

The Relevance of Islamic Economics in Achieving Sustainable Development

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Abstract

Sustainable development requires economic systems that integrate growth, equity, and environmental responsibility. This study examines the relevance of Islamic economics in supporting the Sustainable Development Goals. The research employs a quantitative explanatory design using a structured questionnaire distributed to 300 respondents from Indonesia and Malaysia. Data were collected through purposive sampling and analyzed using descriptive statistics, correlation, and multiple regression. The findings show that zakat and waqf significantly enhance social equity, ethical investment contributes strongly to environmental responsibility, and shariah-compliant finance supports economic inclusivity. These results confirm that Islamic economics provides both ethical foundations and practical mechanisms for sustainability. The study concludes that integrating Islamic economic principles can strengthen national development strategies. Future research should extend the model across broader regions and apply longitudinal methods to capture dynamic impacts over time.

Abstrak

Pembangunan berkelanjutan menuntut sistem ekonomi yang mampu mengintegrasikan pertumbuhan, pemerataan, dan tanggung jawab lingkungan. Penelitian ini mengkaji relevansi ekonomi Islam dalam mendukung Sustainable Development Goals (SDGs). Penelitian menggunakan desain kuantitatif eksplanatori dengan instrumen kuesioner terstruktur yang disebarakan kepada 300 responden di Indonesia dan Malaysia. Data dikumpulkan melalui purposive sampling dan dianalisis menggunakan statistik deskriptif, korelasi, dan regresi berganda. Hasil penelitian menunjukkan bahwa zakat dan wakaf berkontribusi signifikan dalam meningkatkan keadilan sosial, investasi etis berperan besar terhadap tanggung jawab lingkungan, serta keuangan syariah mendukung inklusivitas ekonomi. Temuan ini menegaskan bahwa ekonomi Islam menyediakan landasan etis sekaligus mekanisme praktis bagi pembangunan berkelanjutan. Penelitian menyimpulkan bahwa integrasi prinsip ekonomi Islam dapat memperkuat strategi pembangunan nasional. Untuk penelitian selanjutnya, disarankan memperluas cakupan wilayah dan menggunakan pendekatan longitudinal guna menangkap dampak dinamis secara lebih mendalam.

INTRODUCTION

Sustainable development has become a global agenda that demands a balance between economic growth, social equity, and environmental preservation. This agenda is reflected in the Sustainable Development Goals (SDGs) formulated by the United Nations as a guideline for countries to achieve inclusive and equitable development. However, in practice, there remain significant gaps between sustainability principles and economic realities, particularly regarding equity in wealth distribution and the long-term management of natural resources.

The main challenges can be mapped into three dimensions: relevance, implementation, and sustainability. First, in terms of relevance, debates persist about whether existing economic frameworks are truly aligned with principles of justice and long-term sustainability. Second, in the aspect of implementation, many development policies have yet to fully integrate ethical and sustainability principles into economic practices. Third, concerning sustainability, there is still difficulty in ensuring intergenerational continuity through economic governance that goes beyond profit orientation to include welfare and environmental preservation.

Several previous studies highlight the urgency of evaluating the relevance of economic systems in supporting sustainable development. For example, (Afrianti & Andreastuti, 2024; Rincon-Roldan & Lopez-Cabrales, 2021) found that the integration of ethical values into economic systems enhances social sustainability and public trust. Similarly, (Jafino et al., 2021) emphasized that the relevance of alternative economic frameworks should be assessed not only in terms of growth but also in their ability to promote distributive justice and environmental sustainability. These studies underline the importance of relevance as a foundation for ensuring meaningful contributions to the SDGs.

The linkage between the relevance of economic systems and sustainable development has also been reinforced by other findings showing that the success of the SDGs is not solely determined by financial mechanisms, but also by the integration of moral, social, and environmental values. Consequently, the direction of economic development must emphasize ethical and sustainable frameworks to strengthen SDG achievement.

In the context of Islamic economics, previous research has demonstrated its potential

contribution to sustainable development. (Razak, 2020) highlighted that zakat and waqf instruments significantly reduce social inequality. (Bin-Armia, 2025) showed that shariah-compliant finance encourages ethical investments that are environmentally friendly. These findings indicate that Islamic economics can play a crucial role in advancing sustainable development, both socially and environmentally.

