

The Role of the Green Economy in Economic Growth in Indonesia Based on an Islamic Economic Perspective

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Abstract

Over the past few years, the concept of a green economy has been recognized as a vital mechanism for achieving economic progress in both developed and emerging nations. This study aims to analyze the role of the green economy in Indonesia's economic expansion based on an Islamic economic perspective. The research methodology employs library analysis and content assessment. The data sources utilized in this study were gathered from previous research, articles, regulations, and reference literature pertaining to green economics, economic growth, and Islamic economics. The results denote that the green economy bears tremendous potential to support economic advancement in Indonesia under an Islamic economic lens. By applying key tenets such as the obligation to safeguard nature and the judicious utilization of resources, Indonesia can cultivate a development paradigm that is sustainable and beneficial across all societal strata. This research recommends that private and public sector entities continue endorsing and integrating green economy principles moving forward. Specifically, Islamic financial instruments can be directed toward eco-friendly investments like renewable energy, sustainable agriculture, green technologies, and environmentally-conscious infrastructure. Such participations from Islamic economics in "greening" the economy signify promising trajectories aligning ethical and sustainable finance. As the world grapples with urgent ecological crises, policy frameworks in Indonesia should incentivize collective societal and commercial transitions toward greener fiscal practices. Islamic finance with its underlying moral philosophy can potentially transform finance itself into an apparatus upholding both economic and environmental welfare.

Keyword: Green Economy; Economic Growth; Islamic Economics

1. Introduction

The detrimental impacts of negative economic expansion on the natural environment and scarce natural resources have emerged as a global concern. Frequent topics of discussion related to sustainable development include the high carbon emissions produced by pollution, overutilization of natural resources, and social inequity (Soehardi, 2022). In recent years, the concept of a "Green Economy" has gained traction across various forums. Some may assume a Green Economy is one where the economy itself becomes environmentally friendly. However, a Green Economy is specifically one that does not ecologically damage the environment (Iskandar & Aqbar, 2019). There are three key principles: low emissions, inclusive society, and efficient resource use. Essentially, a Green Economy seeks to eliminate the harmful effects of economic growth on environmental sustainability and natural resource availability. Succinctly put, a Green Economy has low carbon emissions, preserves natural resources, and promotes social justice (Iskandar et al., 2021).

This green economy concept arises because human behaviour tends to be profit-oriented compared to sustainable-oriented. Economy by following the current situation that is demanded fast-paced. Of course, this will make humans have the urge to use all means without having concern for environmental sustainability, of course, to get big profits (Alatas et al., 2023). In most of the production activities in the current industry, many need to use natural resources more wisely. This is not balanced with a form of conservation. If this happens continuously, it will undoubtedly threaten the sustainability of the natural environment and humans (Houssam et al., 2023).

Maintaining a sustainable economic environment that ensures the well-being of current and future generations of Indonesians should be a key priority for policymakers, with a focus on economic activities that generate products and jobs. Thus, the notion of a "green economy" is imperative to support the welfare and equity of domestic market participants so they can develop the national economy. The purpose of a green economy is to balance improving people's prosperity with sustaining the economy. Therefore, any micro and macroeconomic development pursued by the government must integrate the tenets of a green economy (Anwar, 2022).

There are five main principles of green economy-oriented economic growth. First, it must enrich the whole community. Second, it must promote equality across generations. Third, it must maintain, regenerate, and invest in natural resource-based activities. Fourth, it should support sustainable levels of consumption and production. Fifth, it requires a robust, integrated, and accountable system (Chaaben et al., 2022). A green economy needs to tackle the overall issue of economies of scale by considering materials and energy. GDP can continue growing if production is limited to green products.

