

## THE ROLE OF ISLAMIC ECONOMICS IN SUSTAINABLE DEVELOPMENT GOALS

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**Abstract:** *Islamic economics is a science that seeks to view, review, examine, and solve economic problems in an Islamic way in terms of social, political, economic, and environmental aspects. Islamic economics will always rely on all financial analysis based on the Qur'an, and the Hadith of the Prophet SAW. Islamic economics has three principles, namely tawhid, morality, and balance, that describe welfare. Sustainable development is a planned effort that integrates various environmental, social, and economic aspects into development strategies to ensure society's and the state's well-being. In achieving the goal of sustainable development, the role of Islamic economics is the organization of religious and social institutions, such as zakat institutions and waqf institutions, that can contribute to increased efforts in projects and programs that are not commercially viable but socially important. Islamic finance has much potential to promote sustainable economic development by expanding access to finance (including microfinance), financing infrastructure projects, and expanding the reach of Takaful (Islamic insurance).*

**Keywords:** *Islamic Economics, Sustainable Development, Waqf, Zakat*

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### Introduction

The growth of Islamic economics as a science and economic system has received a positive response at the global level. Various studies and educational programs are provided to shape human resources through Islamic economics (Hamid, 2009).

Islamic economics is not separate from conventional economics, but both have differences. Islamic economics is a science that seeks to view, review, examine, and solve economic problems in an Islamic way. Islamic economics will always rely on financial analysis based on the Qur'an and the Hadith of the Prophet SAW. The presence of Islamic economics is a response to efforts to cover the shortcomings and weaknesses of conventional economics, so Islamic economics is a further refinement of the development of traditional economics. (Ismail, 2017)

Umar Chapra (2001), in his book entitled *The Future of Economics: an Islamic Perspective* explains that Islamic economics positively contributes to morality and justice and enforces discipline to maintain human values. He explained that Islamic economics is not only limited to rational thinking alone but must have a strong foundation based on Islamic principles (Chapra, 2001). Based on quotes from Qardhawi (2004) explains that Islamic economics has three principles, namely tawhid, morality, and balance. These three basic principles illustrate that

social justice will result in social welfare, which is the goal of sustainable development. (Suryani, 2012)

Sustainable development is a system that is interrelated and mutually influencing. Based on the Law on Environmental Protection and Management explains that sustainable development is a planned effort that integrates various environmental, social, and economic aspects into development strategies to ensure the integrity of the environment as well as the safety, ability, welfare, and quality of life of younger generations to future generations. (Fadilah, 2020)

Based on research from Nur Kholis entitled *Social Welfare in Indonesia from an Islamic Economic Perspective*, Islamic economics' goal in realizing sustainable development is to learn economic welfare, which includes the interest of individuals, communities, and countries. Then, the sufficiency of basic human needs such as eating, drinking, clothing, shelter, health, education, security, and a state system that will ensure the implementation of the sufficiency of basic needs reasonably. In addition, it provides a fair and equitable distribution of property, wealth, income, and development results. (Kholis, 2015)

Based on the explanation above, this research aims to discuss the role of Islamic economics in realizing sustainable development through Islamic social and financial institutions such as Zakat and Waqf that can contribute to improving sustainable development. The discussion will be outlined in this research entitled "The Role Of Islamic Economics In Sustainable Development Goals."

### **Literature Review**

Two points will be discussed in this section, namely Islamic economics and sustainable development, as follows:

#### **Islamic Economics**

From the point of view of epistemology, economic science is obtained through observation (empiricism) of the social symptoms of a society in fulfilling its members' lives. Statements made will then be generalized through specific premises to draw general conclusions. Changes and constancy observed in the production and distribution systems of goods and services will then be used as general theories that can answer various economical problems. The research of Rosalinda R (2015) empirically examines the economic issues of society and the state and explains actual economic phenomena. The theories and explanations are obtained from experience and facts consistently researched by economists (Rozalinda, 2015). Thus, economics is a branch of social science that studies economic actors' behavior in light of their various economic decisions. Therefore, this science is needed as a framework for making choices about various limited resources to meet unlimited human needs.