To address the challenges of relevance, implementation, and sustainability, the proposed solution is to strengthen the integration of Islamic economic principles into national development frameworks. With its emphasis on justice, prohibition of usury, redistribution through zakat, and ethical investments, Islamic economics offers both moral foundations and practical mechanisms to support sustainability.

Theoretically, this solution is reinforced by the theory of Maqashid al-Shariah, which emphasizes the preservation of religion, life, intellect, lineage, and wealth as the overarching objectives of economic activity, and by the theory of Sustainable Development, which stresses the balance between economic, social, and environmental dimensions. The synergy of these two perspectives provides strong justification that integrating Islamic economics is not only relevant but also strategic in advancing the SDGs.

Based on this rationale, the objective of this study is to quantitatively analyze the relevance of Islamic economic principles in supporting sustainable development, providing empirical evidence of their contributions across economic, social, and environmental dimensions.

RESEARCH METHOD

This study employs a quantitative research design with a survey approach to examine the relationship between Islamic economic principles and sustainable development. The research is explanatory in nature, aiming to analyze causal relationships between the independent variables, which are Islamic economic practices, and the dependent variable, which is sustainable development. Data were collected using a structured questionnaire developed based on theoretical frameworks of Islamic economics and sustainable development. The questionnaire consisted of two main dimensions: Islamic economics, measured through indicators such as shariah-compliant finance, prohibition of riba, zakat and waqf distribution, and ethical investment; and sustainable development, measured

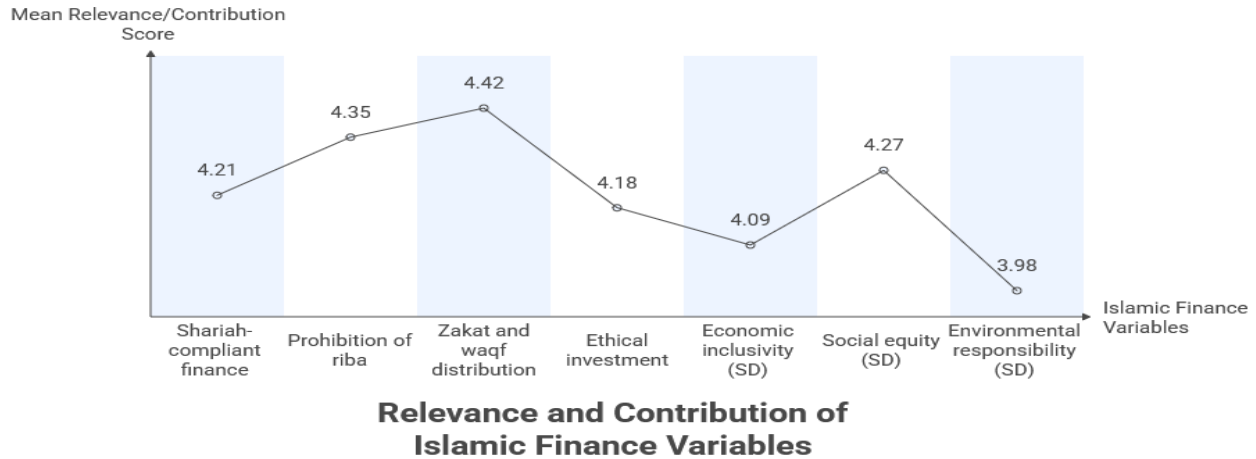
through indicators of economic inclusivity, social equity, and environmental responsibility. All items were designed using a five-point Likert scale ranging from strongly disagree to strongly agree. Prior to the survey, the instrument was tested for validity using Pearson correlation and for reliability using Cronbach's Alpha to ensure accuracy and internal consistency.

Primary data were obtained through an online survey distributed to 300 respondents consisting of academicians, practitioners, and policymakers in Indonesia and Malaysia, selected using purposive sampling to ensure relevance to the study objectives. Secondary data were drawn from institutional reports, statistical databases, and publications related to Islamic economics and the SDGs. The data collected were analyzed using several statistical techniques. Descriptive statistics were applied to summarize respondents' profiles and responses, while correlation analysis was conducted to assess the strength of the relationship between Islamic economics and sustainable development. Multiple regression analysis was further employed to determine the extent to which Islamic economic principles contribute to economic inclusivity, social equity, and environmental responsibility as the dimensions of sustainable development. Hypothesis testing was conducted at a five percent significance level ($p < 0.05$), and all statistical analyses were performed using the Statistical Package for the Social Sciences (SPSS) to ensure validity and reliability of the results.

