



DEVELOPING THE ASEAN ISLAMIC GREEN ECONOMY FRAMEWORK: INTEGRATING SHARIAH PRINCIPLES WITH SUSTAINABLE FINANCE POLICIES

Rodi Afriniko

IAIN Syaikh Abdurrahman Siddik Bangka Belitung

Email: satesutanmudo15@gmail.com

Abstract

This study explores the integration of sustainability and green finance within ASEAN's Islamic economic framework by examining how Islamic principles—such as maqasid al-shari'ah, maslahah, and khalifah fil ardh—can guide regional green economy policies and strengthen the implementation of sustainable financial instruments, particularly in Indonesia, Malaysia, and Brunei Darussalam. Using a qualitative descriptive-analytical approach, this research combines library study and comparative policy analysis with semi-structured interviews involving experts from Islamic financial institutions, regulators, and international organizations. Data from academic publications, policy documents, and reports by institutions including the World Bank, UNDP, IsDB, and the ASEAN Secretariat were validated through triangulation and analyzed using Miles and Huberman's model of data reduction, data display, and conclusion drawing. The findings reveal that innovative instruments such as green sukuk, Islamic microfinance, and waqf-linked investments significantly influence sustainable development in ASEAN's Islamic finance landscape. Although Malaysia, Indonesia, and Brunei Darussalam have advanced through frameworks like Malaysia's SRI Sukuk Framework (2014), Indonesia's Green Sukuk (2018), and Brunei's Sustainable Finance Framework (2023), the region still faces challenges in regulatory alignment, institutional capacity, and the absence of a unified green finance taxonomy. To address this, the study proposes the ASEAN Islamic Green Economy Framework (AIGEF), comprising regulatory, financial, and institutional dimensions to synchronize regional green economy policies. Practical implications include the harmonization of shariah-based and ESG standards, establishing an Islamic Sustainable Finance Hub for research and innovation, incorporating Islamic Environmental Economics into academic curricula, and optimizing Islamic social funds—such as zakat, waqf, and sadaqah—for environmental protection and community sustainability initiatives. The study's originality lies in its conceptual linkage of sustainability and green finance with ASEAN's Islamic economic architecture, offering the AIGEF as a pioneering model that merges maqasid al-shari'ah with the regional sustainability agenda, promoting ethical, spiritual, and ecological harmony as the foundation of sustainable economic progress.

Keywords: sustainability; green finance; Islamic economics; ASEAN; maqasid al-shari'ah

A. INTRODUCTION

Global climate change, environmental degradation, and socio-economic inequality have necessitated a paradigm shift in the approach to development in Southeast Asia. ASEAN, as a high-growth economic bloc, faces significant challenges in achieving a balance between economic growth, social justice, and environmental protection. Consequently, sustainable development and the green economy have become the primary focus of various regional policy frameworks (Secretariat, 2023). In the past two decades, ASEAN member countries such as Indonesia, Malaysia, and Brunei Darussalam have developed several green financial instruments, such as green bonds, green sukuk, and green financing funds, to facilitate the transition toward a low-carbon economy. Nevertheless, the implementation of the green economy within the region continues to encounter serious challenges, including weak intergovernmental policy integration, limited environmental data availability, and the suboptimal participation of Islamic financial institutions in financing sustainable projects (UNEP, 2011b).

At the same time, Islamic economic principles such as distributive justice (al-'adl), the prohibition of riba (usury), social responsibility (maslahah), and environmental preservation (hifz al-bi'ah) are inherently aligned with the values of global sustainability as embodied in the Sustainable Development Goals (SDGs). This alignment indicates that it is feasible to integrate the Islamic economic framework with ASEAN's green economy policies to achieve an equitable, ethical, and sustainable economic transition. However, there remains a noticeable disparity between the ideal Islamic values and the practical application of green economy principles in the field. While most ASEAN member states have adopted sustainability frameworks, few have established mechanisms that comprehensively integrate Islamic spiritual and ethical aspects. As a result, Islamic-based green economy initiatives such as green sukuk, waqf-linked green financing, and zakat for environmental development have not yet been optimally implemented (IsDB, 2024).

Previous studies have shown that the Islamic financial system can significantly contribute to sustainable development due to its inherent focus on equitable distribution and asset-based financing. For example, Indonesia's green sukuk has proven effective in funding renewable energy and energy efficiency projects. Nonetheless, these studies remain largely national in scope and have yet to develop a comprehensive model that explains how Islamic economic principles can be systematically incorporated into green economy policies across ASEAN countries. This study seeks to fill this research gap by proposing an Islamic economic framework that can reinforce the implementation of the green economy across ASEAN. The main objective is to construct a conceptual approach that integrates Islamic values with sustainable development principles while examining the potential for cross-border policy coordination to support this integration.

