

Towards an Environmentally Sustainable Green Economy: An Islamic Perspective on Economic Diversification and Environmental Preservation

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ABSTRACT

Global sustainability rests upon the twin pillars of the worldwide economy and a quality environment. The world faces significant challenges, including poverty, environmental pollution, and issues related to globalisation. Therefore, developing effective strategies for achieving the Sustainable Development Goals within the designated timeframe is necessary. Every corner of this globe is facing those challenges. To address these global concerns, this study asserts that achieving consistent solutions necessitates the development of a rational, environmentally sustainable, and diversified economy. Islamic economies maintain stability by adhering to permissible practices like halal goods and avoiding prohibited actions such as riba (interest), gharar (excessive speculation), and other Shari'ah restrictions. Key findings of this study indicate that developing a sustainable and environmentally conscious green economy requires effective methods and a diverse range of Shari'ah-compliant financial sources. Efficient production and diversification of the Islamic economy would improve socio-economic conditions and preserve the environment by addressing several international complexities. This study aims to describe an environmentally friendly, sustainable green economy with diversification in a Shari'ah-compliant way. Case study and document analysis methods have been applied to achieve the aim of this research. To analyse and justify the arguments, this paper has reviewed various primary and secondary sources, such as legislation, treaties and relevant scholarly literature. The significance of this study is that it explores, assesses and suggests all possible instruments and sources of Islamic economy that could be diversified for the growth of the global economy, sustainable development and a quality environment.

Keywords: Islamic economic; green economy; environmental ethics in Islam; sustainable development; economic diversification in Muslim countries

INTRODUCTION

Islamic economies are founded on various sources of Islamic finance. They are also based on Islamic economic law, rules, and regulations, which are integral parts of *Shari'ah*. A considerable number of contributions to the global economy and environment are derived from these sources, such as lawful income from business, service, resource mobilization, revenue regeneration, wealth redistribution, access to as well as supply of affordable finance in a timely manner. The basic features of Islamic economy are that it is certain, affordable, sustainable, rational and justified. Timely channelization and access to all these resources of Islamic finance require circle, horizontal, and vertical diversification of Islamic economy with the potentiality to enhance global economy. Islamic economic diversification has significance to all types

of financial and environmentally sustainable growth.

Basic sources of Islamic finance include *waqf* or Islamic endowment, benevolent loan, *zakah* or *nisab* amount allocation in the revenue system, *hajj* or pilgrimage, inheritable property, and most importantly *Shari'ah*-compliant savings. Efficient availability and distribution of these sources could provide capital for Islamic financial system, Islamic trade, business and commerce as well as for Islamic investment. *Shari'ah*-based *halal* businesses have due weight, quality and reasonable prices (Yazid et al. 2020). Professions, private and public services require an Islamic financial system that includes Islamic banking, Islamic capital and securities, *Susuk* or Islamic bonds, *Takaful* or Islamic insurance, Islamic equity funds, Islamic micro and macro economy, and international Islamic institutions.

Gardening and agricultural production, such as organic farming, fruits and vegetables (al-Qur'an: 55: 10-12,48,52,68); environmental protection, such as pure air, water, soil, rain, pearl, coral reefs (al-Qur'an: 55: 22), mangrove forests; energy and renewable energy, for instance petroleum, oil, gas, hydro, solar energy; mineral resources, such as, gold, silver, stone, coal, metal, iron; green technology; industrial development; and assets and asset-based financing are also direct and indirect sources of Islamic finance.

Modern *Shari'ah* Scholars have provided general rules for Islamic investment in Islamic trade, business and commerce to screen whether a particular profession, business or mode of transaction is *halal* (lawful) or *haram* (unlawful) (Saiti, Bacha & Masih 2014). In this regard, there are two types of evaluation or screening approaches, namely qualitative, or activity of a work or business which is *Shari'ah*-compliant and quantitative, and level of acceptability of business investment as lawful or *Shari'ah*-compliant (Saiti, Bacha & Masih 2014). Such systems increase reserves and would protect the world community from the adverse effect of economic recession (Iqbal & Mirakhor 2011).