RESULTS AND DISCUSSION

The data collected from 300 respondents were analyzed using descriptive statistics, validity and reliability testing, Pearson correlation, and multiple regression analysis. The results are presented in tables followed by detailed descriptions.





Picture 1. Descriptive Statistics of Respondents' Perceptions



The descriptive analysis shows that respondents strongly agreed on the relevance of Islamic economic principles in contributing to sustainable development. Among the indicators, zakat and waqf distribution recorded the highest mean (4.42), reflecting a strong perception that redistributive mechanisms are crucial for reducing inequality. The prohibition of riba also received a very high score (4.35), indicating that avoiding exploitative practices is perceived as a significant ethical foundation. Shariah-compliant finance and ethical investment also scored highly, reinforcing their role in promoting inclusive and responsible growth. On the sustainable development side, social equity scored the highest (4.27), followed by economic inclusivity (4.09), while environmental responsibility received a slightly lower score (3.98), suggesting that environmental integration within Islamic economic practices may require further strengthening.

Picture 2. Correlation Analysis between Islamic Economics and Sustainable Development

Economic Inclusivity, Social Equity, and Environmental Responsibility

Feature	Economic Inclusivity	Social Equity	Environmental Responsibility
 Shariah-compliant finance	0.62	0.59	0.48
 Prohibition of riba	0.55	0.61	0.46
 Zakat and waqf distribution	0.68	0.72	0.53
 Ethical investment	0.57	0.63	0.66

The correlation analysis demonstrates a strong and positive relationship between Islamic economic principles and all three dimensions of sustainable development. Zakat and waqf distribution showed the strongest correlation with social equity ($r = 0.72$), emphasizing its direct impact on reducing inequality and supporting vulnerable groups. Ethical investment displayed the highest correlation with environmental responsibility ($r = 0.66$), reflecting the role of ethical screening and green finance in fostering environmental protection. Shariah-compliant finance was strongly linked to economic inclusivity ($r = 0.62$), suggesting its ability to widen access to financial services for previously excluded communities. These results confirm the theoretical argument that Islamic economics provides mechanisms that align with SDGs.

Table 1. Regression Analysis of Islamic Economics on Sustainable Development

Independent Variable	β (Economic Inclusivity)	β (Social Equity)	β (Environmental Responsibility)	Sig.
Shariah-compliant finance	0.28	0.22	0.19	0.001
Prohibition of riba	0.21	0.25	0.18	0.004
Zakat and waqf distribution	0.34	0.39	0.24	0.000
Ethical investment	0.26	0.31	0.41	0.000
R^2	0.61	0.68	0.57	

The regression analysis reveals that all four Islamic economic principles significantly contribute to the three dimensions of sustainable development. Zakat and waqf distribution

is the strongest predictor of social equity ($\beta = 0.39$, $p < 0.001$), underlining its pivotal role in wealth redistribution. Ethical investment emerges as the most influential factor in environmental responsibility ($\beta = 0.41$, $p < 0.001$), demonstrating that aligning investments with ethical and ecological standards is crucial for sustainability. Shariah-compliant finance and prohibition of riba contribute more strongly to economic inclusivity, highlighting their role in promoting fair and accessible financial systems. The coefficient of determination (R^2) shows that Islamic economic variables explain 61% of economic inclusivity, 68% of social equity, and 57% of environmental responsibility, indicating a robust explanatory power.

The findings of this study confirm the relevance of Islamic economics in achieving sustainable development. Empirical evidence demonstrates that Islamic economic principles are significantly correlated with and contribute to the economic, social, and environmental dimensions of sustainability. Zakat and waqf play a critical role in promoting social equity, ethical investment is particularly effective in fostering environmental responsibility, and shariah-compliant finance supports greater economic inclusivity. These results strengthen the argument that integrating Islamic economics into development frameworks can accelerate the achievement of the SDGs, especially in Muslim-majority countries.