Islamic economics is a discipline that studies the nature of Islamic economics and its basics. Islamic economics is included in muamalah worship, which is dominated by verses that are Zanni rather than qat'I, so the interpretation needed is factual and theoretical without leaving its normative aspects as a form of balance between worldly and ukhrawi life (Iskandar, 2019). Islamic economics is a social study that studies the economic problems of society in light of Islamic values. However, Islamic economics is not a science that prevents individuals from looking at economic issues based on conventional economics. (Suryani, 2012)

The Islamic economic system also accounts for all phenomena of decision-making and choice behavior in relation to every area of the economy by integrating the sharia (Islamic laws) as an independent variable deriving from Allah SWT, including restrictions on economic activity. Islamic economics incorporates sharia laws and regulations because it holds that this worldly life and the afterlife are inextricably linked. The benefits we get in the afterlife depend on what we invest in the world. (Salman, 2021)

The primary source of Islamic economics is the Qur'an. The Qur'an is a revelation from God that contains normative arguments and facts that are empirical, factual, and objective. The knowledge in the Qur'an has absolute truth, covers all life comprehensively, and cannot be reduced or added. The second source in Islamic economics is the Sunnah. The Sunnah is a way or custom that refers to the Prophet's actions, speeches, and decrees. The Sunnah explains the Qur'an because the Prophet was the first, directly receive it and was divinely guided to understand it. (Iskandar, 2019)

### **Sustainable Development**

The concept of sustainable development became popular after the Brundtland Commission issued it under the leadership of Norwegian Prime Minister Gro Harlem Brundtland, who worked from 1984–1987 and wrote a book entitled "Our Common Future," published by the World Commission on Environment and Development (WECED) in 1987. (Hadad, 2010)

Based on research by Muhammad Suparmoko (2020), it is explained that sustainable development is defined as development for the present and the future in social, economic and political aspects. Sustainable development is also interpreted as a development strategy that utilizes natural and human resources, investment potential, IT development, and institutional transformation, which are carried out simultaneously and in a balanced manner by considering the current and future potential to meet the needs and aspirations of the community. (Veronica, 2022)

The pillars of sustainable development, such as economic, social, and environmental sustainability, must be balanced. If it does not run in harmony, then the product will be trapped in conventional development, which only focuses on economic growth and ignores aspects of social and environmental action (Suparmoko, 2020). The three elements of sustainable development can be briefly explained as follows:

1. Economic sustainability, which is defined as growth capable of producing products and services, upholds the sustainability of government, and prevents sectoral imbalances that could harm industry and production;
2. Environmental sustainability is the maintenance of steady resource levels, the avoidance of resource exploitation, and environmental absorption processes. This idea relates to the preservation of ecosystem functioning, space, and biodiversity;
3. Social Sustainability is a socially sustainable system that can achieve welfare, equality, and social services such as health, education, gender, and politics.

### **Method**

This research is qualitative and descriptive. Moleong (1991) argues that qualitative research is a method of investigation that produces descriptive data, such as written or oral data. The data collection method in this research uses a literature study. Danial and Warsiah (2009) define a literature study as research conducted by researchers who collect several books, magazines, papers, journals, and other relevant sources. This method is used to present the research results related to the problem being studied as a source of information when discussing research findings. (Veronica, 2022)

### **Result and Discussion**

#### **Sustainable Development Goals**

Sustainable development goals are present to support all changes after the end of the millennium development era and include several new plans. Sustainable development has goals

organized based on social, economic, environmental, and institutional dimensions that revolve around the welfare of humans and society. The following is part of the sustainable development goals described in Table 1. (Setianingtias, 2019)

**Table 1.** Sustainable Development Goals

No.	Sustainable Development Goals
1.	solving poverty in all its forms
2.	End hunger, achieve food security, and improve nutrition
3.	Ensure healthy lives and promote well-being for all people of all ages
4.	Ensure inclusive and equitable quality education and promote lifelong learning opportunities
5.	Achieve gender equality and empower all women and girls
6.	Ensure availability and sustainable management of water and sanitation
7.	Ensure access to affordable, sustainable, and modern energy
8.	Promote sustainable, inclusive, sustained economic growth, productive employment, and decent work.
9.	Build resilient infrastructure, promote sustainable industrialization, and foster innovation.
10.	Reduce inequalities within countries and between countries
11.	Make cities and settlements inclusive, safe, resilient, and sustainable
12.	Ensure sustainable consumption and production patterns
13.	Take urgent action to combat climate change and its impacts
14.	Conserve and utilize natural resources in a sustainable and balanced manner
15.	Protect, restore, and promote the utilization of ecosystems, forests, and desertification, and halt land degradation and loss of biodiversity
16.	Create peaceful and prosperous societies for sustainable development, providing access to justice
17.	Strengthen the means of implementation and revitalize the global partnership for sustainable development