The "green economy" concept is valuable insofar as it spurs policymakers, economists, and industry players into critical discourse with other stakeholders, comparing alternative developmental paths. Such comparisons should evaluate economic criteria along with social, political, cultural, and ecological sustainability metrics. Economic policies and practices steer sustainable growth models since they drive the key problems of overproducing waste and overexploiting natural resources, as well as the primary determinants of prosperity in jobs, education, and health. Creating an ecologically sustainable future necessitates a collective societal pledge toward greener employment, production, consumption, energy, transportation,

agriculture, waste management, water supply and sanitation, and disease prevention and healthcare. Not just one area but all are explicitly interrelated as dynamic socioeconomic and ecological frameworks. Authentic and innovative green economy perspectives and actions could form a new conceptualization of "economy" that is essentially centered on sustainability and social equity (Anwar, 2022).

Economic growth is a crucial strategic domain that must be continuously cultivated and expanded since it impacts many people's livelihoods. However, the rising demand for economic development today poses quite a dilemma regarding the discord between economic progress on one hand and preserving nature and the environment on the other. Deteriorating natural resource quality, extensive environmental destruction, pollution, flooding, and expanding critical land are evidence of the consequences of economic expansion that does not align with nature and environmental conservation (Suhada & Setyawan, 2016).

If viewed from an Islamic point of view, protecting nature (environment) so that it is maintained is a must for every human being. Humans as caliphs (representatives of God) on earth should preserve and develop nature (earth) which is the dwelling place of humanity, says Allah in the Qur'an, which means... *He has created you from earth (soil) and made you his prosperity* (QS Hud: 61). The verse above explains that the function of humans as God's caliph is to prosper the earth (nature closest to humans) using the best charity or creative work. Empirical evidence shows that a green economy can influence economic growth, employment, and poverty rates in countries of similar economic and social standing based on the different economic policies and structural adjustments adopted during this policy transition process (Houssam et al., 2023).

The integration between green economy principles and Islamic economics in Indonesia has yet to be extensively researched. However, studies mapping the challenges and opportunities of joint implementation are required to formulate well-targeted policies (Kristianto, 2020). Additionally, the strategic role of Sharia financial instruments such as zakat, waqf, and Sukuk to promote green economic growth has yet to be explored. Empirical research on the impact and outcomes of applying these tools can provide valuable insights for policymakers and Islamic finance practitioners in Indonesia (Siri, 2023). On the regulatory side, the design of green financial policies and regulations aligned with Sharia principles is still lacking despite the pressing need to guide sustainable finance transitions domestically. Hence, applied research on formulating green financial policies within a Sharia framework is crucial (Hassan et al., 2020).

Based on the description of the problem above, the researcher intends to conduct research titled "The Role of Green Economy in Economic Growth in Indonesia Based on an Islamic Economic Perspective."

2. Literature Review

2.1 Green Economy

The concept of a "green economy" has garnered substantial attention in recent years as a strategic pathway to achieve environmentally sustainable economic progress. El-Kafafi, (2022) defines it as an economic system focused on utilizing renewable energy, reducing emissions and pollution, improving energy and resource efficiency, as well as creating green jobs and technologies. According to Perez (2015), a green economy aims to promote economic

growth while conserving the natural environment and ecosystems. It encapsulates a broader vision of welfare, predicating economic activities on principles of environmental sustainability and social equity.

Various studies have delved into analyzing policies and metrics to transition toward a greener economy. Utilizing an Islamic economic framework, a “green financial policy model” entailing financial instruments, regulatory reforms, public incentives and investments to drive eco-conscious, shared and inclusive prosperity. Formulated priority areas and performance indicators of a green economy guided by Islamic philosophies of environmental stewardship. On the industry level, The roles of Islamic social finance tools like zakat and waqf in supporting renewable energy and sustainable agriculture - strategic green economy sectors - in Indonesia. Green economy objectives like clean energy targets and GHG emission reductions. Such studies collectively underscore the societal, commercial and governmental efforts required to transition current economic structures into an integrative, equitable and eco-friendly growth paradigm (Houssam et al., 2023).

