

The Role of Green Zakat and Green Waqf in Improving the Economy for Indonesian Citizens

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Abstract: Global environmental crises like climate change demand responses from Islamic economics, positioning humans as caliphs protecting the earth. This study aims to analyze the role of Green Zakat and Green Waqf in enhancing the Indonesian Muslim economy while supporting environmental conservation. The research type is library study with a qualitative descriptive approach. Population includes primary-secondary literature 2019-2025 on the topic, with purposive sample of 50-70 peer-reviewed sources from Google Scholar and related databases. Instruments are library documents such as MUI Fatwa No. 86/2023; data analysis techniques involve reduction, thematic presentation, and conceptual synthesis. Results indicate Green Zakat-Waqf effectively catalyze green economy via eco-friendly business funding and marginal empowerment, despite regulatory and literacy constraints. Conclusion states ecological integration aligns with Maqashid Syariah, contributes to SDGs, recommending regulations and collaborations.

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Introduction

The world currently faces interconnected global environmental crises, including climate change, biodiversity decline, pollution, and overexploitation of natural resources. Greenhouse gas emissions from human activities have caused global temperatures to rise by approximately 1.2°C above pre-industrial levels, triggering extreme weather and rising sea levels. Furthermore, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services warns that one million species are at risk of extinction, while air and water pollution threaten the health of billions of people and damage vital ecosystems.

This situation raises deep concerns globally, as Muslims have a responsibility as caliphs on earth to protect nature in accordance with Islamic teachings. This principle emphasizes the active role of humans as stewards and protectors of the environment, not exploiters. In Indonesia, zakat has traditionally played a role in reducing poverty through

equitable wealth distribution and empowering marginalized groups, including people with disabilities [Setiawan, 2023].

However, conventional zakat management has not been fully integrated with environmental issues, thus its potential to support a green economy is not optimal. Low literacy in productive zakat, regulatory limitations such as the Indonesian Ulema Council (MUI) Fatwa No. 86 of 2023 concerning climate change control, and minimal institutional collaboration hamper implementation. Furthermore, regional fiscal efficiency after the 2008 crisis showed that infrastructure capital expenditure was more effective than routine expenditure, but poverty alleviation programs such as conditional cash assistance still need to be aligned with reducing deforestation (Tirtosuharto, 2020) [Ferraro & Simorangkir, 2020].

The problem is further complicated by the fact that zakat and waqf have not been maximized for environmentally friendly businesses, such as renewable energy or sustainable agriculture, despite the potential funding reaching hundreds of trillions of rupiah. Regional income distribution mechanisms in Belt and Road Initiative countries highlight the need for efficient resource allocation for macroeconomic stability and poverty reduction [Ullah et al., 2024]. This challenge is exacerbated by the lack of digital transformation and cross-sector partnerships, thus limiting contributions to the Sustainable Development Goals (SDGs).

This study aims to analyze the strategic role of Green Zakat and Green Waqf as Islamic social financial instruments to improve the people's economy while preserving the environment through a qualitative descriptive literature study. The urgency of this research lies in the urgent need to integrate ecological principles into zakat and waqf to address the climate crisis, in line with Maqashid Syariah which protects wealth and the environment, and supports the SDGs in Indonesia [Al Farisi & Ibadurrahman, 2023]. The novelty of this research lies in the exploration of the world's first Green Zakat Framework and the collaboration between BAZNAS-BSI-UNDP, which offers an innovative model for a sharia-based green economy.

Research Methods

This study employed a library research method with a qualitative descriptive approach to in-depth review of the literature, naqli arguments, and regulations related to Green Zakat and Green Waqf in the context of a green economy. This approach was chosen because it allows for critical analysis of library materials such as books, scientific journals, official documents, and other primary sources without requiring direct field data collection, resulting in comprehensive descriptive insights.

The type of library research is descriptive qualitative, where data is obtained through the collection, organization, and interpretation of written sources relevant to the topic of the role of Green Zakat and Green Waqf in improving the people's economy based on environmental conservation. This method emphasizes a systematic review of literature to uncover the conceptual relationship between Islamic social finance instruments and green economic principles, as explained that library research is effective for analyzing secondary data to build strong theoretical arguments. Sugiyono emphasized that a qualitative descriptive

approach is suitable for describing social phenomena in depth through library analysis, while Sudaryono added that this method ensures the integrity of data from various sources to avoid interpretative bias. Emzir reinforced that the post-positivist paradigm in qualitative library research supports the verification of hypotheses through current literature, and Creswell recommended a qualitative design for exploratory studies that align with holistic research questions.