A fully *Shari'ah*-compliant Islamic economy would provide regulation for the financial sector to promote Islamic financial stability and the resilience of financial institutions with micro-prudential regulation, and strengthen financial system as a whole with macro-prudential regulation (Archer & Hossain 2015). Consequently, to enhance diversity, it is essential to stabilize the Islamic economic base with international regulatory efforts, such as the Rulings of the International Islamic *Fiqh* Academy; Malaysia-based Islamic Financial Services Board, *Shari'ah* Standards of Accounting and Auditing Organization for Islamic Financial Institutions 2015; International Islamic Rating Agency; and the suggested *Shari'ah* Corporate Governance of OIC Standing Committee for Economic and Commercial Cooperation 2020. This would also include national legislation such as the Muslim Personal Law (*Shari'ah*) Application Act, 1937 (Act No XXVI of 1937) of Bangladesh, Islamic Financial Services Act 2013 (Act 759) of Malaysia, and the *Shari'ah*-compliant Saudi Arabian Banking Control Law.

Comprehensive and consolidated international standardized Islamic economic laws, rules, regulations, and ethical or lawful instruments are also essential to protect global environment through the facilitation of Islamic economic diversification.

Environmental ethics is an ideology, strategy or mechanism that systematically guides the people in countries around the world addressing several concerns for the protection and preservation of environment. Such endeavors involve individuals, institutions, and the government for the wellbeing of environmental resources, as well as for the betterment of the society (Saujan & Razick 2021). These practices and efforts require active financial availability and supportive technologies (Pambekti & Lestari 2024). These combined efforts of Islamic economy and environment are identified by this study as 'Environment-friendly Sustainable Green Economy'.

LITERATURE REVIEW

Islamic economies rely on *Shari'ah* law, which guides various aspects of an economic system, including production, distribution, consumption and preservation. *Shari'ah*-compliant economic systems and regulatory institutions enforce legal and regulatory values in the economic sphere. The Holy Qur'an provides specific injunctions about Islamic economy by shaping behavior (al-Qur'an: 5:103-104,108), criterion of judgment between right and wrong (al-Qur'an: 3:3;25:1), full of wisdom (al-Qur'an: 36:2;55:2), existence, sustenance and incentives (al-Qur'an: 40:61,64,67), constraints (al-Qur'an: 2:173), and choices of the parties involved (al-Qur'an:2:256;37:1-74). Taking these values into consideration, literatures are assessed and reviewed on several aspects of 'environment-friendly sustainable green economy' with the aim of proper implementation of 'Islamic economic diversification'.

The fundamental values of *Shari'ah* are the basis of the Islamic banking system, and include prohibitions relating to usurious practices (*ribā*), excessive speculation (*gharar*), gambling, and other sinful and non-productive activities for safeguarding the environment and the attainment of benefits (Sultan et al. 2024).

There is huge significance to ethical standards in Islamic finance. There is also strong correlation between the commitment of Islamic banking and finance in their positive ethical performance (Abdelhak & Abderrezzak 2023).

This paper aims to explore the potential of Islamic economy and finance through the mitigation of the negative externalities of human actions. Unparallel economic transformation and changes

are required in order to address these external concerns. Contemporary dominant economic theories, corporate models and policy prescriptions essentially should include natural capital ecosystems and resources. The globalized drive for sustainable development is indispensable pursuing changes in education, legal framework and disruptive technologies enabling clean alternatives (Khan & Tabet 2024).

Wealth concentration or hoarding is strictly prohibited in Islam (al-Qur'an: 28:76-82). Man puffed up with wealth, like Qarun are not pleasing to Allah SWT: for wealth is for service, not for hoarding or show. In the midst of his pride was Qarun swallowed up in the earth, and the earth knew him no more (Ali 1937). It is also prohibited in the Holly Qur'an to commit any excess, misuse, squander and or waste (al-Qur'an: 2:219; 5:90; 6:141; 17:27). An Islamic economy contains a few important aspects to encourage a sustainable and environmentally friendly system. In this regard, Hayat & Malik have argued that excessive consumption, wastage and unfair trade practices are discourage in Islamic economy (Hayat & Malik 2014). There is strict restriction in this regard in the Holly Qur'an (al-Qur'an: 5: 90). Similarly, Iqbal has identified the rules of prohibition regarding overspending, waste, ostentatious and opulent spending. Therefore, both "moderate spending and consumption" and "savings through reduced consumption" are highly recommended (Iqbal 2015). These are the basic rules and proposition of Islamic economy and Islamic financial inclusion.