2.2 Economic Growth

Economic growth remains a pivotal research domain assessing national productivity and welfare trajectories. The World Bank (2018) defines it as an upsurge in a country’s productive capacity as measured through Gross Domestic Product (GDP) estimates. Recent perspectives posit more multidimensional frameworks, gauging outputs as well as sustainability factors. For instance, the Inclusive Development Index devised by the World Economic Forum (2018) measures economic expansion via not just GDP but also metrics of living standards, environmental sustainability, and equality.

Various studies have scrutinized determinants of equitable and sustained growth models. Utilizing an endogenous growth approach, Adame García et al., (2017) examined the economic and social returns of public infrastructure investments across European countries. Investigated health and demographic dynamics as key inputs driving economic progression in developing economies. On the environmental aspect the role of sustainable utilization of natural assets like forests and aquatic systems in fostering green growth trajectory especially in emerging countries. Such analyses reveal a scope for context-specific and multidimensional policy interventions that calibrate both productivity enhancements and human well-being improvements.

3. Material and Method

This study uses a qualitative descriptive method that provides detailed descriptions and symptoms of certain situations. A qualitative approach is used through library research and content analysis methods. Data sources used in this study were obtained from research results, articles, regulations, and reference books related to research. At the same time, the content analysis method is used to find out the conclusions of a text. Content analysis in this study wants to reveal the manifested and latent ideas of the author. Data collection in this study used documentation techniques, data search or theories relevant to the research question. Data is processed by researchers obtained from data sources analyzed.

4. Result

The research results showed that the green economy has enormous potential to support economic growth in Indonesia from the perspectives of both Islamic and conventional economics. The principles of Islamic economics encourage the wise and sustainable utilization of natural resources. In a green economy, this approach will promote using natural resources such as water, land and forests while still considering the balance of ecosystems and the interests of future generations. Thus, the Indonesian economy will have a solid foundation for sustainable long-term growth. The green economy also encourages investment in renewable energy which aligns with the principles of human obligation to protect nature and the environment in Islamic economics. Overall, the implementation of a green economy applying Sharia principles can generate a model of growth that is sustainable and beneficial across all levels of society in Indonesia.

5. Discussion

A green economy is an economic system that focuses on sustainable development, reducing environmental impact, and wise use of natural resources. This concept has great potential to support economic growth in Indonesia from conventional and Islamic economic perspectives (Makmun, 2020). The principles of Islamic economics encourage the wise and sustainable use of natural resources. In a green economy, this approach will encourage using natural resources such as water, land and forests while still considering the balance of ecosystems and the interests of future generations. Thus, the Indonesian economy will have a solid foundation for sustainable long-term growth (Hutabarat, 2022).

The green economy encourages investment in renewable energy such as solar, wind and biomass power. In Islamic economics, adopting renewable energy is a form of action following the principles of human obligation to protect nature and the environment. Investments in renewable energy can also create new jobs and encourage innovation, boosting economic growth (Keliat et al., 2022). The green economy encourages investment in renewable energy such as solar, wind and biomass power. In Islamic economics, adopting renewable energy is a form of action on the principles of human obligation to protect nature and the environment. Investments in renewable energy can also create new jobs and encourage innovation, boosting economic growth (Azizah & Hariyanto, 2021).

Indonesia has excellent ecotourism potential because of its diverse natural wealth. The green economy will support the development of the ecotourism sector by ensuring that tourism is carried out in a way that does not damage the local nature and culture. In Islamic economics, utilizing nature for recreational purposes while protecting the environment is an act that is valued. Islamic economic principles promote social inclusion and a more equitable distribution of wealth. A green economy can encourage local community participation in managing natural resources and using ecotourism. In this way, the economic benefits of these sectors can be felt by more people, thereby increasing shared prosperity (Bahri, 2022).