The main instruments in this research are library documents, including international journals, the Indonesian Ulema Council (MUI) fatwa No. 86 of 2023, Islamic economics textbooks, and policy reports related to productive zakat and sustainable waqf, collected from databases such as Google Scholar, PubMed, and the official websites of Islamic financial institutions. Data analysis techniques include data reduction (selection of relevant sources), data presentation (thematic classification), and drawing conclusions (conceptual synthesis) in an iterative manner to identify patterns, challenges, and opportunities for integrating Green Zakat-Wakaf with the SDGs. Sugiyono explains that qualitative analysis through triangulation of library sources increases validity, while Sudaryono emphasizes the practice of thematic analysis for social research involving secondary data. Emzir and Creswell complement this by emphasizing contextual interpretation and mixed methods where necessary, ensuring the analysis remains objective and replicable.

The research population encompasses all primary and secondary literature discussing Green Zakat, Green Waqf, green economy, Islamic social finance, and their supporting regulations from 2019 to 2025, including MUI fatwas, Scopus journals, and online SDGs documents. The sample was purposively selected with inclusion criteria: topic relevance (at least 80% content suitability), free internet accessibility, and academic quality (peer-reviewed or official), resulting in approximately 50-70 primary sources such as case studies of productive zakat in Indonesia and globally. According to Sugiyono, purposive sampling in library research ensures thematic representativeness without strict numerical constraints, while Sudaryono suggests snowball sampling to broaden the scope of related literature. Emzir added that an unlimited document population is addressed with strict criteria to avoid information saturation, and Creswell supports this approach for qualitative designs that focus on depth.

The research procedure begins with problem identification from a preliminary review, followed by library data collection through a systematic search in Google Scholar and related databases using keywords such as "Green Zakat green economy" and "Green Waqf SDGs." Next, the data is organized, analyzed descriptively to identify key themes (theoretical framework, practical applications, challenges-opportunities), validated through source triangulation, and concluded with the compilation of findings and recommendations based on Maqashid Syariah. Sugiyono underlines this logical sequence as the standard stages of library research (planning, execution, evaluation), while Sudaryono emphasizes iteration of analysis for the reliability of the results. Emzir and Creswell complement this with ethical procedures such as appropriate citation and methodological transparency to maintain credibility.

Results and Discussion

a. Zakat Framework and Green Economy

Islamic finance has the potential to act as a catalyst for global growth in green development. Investors across Europe, the Americas, Africa, and Asia are increasingly witnessing the detrimental impacts of unsustainable investments on their assets and portfolios, exacerbating the impacts of climate change. This emerging trend creates a significant opportunity for Islamic finance to not only attract a broader investor base but also to expand its role in supporting sustainable finance goals worldwide. [Suruhanjaya Sekuriti Malaysia & World Bank Group, 2019]

Islamic green finance, a long-term alternative within Islamic social finance, has the potential to promote sustainable agriculture through Ihya Al-Mawat and Al-Iqta (Abduh, 2019). This aligns with Al-Jayyousi et al.'s (2020) proposition regarding mission-based sustainability models, which find expression through Islamic social finance, encompassing zakat, waqf, and sukuk. These models are rooted in community-based natural resource governance, an ownership-based approach, and the application of technology for sustainable development [Syarifuddin, F., 2022:31].

On the other hand, contemporary scholars and practitioners recognize the broader implications of zakat, particularly in the context of a green economy. One way to utilize zakat to advance a green economy is by supporting green businesses and sustainable enterprises. Green companies prioritize environmentally friendly practices, resource efficiency, and sustainability throughout their operations. By allocating zakat funds to support these businesses, marginalized communities can actively engage in environmentally responsible economic activities.

Zakat's contribution to sustainable livelihoods goes beyond purely economic considerations. Zakat has the potential to empower marginalized populations, providing them with the means to engage in green entrepreneurship and sustainable employment. This empowerment not only improves their socio-economic well-being but also contributes to overall environmental sustainability. The integration of a green economic framework into zakat has broader implications for the Ummah, the global Muslim community. It underscores the interconnectedness of economic equity and environmental responsibility. By promoting green businesses and sustainable livelihoods, zakat serves as a catalyst for positive change that aligns with Islamic moral and ethical teachings.