Economic diversification is a strategy that should be adopted by a nation to reduce its vulnerabilities by increasing productivity. Gisaor and Gwandzang have stated that "diversification does not occur in a vacuum and there needs to be an enabling environment to make diversification possible" (Gisaor & Gwandzang 2020). Such an enabling environment could be created by socio-economic solidarity and that should be achieved by way of distributing wealth and resources. In this regard, Hussain, Shahmoradi and Turk (2015:6) assumed that:

"The Principle of equity and wealth distribution is also the basis of a 2.5 per cent levy on cash or in-kind wealth (*Zakat*) [beneficial revenue], imposed by *Shari'ah* on all Muslims who meet specific minimum levels of income and wealth to assist the less fortunate and foster social solidarity."

In the same way, diversification of investment in *waqf* lands, *waqf* funds and projects, and *waqf* assets with various *waqf* institutions is essential for the economy that has proven role in many jurisdictions. Therefore, this study argues that *Waqf* institutions enhance socio-economic solidarity and investment diversification helps to address financial risks, such as liquidity and credit risk, for the efficient performance of *waqf* institution, which could expand charitable services effectively (Yakob et al. 2021).

This article posits that large scale structural reforms and economic diversification is essential in the context of Middle East and North African countries to achieve sustained long run growth and productivity. This would reduce dependency on single sources of income and employment, as well as diminish volatility of income and employment (Malik & Massod 2020).

The IsDB KL Centre of Excellence and UNDP has argued that innovators of Islamic finance in their innovative approach incorporate the ability to offer a new perspective, framework, service and product to the public designing them in *Shari'ah*-compliant ways. Islamic Financial services and products must also contribute manifesting Islamic values for enhancing better financial practices. Society can hope to achieve economic justice by minimizing inequality with hopes of leading the said society towards real prosperity. Therefore, "Islamic finance is increasingly considered as an alternative source of funds" (IsDB KL Centre of Excellence & UNDP 2023).

A strengthen public infrastructure for nurturing sustainable communities by providing available community services, such as multipurpose centers, community parks, religious places, fitness centers and play grounds, and shopping centers are essential to facilitate communities and for establishing empowerment by way of generating employment and clean environment (Isa & Daud 2023). As a result, through diversification of alternative sources of fund, it is possible to transform the economy into sustainability. Similarly, investment in Islamic equities offers the benefit of portfolio diversification. Products that are sustainable, as well as *Shari'ah*-compliant, in Islamic economy and finance involve framing policies to support regulatory initiatives to reinforce responsible investment practices (Dai 2024).

Similarly, Zarqa has suggested that "an equity-based (interest-free) Islamic system can contribute appreciably to economic stability,

while an interest-based system pre-disposes the economy to instability". He draws this argument assessing various methods of examining stability of any economic system considering four reasons (investment, speculation, corporate finance and international finance). Zarqa concludes this proposition by showing contrary views as well (Zarqa 1983).

While measuring 'cost and profit efficiency' as well as 'successes and challenges' of Islamic Banks in few regions, Tahir and Haron highlighted integration and demand for Islamic finance and economy worldwide (Tahir & Haron 2010: 78):

"The integration of Islamic finance into the global economy is marked by the growing awareness of and demand for investing in accordance with *Shari'ah* principles, progress in developing a regulatory framework and enhanced international linkages. However, the success of Islamic banking brings forth new challenge. These include lack of standard financial contracts and products, illiquidity issues, risks mitigation in the operational aspects and financing portfolios, and cooperation among the players within the industry."

Therefore, according to these scholars, international evidence suggests that these regions require well-established regulatory frameworks, more advanced human capital, and better risk management practices.

It has also been demonstrated that for capital adequacy and liquidity requirements for investment accounts, Islamic financial institutions (IFIs) need to formulate a comprehensive capital plan and business strategy. Reasonable assumptions and stress management abilities of IFIs require a well-defined and prudent investment strategy. Such a strategy would include diversification and wise assets allocation to maximize profit and stabilize returns. However, that would require skill, competencies and capabilities with a risk management system (Shafie, Zain & Ghani 2020).

Productive human activity is mandatory in Islamic economy. Wealth is required to be increased by engaging productivity in activity. All business and financing must be based on various forms of equity, participation, ownership and real property. In Islamic economics, transactions between the parties should be based on authentic information with informed consent, sharing of risk, with reasonable speculation (Hussain, Shahmoradi & Turk 2015). Consequently, investors, including non-Muslims, can invest in this form of finance and business for its

inherent benefits—such as greater stability of returns, transparency and diversification (Saiti, Bacha & Masih 2014).