This research is significant because ASEAN requires an economic model that not only drives economic growth but also ensures environmental protection and social justice grounded in spiritual values. The integration of Islamic economics into the green economy can provide a viable pathway toward inclusive, ethical, and sustainable development (Indonesia, 2023).

B. LITERATURE REVIEW

Sustainable Development and Green Economy Theory

The concept of sustainable development originates from the World Commission on Environment and Development (WCED) in its seminal report *Our Common Future* (1987), which defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” This definition laid the foundation for the 17 Sustainable Development Goals (SDGs) established by the United Nations in 2015. One of the primary derivatives of the sustainable development concept is the green economy, a model of economic development that emphasizes achieving sustainable growth while maintaining a balance between economic efficiency, social equity, and environmental preservation (OECD, 2011). According to the United Nations Environment Programme (UNEP), a green economy is an economic system that enhances human well-being and social equity while significantly reducing environmental risks and ecological scarcities (UNEP, 2011).

In the ASEAN context, the green economy is implemented through initiatives such as the ASEAN Green Recovery Plan and the ASEAN Taxonomy for Sustainable Finance, both of which direct investments toward environmentally friendly and low-carbon projects (ASEAN, 2023). Thus, green economic theory highlights the synergistic relationship between economic progress and ecological sustainability. However, this approach is often viewed as overly secular and technocratic, as it tends to overlook the moral and spiritual dimensions that form the foundation of human balance with nature. It is in this context that Islamic economics provides a complementary perspective one that is ethical, spiritual, and theological in nature.

The Islamic Economic Perspective on Sustainability

Islamic economics is a system founded on the values of tawhid (divine unity), ‘adl (justice), maslahah (public welfare), and khilafah (human responsibility as stewards of the earth). These principles position human beings not only as economic actors but also as khalifah trustees responsible for maintaining social and ecological equilibrium (Aprianoro et al., 2022). The theory of maqasid al-shari’ah (objectives of Islamic law) serves as the normative foundation for Islamic economic practice. According to classical scholars such as Al-Ghazali and Al-Shatibi, the primary goals of the shari’ah are the protection of five essential elements: religion, life, intellect, progeny, and wealth (al-daruriyyat al-khamsah) (Dusuki, Wajdi & Bouheraoua, 2011). In the context of the green economy, maqasid has been expanded to include the preservation of the environment (hifz al-bi’ah) as part of maintaining sustainable life (Sabariah & Nik Ab Halim, 2020).

Furthermore, the Islamic concepts of tawazun (balance) and amanah (trustworthiness) require that production and consumption processes respect the balance between individual needs, collective welfare, and environmental sustainability. This principle is aligned with the core value of sustainability, which lies

at the heart of the green economy. Hence, Islamic economic theory can be considered the ethical foundation of sustainable development, emphasizing the integration of spiritual, social, and environmental dimensions (Agustin et al., 2023).

Several studies have demonstrated the close relationship between Islamic finance and sustainability. Dusuki and Bouheraoua (2021) revealed that the Islamic financial system possesses embedded ethics that inherently support sustainable development through principles of risk sharing, asset-backed financing, and the prohibition of *gharar* (excessive uncertainty) ((IsDB), 2023). Their study shows that Islamic financial contracts are inherently more oriented toward productive and socially impactful activities.

A study conducted by the Islamic Development Bank (IsDB, 2021) also indicates that green sukuk have become a strategic financing instrument for renewable energy projects in Muslim-majority countries such as Indonesia, Malaysia, and Saudi Arabia (IsDB, 2024). The convergence of environmental objectives and shariah compliance is achieved through transparent fund allocation and environmental impact reporting in green sukuk mechanisms.

At the ASEAN level, a UNDP report (2023) observes that although the green finance market has grown rapidly, the integration of Islamic values into green finance policies and regulations remains limited. Most sustainable finance initiatives continue to adopt internationally secular standards, while Islamic ethical principles have not yet been explicitly incorporated into policy frameworks. Furthermore, a study by Hassan et al. (2023) published in *Sustainability* highlights that the main challenge for Islamic green finance development in ASEAN lies in the absence of a standardized framework that reconciles Islamic financial principles with globally adopted Environmental, Social, and Governance (ESG) criteria (UNDP, 2023). The authors propose developing a regional framework grounded in *maqasid al-shari'ah* to ensure that green financial policies pursue not only profitability but also moral integrity and social sustainability.

