation, while waqf can support long-term green initiatives, such as sustainable agriculture or renewable energy. These Sharia-based instruments increase social participation by motivating individuals and organizations to contribute to the common good, beyond just financial investment.

The hybrid approach, which combines green policies with Sharia economic instruments, results in more sustainable outcomes compared to policies that rely solely on secular frameworks. This hybrid model not only focuses on environmental protection and economic growth but also incorporates ethical and social dimensions, making the policies more inclusive. The integration of Sharia instruments enables the creation of policies that are not only economically effective but also socially responsible, enhancing community participation and trust in the green economy.

Furthermore, this research finds that integrating Sharia instruments into green economy policies leads to increased investments in sustainable projects. This hybrid approach has proven to be more effective than secular policies in attracting long-term investments. The moral and ethical values embedded in Sharia-compliant financial instruments resonate with a broader range of investors, particularly in regions where Islamic finance plays a significant role in the economy. Finally, the research highlights that community participation is notably higher in green programs that integrate Sharia instruments compared to those based solely on secular frameworks. The spiritual and moral foundation of Sharia instruments encourages individuals to actively participate in sustainable initiatives, creating a more engaged society.

6. Conclusion and Recommendations

Conclusion

This research concludes that the integration of Sharia economic instruments, such as green sukuk and Sharia social funds (zakat and waqf), significantly enhances the effectiveness of green economy policies in Indonesia. These instruments provide additional sources of funding for environmentally sustainable projects, increase public participation, and ensure that these projects align with social and ethical values. The hybrid policy approach, which combines green policies with Sharia economic instruments, has been found to be more sustainable than traditional secular policies. By incorporating both environmental and social

dimensions, this approach promotes long-term sustainability and community engagement in green programs.

The study also reveals that the hybrid model attracts a broader range of investors by offering ethically driven financial solutions and encouraging greater societal involvement through instruments like zakat and waqf. These instruments provide a moral and spiritual foundation for environmental initiatives, ensuring that projects are not only economically viable but also socially responsible. The integration of Sharia instruments within green policies, therefore, creates a more inclusive and comprehensive approach to achieving sustainable development goals.

Recommendations

It is recommended that the Indonesian government integrate Sharia economic instruments into the green economy framework, incorporating tools like green sukuk, zakat, and waqf to diversify funding sources and encourage public participation in sustainability programs. Promoting the use of Sharia-compliant financial instruments can attract both domestic and international ethical investors, with incentives for private sector involvement in green sukuk issuance and awareness campaigns highlighting Sharia social funds' potential. Additionally, community engagement should be strengthened by allocating zakat and waqf funds to sustainable development projects, particularly those benefiting disadvantaged communities, fostering social responsibility. Ongoing monitoring and evaluation of hybrid green economy policies are crucial to assess their effectiveness and impact, with clear metrics to track financial performance and community involvement. Finally, the government should facilitate public-private partnerships to maximize the potential of Sharia economic instruments, ensuring robust funding and effective implementation of green economy projects, paving the way for sustainable growth.

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