The global economic index can be used to measure the economic level of any territory, and there are other indexes as well to determine the resource level. A lack of the required level of resources (ethical, knowledge, wisdom, understanding, coordination, cooperation) could be termed as poverty. According to Sadeq, "Poverty makes people unable to perform individual, social and moral obligations and, therefore, man is asked to seek Allah's protection from poverty, scarcity and ignominy" (Sadeq 1978). This scholar justified this claim citing a *hadith* (reported by Nasai, *Kitab Al-Istia-zak*): "Poverty is declared undesirable as much as *Kufr* (apostasy) is abhorred" (Sadeq 1978).

The benefits of globalization could be utilized with timely and efficient coherence of every element of resources, especially in a humane and Islamic economy. According to the Constitution people is the source of every power (Article 7, Constitution of the People's Republic of Bangladesh). There are multidimensional sources of poverty versus power. Gisaor and Gwandzang rightly pointed out that problems with poverty could be turned into power by the improvement in human capital (Gisaor & Gwandzang 2020). Better education, human resource development, and capacity based local and foreign employment in the areas of intellectual, physical, industry-based, professional and service-oriented sectors could contribute to the national, regional and global economy. Similarly, Mokhtar and Tajuddin have argued that *Shari'ah* institution of the Islamic legal system combining Islamic economy and finance could be realized by dedicated human resource skilled those are sincere enough to properly carrying out their responsibilities with integrity and honesty (Mokhtar & Tajuddin 2023).

In order to achieve United Nations Sustainable Development Goals (SDGs), all possible resources are essentially required to be diversified through a truly Islamic economy. This scholarly analysis argued that "the green economy fosters productivity and promotes sustainable development by making sure that linkages among various sectors of the economy contribute to waste reduction, poverty alleviation, energy efficiency, and provide equal opportunity for all members of the society" (Al-Roubaise & Sarea 2019).

In this regard, there are numerous international efforts, such as the United Nations Convention on

the Law of the Sea 1982, Convention on Biological Diversity 1992, United Nations Framework Convention on Climate Change 1992, Vienna Convention for the Protection of Ozone Layer 1985 and related protocols for preventing pollution and protecting the environment worldwide (Kiss & Shelton 1991). For a pure and clean environment Ayat 28 of *Sura At-Taubah* prescribes, “O you who believe! Truly the Pagans are unclean; so let them not, after this year of theirs, approach the Sacred Mosque. And if you fear poverty, soon will Allah enrich you, if He wills, out of His bounty, for Allah is All knowing, All-wise” (al-Qur’an: 9:28). A better environment is therefore highly instrumental for ethical-legal effectiveness, socio-economic efficiency and growth in business and investment.

METHODOLOGY

The proposition of this study is a newly emerged concept derived from existing international socio-economic condition and phenomenon. Globally, there are several ethical-legal and socio-economic challenges. After analyzing these literatures, this study has identified that ‘Islamic economic diversification’ is an innovative instrument to preserve ‘environment-friendly sustainable green economy’. Numerous national, regional and international organizations with respective governments are contributing on that direction. However, there always exists inequality or disparity -either through economic scarcity or with environmental problem. Therefore, in order to integrate this gap, this study has applied qualitative research method. This research has evaluated as well as justified its proposition by conducting a few case studies in relevant contexts, while maintaining a focus on the ethical-legal and socio-economic perspectives.

In order to achieve the research aim and objectives, this paper has also adopted a document analysis method (Shafie, Zain & Ghani 2020), which is based on secondary sources. To analyze and prove its argument in any given area, various books, journal articles, working papers, reports, online publications, web sites as secondary sources are also analyzed, reviewed, scrutinized, browsed, and explored. In each relevant sector, this study has also reviewed several primary sources, such as legislation, treaties, and conventions.

As the proposition of this article is a newly emerging concept, there is limited information in the literature. Though often outdated, a number of studies and related items have been reviewed in order to analyze the proposition and consider each item’s relevance. The contemporary literature with international significance has also been reviewed. This is purely individual effort without funding from any sources and any other support. However, every effort has been made to thoroughly evaluate and justify each argument presented in this article.