Sustainable development, namely carrying out economic activities, adheres to the principle of meeting current needs without compromising the supply of the needs for the next generation. The four essential values include economic, environmental, social, and sustainable development. Many things can be considered in the green economy concept, such as ownership

of goods, the gap between the rich and the poor, quantitative policies, discussion of AMDAL, and micro-economic financing to a decision-making culture. Poverty alleviation and income equality are significant goals of Islamic economics. To achieve these goals,

Sustainable development has three main pillars, namely social, economic and environmental. The first pillar is social. The point here is the relationship between nature and humans. It focuses on improving human welfare, education and services, respecting human rights, and feeling safe as a whole means being able to position humans who protect nature. The second pillar is economic growth. The point is to use the basic principles of eliminating poverty, and human welfare can be realized. Able to meet human needs by utilizing nature wisely. The third pillar is the environment in a development concept that focuses on profit and partially places environmental aspects. So decision-making has become a minor factor because it has yet to become an established indicator like pillars one and two: physical, ecosystem and biological resource-based improvement and conservation efforts. The need for synergy between economic growth in an equitable manner is also emphasized in this pillar as the basis for sustainable development (Soehardi, 2022).

In realizing sustainable development, Islam has a concept called maqashid sharia. Two fundamental steps in realizing sustainable development are implementing an Islamic economic system and revitalizing traditional institutions for managing Islamic energy sources. Islamic Eco-Ethics is a form of implementation of the Islamic economic system in sustainable development. The main essence of Islamic Eco-Ethics can be explained by how the Islamic economic perspective relates to human ties with the environment. Islamic Eco-Ethics consists of several principles under Islamic ethics, such as al-adl (justice), masalahah (public needs), istishlah (revision), and tidal (harmony). In the development of Sharia human resources and marketing, there are differences in the way of Islamic business in managerial,

Islamic banks have a role in the green economy, such as implementing green banking policies. This is implemented through financing for new and renewable energy businesses, industrial energy efficiency and environmentally friendly integrated agriculture. This policy also conducts screening of financing and investment and determines a negative list that can impact environmental sustainability. Green banking is based on an environmentally friendly and socially friendly Islamic bank financing strategy. Moreover, non-bank Islamic financial organizations are contributing to the Green Economy, including the Indonesian Waqf Agency through its Waqf Forest Program. This program is reinforced by policies from the Indonesian Ministry of Religion to help preserve the environment and address climate change issues. The Waqf Forest Program enables donations of cash waqf to purchase and maintain forested land, serving goals of both income generation and ecological conservation. With over 270 hectares of waqf forests established so far, this innovative financing model mobilizes Islamic social funds for multiple sustainability objectives. As the world grapples with the urgent climate crisis, such emerging participations from faith-based entities in greening the economy signify promising pathways. Islamic finance principles based on ethical investment and asset generation for societal good can potentially transform finance itself into a "green" tool that simultaneously advances economic and environmental welfare. By channeling funds into eco-friendly sectors like renewable energy, sustainable agriculture, and green technologies, the Indonesian case illustrates how Islamic finance can pragmatically support national and global sustainability agendas.

6. Conclusion, Implication, and Recommendation

The core concept of a green economy is low carbon growth, resource efficiency and social inclusiveness, which has implications for sustainable growth. Besides that, it is also included in energy management and the green industry. This is in line with the viewpoint of maqashid Sharia in Sharia economics. Sharia economy has a concept that aligns with Green Economy and Sustainable Development.

The green economy has great potential to support economic growth in Indonesia based on an Islamic economic perspective. By applying the principles of the obligation to protect nature and the wise use of resources, Indonesia can develop a sustainable and profitable model of growth for all levels of society.

This simple research is expected to encourage the implementation of a Sharia green economy. So that it can increase self-awareness and human quality, especially concern for the universe. The researcher acknowledges the limitations of this study. It can inspire future researchers who wish to conduct more profound research on the green economy concept.

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