Based on Table 1, sustainable development has goals that revolve around the welfare of humans and society. This is in line with the principles of Islamic economics, namely human-centered economic growth based on Islamic laws. A human-centered development strategy aims to improve the quality of life and the quality of akhlaq (afterlife) for everyone. In this case, the

objectives of sustainable development based on Islamic economics are at least two main ones, as follows: (Fatlawi et al., 2022)

1. Implementing Islamic laws in all aspects of human life, human relations, and financial transactions;
2. Managing all aspects of the economy based on Sharia by realizing *maslahah* and reducing *mafsadah*. This can be done by adhering to Sharia principles and legal jurisprudence or *istibat* through appropriate *ijtihad* methods;

Based on the above main objectives, Islamic economic policy in sustainable development is necessary: (Fatlawi, et al., 2022)

1. To uphold social justice among people;  
The people consisting of members of society and the government as the authority responsible for the people's affairs are inseparable. The ultimate goal in this regard is the promotion of equality and justice. In other words, creating a society that lives spiritually, morally, and physically following Islamic teachings.
2. Protecting individual freedom;  
The law provides freedom of expression as one of the fundamental rights of citizens that the state must respect. In this perspective, the Prophet Muhammad SAW said, "the government is a guardian for those who do not have a guardian." Thus, in the Islamic economic system, the government should provide freedom for each individual to run all aspects of the economy.
3. Providing the needs of the community;  
The goal of Islamic economics is the welfare of society based on Islamic law, one of which is to provide the needs of the community, such as education, employment, and all the needs of the community in their lives. There are four leading indicators of welfare as in the Qur'an: the Islamic value system
  - a. economic strength in the real sector
  - b. fulfillment of basic needs
  - c. social security arrangements
 The basis of welfare is when the teachings of Islam become a guideline in the economic life of a nation.

### **The Role of Islamic Economics Through Religious Institutions in Achieving Sustainable Development Goals**

#### **1. Zakat Institution in Sustainable Development.**

In 2030, the first sustainable development objective is to eradicate poverty. As we examine the Zakat institution, we discover that zakat payers and zakat recipients come from two distinct economic strata. Those who pay zakat are not impoverished and have excess wealth above the *nisab*. Contrarily, zakat participants are mostly low-income individuals who do not possess money over the *nisab*. Hence, the *nisab* wealth threshold establishes a distinction between payers and receivers and facilitates the targeted transfer of income and wealth to those who are often impoverished.

Zakat dapat mencapai tujuan dengan lebih sukses dan konsisten karena zakat didasarkan pada kekayaan dan bukan pada pendapatan, yang tidak terlalu bervariasi selama siklus bisnis. Menurut Metwally (1983), cakupan zakat jauh lebih luas dan mencakup kekayaan dan pendapatan. Sehubungan dengan pengumpulan dan pendistribusian zakat, ia menekankan bahwa sistem zakat dirancang dengan mekanisme yang akan membantu mencapai tujuan yang diinginkan. Sebagai hasilnya, kemungkinan untuk mengkonsumsi lebih cepat dan tegas akan meningkat.

Additionally, especially for high-net-worth members of society, wealth accumulation might be significantly greater than a single period's income. A progressive income tax can thereby lessen income inequality and redistribute wealth by enacting a broad-based wealth tax and closing tax loopholes for offshore riches. In his argument that progressive taxation is intended to lessen income inequality, Hartman (2002) uses the example of the US economy. However, while the income tax burden placed on the top tenth of earners increased by 15% during the past forty years, the after-tax income burden placed on the remaining ninety percent of earners reduced by 13%.