RESULTS AND DISCUSSION

Poverty, environmental pollution, concerns with globalization and challenges of SDGs are international problems. There are economic disparities and inequality between and among countries undoubtedly, there is also a lack of consolidated and comprehensive national, regional and international efforts to reduce such disparity or inequality to a tolerable level. Therefore, this article suggests mechanisms for preserving ‘environment-friendly sustainable green economy’ by facilitation of ‘Islamic economic diversification’ that would be able to reduce possible obstacles and would pave the way for achieving SDGs. Many efforts could be considered theoretical and without any practical contribution. Nevertheless, this study argues that each and every theoretical articulation is a scholarly contribution with some practical implications. For the globalization and free trade or free market economy, it is essential to have equal economic, financial and environmental conditions.

Objective of this study is the preservation of environment-friendly sustainable green economy via area and sector based economic diversification that is *Shari’ah*-compliant. Consequently, the proposition of this article is that efficient production and where required allocation of Islamic economic diversification has the potential to improve the economy and preserve the environment by addressing all these international concerns and complexities. The significance of this study is that it would contribute by building connectivity between and among well-established regulatory framework, more advanced human capital, better risk management practices with an efficient and need-based, cost-effective as well as profit-oriented Islamic economy for implementing ‘environment-friendly sustainable green economy’.

ISLAMIC ECONOMY: LAW, RULES AND REGULATIONS

Without proper understanding and implementation Islamic economy, *Shari'ah* law would be incomplete. Otherwise, it could be argued that pillars of Islam cannot be enforced comprehensively nationally and internationally with true meaning and effects. Before discussing and analyzing the law, rules and regulations of Islamic economy, it is therefore essential to understand what 'Islamic economy' refers to, how far it is relevant with economic diversification process and why 'environment-friendly sustainable green economy' is required to be enforced via *Shari'ah*-compliant way. When and where would 'Islamic economic diversification' be consistent with an environment-friendly sustainable green economy? Which method or strategy would implement these objectives?

The source of Islamic economy is Quranic law. According to the Holly Qur'an Islamic economy is founded on Islamic business, trade and commerce. *Ayat 29, Sura Fatir* provides, "Those who rehearse the Book of Allah, establish regular prayer, and spend (in Charity) out of what [Allah] have provided For them, secretly and openly, Hope for a Commerce That will never fail" (al-Qur'an:35:29).

Here is a metaphor from Commerce. The Charity of honest man or woman comes not merely out of superfluities, but out of "what Allah has provided" for him or her. Allah SWT therefore recognizes two things: (1) that wealth of man or woman (literal and metaphorical) is not his or her absolutely, but that it is given to him or her by Allah SWT; and (2) that he or she must deny himself or herself the use of some of it, as a merchant puts by some of his or her wealth to invest as capital. Only, the commerce of honest and pure man or woman will never fail or fluctuate; because Allah SWT guarantees the return and even adds something to the return out of Allah's own bounty. That is Allah SWT gives more than ever our merits deserve (Ali 1937).

Based on Quranic law Islamic business, trade and commerce is the building block of Islamic economy. *Ayat 182 of Sura Shu'araa* prescribes that "And weigh with scales True and upright" (al-Qur'an 26:182). There are also sources and pillars of *Shari'ah* law derived from the Holly Qur'an which delimit and define Islamic economy. For instance, the *Shari'ah* law permits lawful or *halal* food, fruits, meats, drink (al- Qur'an:2:168,172;5:5,91,99; 6:141-142), cleanliness and purity (al-Qur'an:4:43;5:7), decent fashion, style (al-Qur'an:24:30-31), benevolent

loans and or grants (al-Qur'an:2:245,280;73:20)and trade practices for every Muslim that are sanctified due to its socio-economic benefits and for scientific reasons (al-Qur'an:62:9-10).

In an Islamic economy *riba* or interest (al-Qur'an: 2: 275), *gharar* or uncertainty, ambiguity or deception (al-Qur'an: 26: 181), bribery (al-Qur'an:2:188), fraud (al-Qur'an:83:1-4), forbidden food, meats (al-Qur'an:5:4; 6:119,121,138,145), intoxicating drug or liquor, wine and gambling (al-Qur'an:2:219; 5:93-94; Hassan 2011) including lottery, raffle practice, division of meat by raffling with arrows: that is impiety are prohibited (al-Qur'an:5:4), because resources couldn't be gained without any effort. According to *Ayat 275* of Sura *Baqara*, "Allah hath permitted trade and forbidden usury (*or riba*)".