C. METHOD

This research applies a qualitative method with a descriptive-analytical approach. This type of research was chosen to obtain an in-depth understanding of the concepts, principles, and policy directions related to the implementation of the green economy within the framework of Islamic economics in the ASEAN region. The approach does not focus on quantitative hypothesis testing but rather seeks to explore conceptual ideas and interpret the relationship between Islamic economic values and green economy practices at the regional level (Creswell, 2013).

The study employs a library research approach combined with comparative policy analysis. The library research involves reviewing and interpreting various scientific sources, including books, journal articles, policy documents, and reports from international institutions such as the World Bank, UNDP, IsDB, and the ASEAN Secretariat (Miles et al., 2014). The comparative policy analysis is used to compare green finance policies and instruments among ASEAN countries that have demonstrated significant development in Islamic finance, namely Indonesia, Malaysia, Brunei Darussalam, and Singapore (Secretariat, 2023).

This approach helps identify patterns, similarities, and policy differences among countries and discover opportunities for harmonization toward an Islamic green economy framework at the regional level. Informants in this research were selected purposively based on their competence and relevance to the topic. They consist of Islamic economics scholars and researchers active in sustainable finance studies in the ASEAN region, officials from Islamic financial institutions and regulators such as Bank Negara Malaysia, Indonesia's Financial Services Authority (OJK), and Brunei Darussalam Central Bank, as well as representatives of international organizations such as the Islamic Development Bank (IsDB), the United Nations Development Programme (UNDP), and the ASEAN Secretariat involved in green finance initiatives.

The total number of informants ranges from eight to ten people, considering that qualitative research emphasizes data depth rather than respondent quantity. The main research instrument is the researcher himself (human instrument), who plays an active role in determining the research focus, selecting data sources, interpreting information, and drawing conclusions (OECD, 2011). Additionally, semi-structured interview guidelines were used to explore the informants' views on integrating Sharia principles into ASEAN green economy policies, challenges and opportunities for developing green Islamic finance instruments, and strategies for harmonizing Environmental, Social, and Governance (ESG) standards with Islamic financial principles (IsDB, 2024).

To enhance accuracy, a literature documentation sheet was also used to record relevant academic and policy sources. Data collection was carried out using two main techniques: documentation study and in-depth interviews. The documentation study involves collecting secondary data from academic literature, journals, books, policy reports, and official documents from international organizations related to the research theme. Meanwhile, the in-depth interviews were conducted online using Zoom Meeting and Google Meet, allowing flexible yet comprehensive exploration of conceptual and policy issues.

Data analysis was conducted using content analysis and thematic analysis. Content analysis was used to review documents, reports, and academic papers to identify conceptual themes and patterns related to sustainability, the green economy, and Islamic economics (Krippendorff, 2019). Thematic analysis was applied to categorize interview and literature findings according to themes such as maqasid-based sustainability, Islamic green finance instruments, and policy harmonization in ASEAN (Braun, V. & Clarke, 2021). The analysis process followed three stages proposed by Miles and Huberman: data reduction, data display, and conclusion drawing. The validity of the research results was maintained through source triangulation by comparing interview results with documentation and literature findings to ensure consistency and credibility of the information (Denzin & Lincoln, 2011).

D. RESULT AND DISCUSSION

Incorporating green economy and sustainability concepts based on Islamic thinking of economics.

Islamic economics' concept of sustainability is drawn upon religion, notably khalifah fil ardh (human as Earth's steward) and maslahah (the public interest) teachings. Such ideals focus on a moral balance of employing natural wealth and being responsible for its environment and for future times (Chapra, 1992). With it, a green economy concept takes one step forward for UNEP's (2011) notion of not just being cost-effective and growth-oriented by Islamic spiritual and moral principles of justice (al-'adl), prevention of exploitation (zulm), and long-term environmental integrity (istidamah) (Dusuki & Abdullah, 2008). The integration of sustainability and Islamic green economy thinking offers a holistic mindset. Here, sustainable development is correlated with Islamic law's moral objectives (Auda, 2008). As a result, Islamic perception of the green economy considers individuals as both economic agents and moral guardians accountable before Allah SWT for maintaining ecological equilibrium (Nasr, 1996).