Hunger eradication is the second sustainable development objective. 800 million people worldwide are food insecure and suffer from hunger, according to the Food and Agricultural Organization (FAO). For most developing nations to start growing and make investments in health and education, they require more basic resources. While these critical services are produced and offered commercially in a global market economy, scientific solutions to health and education problems only address supply-side issues, not demand-side issues. Whom should food be produced for, the 70% who can afford it or the 100% who cannot? If only 70% of people in a country can afford to pay the market price for food. The answer to a market economy where the price mechanism rules supreme is that it is quite possible to have a market equilibrium at a price where only 70% of the people who cannot afford it buy food and 30% of the people who cannot afford it remain unserved and unfed unless they receive assistance from the government. Thus, resource redistribution is necessary to raise income and the capacity for sustained revenue generation, which calls for income support programs, crucial health and education, and microfinance to support small companies.

Well-being and good health are crucial components of sustainability. 18 or younger people make up over 50% of those in extreme poverty. This implies that a sizable portion of the global population will require assistance to achieve socioeconomic mobility. In order to prevent ill health, stunting, and the loss of the ability to live an independent, productive life as an adult, correct nutrition, necessary medications, and immunizations are required. Even though they are less commercially available, certain life-saving medications are less than a dollar. Efficient redistribution can boost purchasing power, which is essential for obtaining today's essentials like food, water, and medicine.

For the sustainable development aim of enduring poverty alleviation, enhanced skills and competencies, and upward social mobility to be realized, high-quality education is a prerequisite. Financial institutions aid when people already have sufficient assets and skills for entrepreneurship. People, however, require survival and the development of human capital much earlier in life. In nations with a majority of Muslims, there are mosque-based schools that efficiently direct Zakat monies to guarantee fundamental religious and secular education. An additive effect can be produced through efficient management and administration of Zakat monies by leveraging the advantages of institutional strengthening.

The most important sustainable development objectives for reducing poverty and promoting upward socioeconomic mobility are decent jobs and economic growth. On the one hand, zakat can help offer income support and make skill-upgrading programs affordable by going from surplus households (those with wealth above the nisab) to disadvantaged families. Zakat may also contribute to the support of medical and educational facilities, fostering the growth of labor-ready people resources. (Afrina, 2020)

## 2. Waqf Institutions in Sustainable Development.

Waqf is a significant social institution within the context of Islam. The owner donates and dedicates movable or immovable property through the Waqf institution for long-term social benefits. The beneficiaries continuously take pleasure in their earnings or revenues. Waqf can be

established with dedicated land, furnishings, fittings, and other moveable property as well as with money and liquid assets like cash and stocks.

The construction of institutions like schools, hospitals, and orphanages can be funded by cash waqf. Cash waqf can increase funding and encourage greater participation from private contributors. Zakat monies can only be utilized for a certain set of recipients, whereas Waqf funds can be used for any purpose. Waqf institutions can offer a range of welfare services, including financial institutions like Waqf-based microfinance and community-driven banks as well as educational, medical, and environmental conservation programs (Mohammad, 2011).

The poor also require skill development and productivity increase in order to escape poverty and achieve social mobility, in addition to income support and monetary transfers. According to Haneef et al. (2014), institutional support is necessary to help microentrepreneurs realize their potential and create successful microbusinesses due to a lack of financial and business skills. Growth-oriented microfinance programs also need to offer training, insurance, and skill-upgrading facilities, according to Obaidullah (2008). By providing a more reliable, effective, and efficient funding source for the infrastructure supporting the health and education sectors, waqf institutions can improve chances for socioeconomic mobility in this respect. Waqf-funded infrastructure upgrades and maintenance can boost beneficiaries' potential income. (Purwaningsing, 2020)

## Conclusion

Islamic economics is a science that seeks to view, review, examine, and solve economic problems in an Islamic way, both in social, economic, political, and environmental terms. The primary sources of Islamic economics are the Qur'an and the Sunnah. The principle of Islamic economics is human-centered economic development based on Islamic laws. Islamic social and religious organizations like zakat and waqf organizations have an important role in bringing about sustainable development. Institutions of Islamic social financing like Zakat and Waqf can strengthen efforts in initiatives and programs that are not economically viable but are nonetheless crucial to society. Through increasing access to credit (including microfinance), funding infrastructure projects, and extending the reach of Takaful, Islamic finance has a great deal of potential to support sustainable economic growth (Islamic insurance).

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