Debt-based financing, asymmetrical information in a contract, dealing in sinful and socially irresponsible activities, financing in prohibited commodities, and investing in transactions that may lead to exploitation to any party are strictly discouraged and therefore, these are prohibitory activities in Islamic economy (Gait & Worthington 2007).

Islamic economic law defines ethical norms such as, regulation regarding speech and intelligence (al-Qur'an:2:204;55:4), gesture, posture, movement and governs economic behavior, such as, work, service, transaction and profession. The scope of Islamic economic law is to guide human conscience by permitting or restraining action or inaction, such as, upholding ethics, right balance in price, quality, weight, supply, and availability (al-Qur'an:55:7-9). An important objective of Islamic economic law is to ensure peace and prosperity. While conducting financial transactions, it is encouraged to prefer an Islamic economy, which is also known as environmentally friendly sustainable green economy. This will strengthen and enforce permissible attributes and practices. The permissible attributes of Islamic economic law, rules and regulations promote obedience and prohibit or restrict disobedience (Grewal 2015; Khan 2014).

Unethical activities (Ali 1937) are also prohibited in *Shari'ah* law, such as slander, *zina* or adultery (al-Qur'an: 24: 2-3), unethical relations, scandal published broadcast (al-Qur'an: 24: 19), pornography, immoral work and illegal business. *Shari'ah* law provided due regards and limits about interpersonal family and social relations. Modesty and privacy in the home is a nurse of virtue and should be respected (al-Qur'an: 24: 27-28), with

dignity and decorum guarding our eyes and thoughts with rules of modesty in dress and manners (al-Qur'an: 24: 30-31). True marriage should teach us chastity and purity, and such are virtues which lead us to the light sublime which illuminates the world (Ali 1937). Sharing correct information and news with due respect (Ali 1937), as well as care and the conventions of propriety and privacy (Ali 1937), is another basic value of Islamic economic law.

Ethical strength and moral values are core elements for excellent quality education by way of developing characters. Such character education is a reformative process incorporated into the curriculum. Learner-centered quality education is an effort to develop the young generation by raising or building well-behaved, modest character, with better thinking abilities and sobriety. Such enhanced personalities would use knowledge and skills to become people with quality traits that will be the asset of the nation in the future (Kasim, Yusoff & Mansor 2021). This will ensure accountability and transparency.

Accountability, in other words, means absence of corruption, embezzlement, misappropriation, and or defrauding while performing private or public service. This is the quality or state of being responsible for assigned act or omission at the individual or group level, with the utmost satisfaction in both the public office and the recipients of the service (Kamal 2022).

Ayat 181 of *Sura Shu'araa* prescribes "Give Just measure, and cause no loss (To others by fraud)". Those commercial people who commit fraud, injustice and wrongful mischief (by intermeddling with others), they are asked to fear Allah SWT and follow His ways. Allah SWT created all mankind and there are predecessors among mankind who never prospered by fraud and violent wrong-doing, but only by justice and fair dealing (Ali 1937).

From the above discussion it could be argued that Islamic economics is chiefly founded on the Holly Qur'an revealed to Prophet and *Rasul* (Allah's Peace Be upon Him) and the *Sunnah* or *Hadith* – excellent example (*uswah hasanah*) of his talking, behaviour, action and teaching – who was mercy for all creatures (*Rahmahli'l-amin*) (al-Qur'an: 21:107) not only for Muslims but for the entire world. Islahi encouraged and emphasised to receive and implement the benefits of Islamic Economics that are enlightened by the Holly Qur'an and *Sunnah* those become blessing for the whole planet (Islahi 2015).

AREA AND SECTOR BASED ISLAMIC ECONOMIC DIVERSIFICATION: INTERNATIONAL PERSPECTIVE

Efficient production and allocation of funds across the regions would bring mutually reinforcing gains. This would also spur the growth of the Islamic finance industry of the countries involved in the diversification of Islamic economy at both the micro and macro level. Moreover, in line with the view of World Bank, financial inclusion and access to finance can boost job creation, raise income, reduce vulnerability, and increase investments in human capital (Grewal 2015). Islamic economy and finance consider financial inclusion by way of risk-sharing and redistribution of wealth among society (Zamir 2015), therefore, has the potentials for enhancing economic diversification process. This process of diversification could be spread regionally and internationally focusing territorial needs and potentials, such as in the village, union, district, and state levels. Islamic economic diversification could be enhanced by increasing investments in different areas as well as sectors internationally. Area and sector-based Islamic economic diversification is described below.