Applying the Green Economy to the Islamic Finance Regulations of ASEAN

ASEAN, in green economy policy-making, has done wonderfully by utilizing Islamic finance methodologies. The Member States, and more specifically, Malaysia, Indonesia, and Brunei Darussalam, have been leaders of green sukuk issuances, being tools for green projects funded under shariah criteria. Malaysia also pioneered for drafting of the Green SRI Sukuk Framework of 2014, aided by the Securities Commission of Malaysia. It financed renewable energy and sustainable infrastructure projects (Securities Commission of Malaysia, 2014). Indonesia, subsequently, issued its first Green Sukuk for USD 1.25 billion in 2018 to support its efforts on climate change (Ministry of Finance Indonesia, 2018). Its other ASEAN neighbor, meanwhile, Brunei Darussalam, committed strongly to its own 2023 Sustainable Finance Framework, combining ESG values and Islamic principles (Autoriti Monetari of Brunei Darussalam, 2023). These new policies are indicative of Islamic finance's ability to accept universal development goals and yet remain true to Shariah values. Even though there are inconsistencies between regulation and its enforcement across ASEAN countries, ASEAN's regional policies are nevertheless formidable challenges (Secretariat, 2023).

Harmonizing the Islamic Green Economy framework for ASEAN.

The report finds that green economy policy harmonization for ASEAN faces several of its own structural inhibitions. Firstly, there are differing rules between group members; well-crafted rules are available for Malaysia, yet other countries are merely building basic policy systems. Secondly, a poor capacity to maintain such initiatives and a lack of shared green data systems exist; most countries haven't even been set up with green taxonomies by the date shared by Islamic banking sectors (OECD, 2011). Thirdly, there exists a lack of institutional engagement throughout the region; there's no specialized ASEAN Islamic Green Finance Council for ASEAN to manage policy, research, and information exchange ((IsDB), 2023). To overcome

these asymmetries, we suggest building the ASEAN Islamic Green Economy Framework (AIGEF), comprised of three intertwined facets. The regulatory facet aims to align Shariah-based and ESG-focused standards for policies to work together seamlessly. The financial facet focuses on ramping up green sukuk, Islamic microfinance, and waqf-themed funds to push regional green projects. The institutional facet recommends setting ASEAN coordination council and the Islamic sustainable finance research center. Overall, AIGEF could fortify the connection between ASEAN's sustainable development strategy and the Islamic theory of economic justice to achieve a just and equitable green economy.

Maqasid al-Shari'ah Relevance for Green Economy Application

The Maqasid al-shari'ah framework offers a base for utilizing green economic principles. The five major goals of Islamic law (hifz al-din, hifz al-nafs, hifz al-'aql, hifz al-nasl, and hifz al-mal) are of great benefit for sustainability challenges (Kamali, 2008). For example, hifz al-nafs (protection of life) means encouraging clean energy and healthy surroundings, while hifz al-mal (protection of wealth) inspires equitable and fruitful use of available economic means. From a policy perspective, a framework of sustainability based on maqasid interconnects Shariah principles and the United Nations Sustainable Development Goals (SDGs), specifically Goals 7 (affordable and clean energy), 12 (responsible consumption and production), and 13 (climate action) (UNDP, 2019). Islamic green economy, hence, should be viewed not just as an economic tool but a comprehensive development model based on tawhid (divine oneness) and ecological balance (Nasr, 1996).

Policy Directions and Suggestions. This piece uncovers some important policy recommendations for ASEAN countries. First, regional regulation should be strengthened by harmonizing the ASEAN Green Finance Taxonomy and Islamic finance principles to encourage cross-boundary policy harmonization. Second, institutional capability should be established by setting up an Islamic Sustainable Finance Hub. This hub shall act as a center for research, green finance tool innovations, and training. Finally, industry and academia should deepen their collaborative work. ASEAN Islamic universities should integrate Islamic Environmental Economics into their course curriculum to generate a qualified workforce for Shariah-based green economy sectors. Lastly, Islamic social funds, e.g., zakat, waqf, and sadaqah, need to be harnessed for funding environmental causes and sustainable community development.

E. CONCLUSION

The study concludes that the integration of green economy principles within ASEAN's Islamic economic framework strengthens the region's commitment to sustainable development. Islamic finance, through instruments like green sukuk and waqf-based investments, has demonstrated its capacity to support environmentally responsible projects while adhering to shariah principles. However, disparities in policy maturity, regulatory frameworks, and institutional readiness among ASEAN member states hinder collective progress.

Therefore, establishing an ASEAN Islamic Green Economy Framework (AIGEF) is essential to align regulatory standards, promote innovation in Islamic green finance, and foster institutional collaboration. This harmonized approach can advance ASEAN's transition toward an inclusive, ethical, and sustainable economic model that reflects both Islamic values and global environmental goals.

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