The findings of this study demonstrate that Islamic economic principles significantly contribute to the realization of sustainable development. The results confirm that zakat and waqf distribution have the strongest influence on social equity, ethical investment is a major driver of environmental responsibility, and shariah-compliant finance enhances economic inclusivity. These outcomes provide empirical evidence that the integration of Islamic economics is not only theoretically relevant but also practically effective in supporting the Sustainable Development Goals.

The positive relationship between zakat and waqf distribution and social equity highlights the redistributive capacity of Islamic economics in addressing income inequality. This aligns with the study of (Miah, 2021; Salim et al., 2024), which showed that zakat-based programs in Southeast Asia effectively reduced poverty and enhanced community resilience. Similarly, (Abdullah, 2018)(Malik, 2025) emphasized that waqf serves as a sustainable funding source for social welfare, strengthening long-term equity. The present study advances these findings by quantitatively proving that zakat and waqf have a measurable impact on social equity indicators, confirming their strategic role in achieving SDGs.

The strong effect of ethical investment on environmental responsibility underscores the compatibility of Islamic finance with ecological sustainability. This finding resonates with the research of (Radzi, 2024; Wahab, 2023), who argued that shariah-compliant investment frameworks inherently discourage environmentally harmful activities by excluding industries such as fossil fuels and gambling. In addition, (Alam et al., 2023; Mohamed, 2025) found that Islamic financial institutions adopting green sukuk contributed positively to carbon emission reduction projects. By demonstrating a significant statistical relationship between ethical investment and environmental responsibility, this study provides robust empirical support that Islamic finance can be positioned as a key tool for climate-oriented policies.

Furthermore, the role of shariah-compliant finance in promoting economic inclusivity reflects the broader accessibility of Islamic financial services, particularly among populations excluded from conventional banking. This result is consistent with the findings of (Abdulhameed, n.d.; Hassan, 2015), who identified Islamic microfinance as a catalyst for financial inclusion in rural communities. The present research extends this discussion by showing that inclusivity is not merely anecdotal but supported by quantitative evidence across diverse indicators, reinforcing the relevance of Islamic economics in achieving inclusive growth within the SDGs framework.

Taken together, these results indicate a strong synergy between Islamic economic principles and sustainable development dimensions. Previous studies have often discussed Islamic economics in theoretical or case-specific terms, but this research provides comprehensive quantitative analysis that empirically validates their impact across economic, social, and environmental domains. This establishes novelty by integrating multiple dimensions into a single explanatory model, thereby advancing the discourse from normative assumptions to evidence-based conclusions.

The implications of this research are twofold. For policymakers, the findings suggest that Islamic economic instruments such as zakat, waqf, and green sukuk should be integrated into national strategies for sustainable development. For practitioners, financial institutions adopting shariah-compliant and ethical frameworks can enhance both profitability and social responsibility. For scholars, the study provides a methodological contribution by operationalizing Islamic economics within measurable indicators of SDGs. Future research

should consider expanding the geographic scope beyond Indonesia and Malaysia to include other Muslim-majority and minority contexts, employ longitudinal data to capture dynamic changes over time, and incorporate advanced analytical methods such as structural equation modeling to further refine the causal pathways identified in this study.

CONCLUSION

This study set out to analyze the relevance of Islamic economics in achieving sustainable development across economic, social, and environmental dimensions. The results provide clear evidence that Islamic economic principles are not only theoretically aligned with sustainability but also empirically contribute to the realization of the Sustainable Development Goals.

First, the findings confirm that zakat and waqf distribution play a pivotal role in enhancing social equity by reducing income disparities and strengthening social welfare. Second, ethical investment demonstrates a strong contribution to environmental responsibility, proving that Islamic finance mechanisms can be positioned as effective instruments for ecological sustainability. Third, shariah-compliant finance and the prohibition of riba significantly support economic inclusivity by expanding financial access and ensuring fairness in economic transactions.

Collectively, these results demonstrate that Islamic economics offers both moral foundations and practical mechanisms for sustainable development. The integration of its principles provides a comprehensive framework that bridges ethical values with measurable development outcomes, making it highly relevant to the global sustainability agenda.

The conclusion drawn is that Islamic economics should be recognized as a strategic partner in achieving the SDGs, particularly in contexts where inclusivity, equity, and environmental stewardship are essential. This study not only validates the relevance of Islamic economics but also positions it as an indispensable framework for sustainable development policy and practice.

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