1. Gardening and Agriculture

Gardening and agriculture is the foundation for each economy. The development of botany, gardening and or agriculture is derived from the Holly Qur'an (al-Qur'an: 6:95,99,141; 56:28-33) and is highly encouraged in an Islamic economy (Sadeq 1987). The Muslim world consists of nearly 2935 million hectares (some 22 % of the world) land areas (Majoka, Sahibzada & Saeed 2012). Joint intra-OIC socio-economic action has aimed for sustainable agricultural and rural development. 26 OIC Member States are among the largest producers of major agricultural commodities on the global level (Eighth OIC Ministerial Conference on Food Security and Agricultural Development 2021; Majoka, Sahibzada & Saeed 2012). Agriculture is one of the priority sectors of the UNGA (the Agenda) 1996 the International Year for the Eradication of Poverty (Salih 1991).

The IFAD Agricultural sector development connects rural farming for growing resources (IFAD 1976) and the FAO is contributing in the efficiency of production and distribution of all food and agricultural products (FAO 1945). There are a few North African countries which have

diversified revenue sources from its internal sector (such as, agriculture - GDP of Ghana 18.3%). The growth in agricultural mechanization in Cote d' Ivoire is also impressive, and advanced agricultural activities have created room for new investments and employment opportunities in Ghana and Cote d' Ivoire (Gisaor & Gwandzang 2020). In Uganda in 2005-2006, around 85% of jobs were generated through agricultural production, which contributed 42% of GDP and 80% of export earnings (Vaghefi, Siwar & Aziz 2015).

2. Infrastructural Development

There are benefits of infrastructural development and most pertinently the casual links between infrastructural development and economic diversification. Economic diversification is an easily achievable strategy that facilitates varieties of economic activities through infrastructural development for the people. In the same vein, it was expected to help tackle a number of economic issues or challenges (Gisaor & Gwandzang 2020). Any investor or builder needs reliable infrastructure to plan and organize production and timely delivery.

Islamic finance or investment with such economic diversification provides sustainable financial sources that would fulfill the demand for infrastructural growth. A reliable build-in infrastructure, such as sustainable green building, roads, water, sewerage facility, emergency services (Gisaor & Gwandzang 2020), electricity, network towers, transport, and sea-shore areas would be able to provide uninterrupted production and better service. This would be well-aligned with economic, social and environmental priorities. Islamic economic law provides a scope for the adjustments required for such alignment.

3. Transport and Communication

Arranging better transport facilities such as, inter-city bus, train, plane, and subways, and modes of communication such as, roadways, highways, railways, waterways, airways, platforms, ports, ferries, terminals, stations, airports, flights, and travel facilities allows the secure and timely delivery of goods and services, easy movement of people or travelers. In an Islamic economy, the development of industry, trade and business (Sadeq 1987), including manufacturing industries, transportation and communication that cater for the needs of the people is considered a religious obligation (Sadeq

1987). This is thus suggested by scholars for better prospective products and services.

4. Intermittent Electricity Supply

Electricity supply services are essential for any economy. Socio-economic development can be facilitated by the presence of intermittent supply of electricity. Upgrading existing facilities in Asia and elsewhere requires substantial amount of investments. Islamic finance shows promising potentials for infrastructure financing (Grewal 2015). Public utilities enable effective economic activities (Gisaor & Gwandzang 2020) and agricultural as well as industrial development. *Shari'ah*-compliant finance should be committed to enhancing power-efficient technologies, products and services that would provide intermittent electricity supply at affordable prices.

5. Scientific Knowledge Base and Technological Readiness

Worldwide technical experts and scientists are inventing innovative technologies. *Shari'ah*-compliant scientists and technical experts are renovating technologies for beneficial purposes. Investment in science and technology is critical to improving existing capacities. For Instance, Islamic Finance as a part of innovation has introduced Fintech to significantly enhance the institutional operation, efficiency and effectiveness through manifesting Islamic values in enhancing better financial practices leading social justice to real prosperity (Is DB KL Centre of Excellence & UNDP 2023). In addition, "Green Technology Financing Scheme (GTFS) is a Malaysian Government initiative to encourage investments which may lead to economic growth and achieving a sustainable development" (Vaghefi, Siwar & Aziz 2015). These technologies are innovative tools that could potentially help to achieve the SDGs.