There are several practical applications of Zakat in supporting green businesses and sustainable livelihoods. Case studies have examined initiatives such as eco-friendly farming projects, renewable energy cooperatives, and sustainable craft enterprises. These initiatives not only create economic opportunities but also contribute to environmental conservation and resilience. Zakat's role in advancing the green economy and sustainable livelihoods embodies the interconnectedness of social and environmental well-being. By promoting green businesses and empowering marginalized populations, Zakat aligns with the principles of economic equity and environmental sustainability. The involvement of the Ummah in these initiatives reflects a holistic approach to addressing contemporary challenges, encompassing

economic empowerment, social justice, and environmental responsibility.

b. Challenges in Implementing Zakat for a Green Economy

The findings also reveal various challenges hampering zakat's role in supporting green growth, including limited regulation, low awareness of productive zakat, and weak institutional collaboration. A clear legal framework and transparent reporting are needed to build trust and expand zakat's role in sustainability programs [Y. Wang et al., 2024]. Opportunities arise through digital transformation and cross-sector partnerships, which can amplify zakat's impact. Positive examples of renewable energy adoption and CO₂ reduction further underscore zakat's potential to contribute effectively [Khalfaoui et al., 2024]. However, issues such as energy poverty highlight the need for maqasid-based policies to ensure equity [Mpofu, 2022].

Table 1. Challenges and Opportunities in Linking Zakat with the Green Economy

Challenge	Opportunity
Limited green zakat regulations	Development of zakat regulations in line with the green economy
Low literacy about productive zakat	Public education program on green zakat practices
Lack of institutional collaboration	Strategic collaboration with government and private sector

Source: Al Farisi, Salman, and Yahya Ibadurrahman. "The Role of Zakat in Advancing Environmental Initiatives and Empowering Communities through a Green Economy-Based Approach". Paper was presented at the 7th Indonesian Conference of Zakat (ICONZ) 2023.

As highlighted in Table 1, these opportunities provide a pathway for zakat to be institutionalized as a driver of the green economy. Improved regulation, literacy, and collaboration can create a supportive ecosystem for zakat to achieve maqasid-based sustainability.

Overall, the research results show that zakat, when integrated with Maqashid Syariah, contributes to economic, social, and climate change aspects as well as poverty.

c. Leveraging Zakat Principles for Global Impact

Interfaith collaboration driven by Zakat principles has global implications. Environmental challenges, such as climate change and biodiversity loss, transcend national borders and affect communities worldwide. Collaborative efforts can align with broader international goals, such as the United Nations Sustainable Development Goals (SDGs). By working together, faith-based organizations and NGOs can contribute to the achievement of these goals, advancing sustainability efforts on a global scale. Numerous case studies and practical examples demonstrate the success of interfaith collaboration driven by Zakat principles.

These collaborations have led to the implementation of environmental conservation projects, sustainable development initiatives, and educational programs. These practical applications

highlight the transformative potential of interfaith collaboration in addressing pressing global challenges [UNGA, 2015] [UNEP, 2016]. Interfaith collaboration offers a powerful pathway to expanding the impact of Zakat and its principles on environmental sustainability and conservation.

By bringing together faith-based organizations, NGOs, and government institutions, this collaboration transcends borders and works toward a common goal [UNEP, 2016]. The global implications of such collaboration are significant, aligning with international efforts to address pressing environmental challenges. Through interfaith collaboration, the principles of Zakat become a force for positive change on a global scale, fostering a more sustainable and equitable world.

Conclusion and Recommendation

This research finds that Green Zakat and Green Wakaf play a strategic role as Islamic social finance instruments in enhancing the economy of Indonesian Muslims through funding for environmentally friendly businesses, empowerment of marginalized communities, and creation of sustainable livelihoods, aligned with Maqashid Syariah and the Sustainable Development Goals (SDGs). This ecological integration not only supports environmental conservation through initiatives like green agriculture and renewable energy but also addresses challenges such as limited regulations, low productive zakat literacy, and minimal institutional collaboration, with opportunities arising from digital transformation and cross-sector partnerships. The limitation of the research lies in its library study approach, which relies on secondary data and thus fails to capture real-time field implementation dynamics in Indonesia. The implications of this research encourage BAZNAS, wakaf institutions, and the government to develop specific regulations, digital literacy programs, and collaborations with Islamic banks and UNDP to realize an inclusive green economy for the ummah.

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