6. Information and Communication Technologies (ICTs)

"Information and Communication Technologies (ICTs) generally refer to technologies that are used to process information and facilitate communication" (SESRIC 2016). ICTs, the internet and networking share various inventions and must strive to be generated from individual knowledge bases. Foreign consultants and knowledge can be

hired and shared; however, experts and technicians should be sustained from own human capital and resources. Automation should be facilitated with human capital involvement for human resource development and *vice versa*. This is rational for SDGs, as the global economy and environment are supposed to be guided by human capital or resource invented ICTs in *Shari'ah*-compliant ways.

7. Energy and Renewable Energy

Islamic finance invests in renewable energy projects which are environment-friendly (Al-Roubaie and Sarea 2019). The urgency of conservation and enrichment in the availability of renewable energy sectors, such as hydropower, geothermal, solar energy, biomass, leaves, vegetation, wind, and ocean are emphasized in Islamic economies. The value chain of renewable energy starts with its source and the identification, processing, utilization, development and conservation for various sectors, such as for household, transportation, industrial, and commercial needs.

There are exemplary roles of *Shari'ah* economy and finance in the renewable energy sectors (Iskandar, Usman & Shaharuddin 2021). For instance, Malaysia's policy framework in energy development is gradually enhancing the fossil fuel supply and diversifying renewable energy sources. The energy efficiency and renewable energy is promoted and supported under this policy (Vaghefi, Siwar & Aziz 2015). The Islamic Development Bank also plays a catalytic role in promoting renewable energy sectors, with solar energy in particular, as a part of its sustainable energy development, as well as an alternative source to conserve fossil fuels (Is DB 2018).

8. Land and Water Resources

Global resources consist of one-third land, including forests, non-cultivated areas, cultivated areas, and deserts, and two-thirds water resources, such as springs, surface water, groundwater, freshwater, saltwater, and rain. Human qualities could enhance economic and environmental products and sustainability. For example, Uganda has contributed to organic agricultural production by developing sustainable agriculture to improve its people's livelihood (Vaghefi, Siwar & Aziz 2015).

Land and water resources (al-Qur'an: 55:19-20) are important for hydropower generation, navigation, tourism, travel (al-Qur'an : 55:24;

Information Products for Nile Basin Water Resources Management 2011) and for controlling global crisis in water scarcity and desertification by way of sharing, channeling, filtering, protecting, converting and saving water resources.

9. Environment-Friendly Sustainable Green Economy

The orientation of prosperity will continue to change – increase or decrease with the passage of time and progress of human civilization. Green economic activities prioritize maintenance of religion, soul, reason, offspring, asset (Harjoni et al. 2024). Prosperity could be sustained with savings, sharing profit-loss and risk, reduction of wastage, abhorrence of greediness and dishonesty. For this type of sustainable green economy, according to *Hadith* of the great Prophet and *Rasul* Allah (Allah's Peace Be upon him): "Whoever plants trees, Allah will give him reward to the extent of their fruit." (Musnad, Vol 5, *Hadith* No 415) (Islamic Economics Project 2025).

Therefore, with such a green economy, environment-friendly sustainability has the ability to protect and preserve human dignity. *Shari'ah*-compliant human dignity is vital to preserve these goals. The green economy has identified some mechanisms for connecting these goals, such as Islamic banks earmark finance for green investment, integration of Islamic modes of financing, and equity-based green fund allocation. In addition, Islamic financial institutions can contribute in sustainable projects to support the Implementation of SDGs (Al-Roubaie & Sarea 2019).

10. Human Capital and Resource Development

Human capital and resources are the basic sources of an Islamic economy. Human resources are integral to the operation of effective entrepreneurship in order to achieve a prosperous socio-economic development (Harizan & Mustafa 2020). Optimal and efficient development of human capital and resource, with sincerity high moral standards and skill in addition to education and training are highly emphasized in an Islamic economy for accelerating production and growth (al-Qur'an:39:9;53:39; Sadeq 1987). About human resource developmental policy, Ahmed (1979) states that:

"the inculcation of correct attitudes and aspirations, development of character and personality, education and

training producing skills needed for different activities, promotion of knowledge and research, and evolution of mechanisms for responsible and creative participation by the common people in key developmental activities, in decision-making at all levels and finally in sharing the fruits of development”.

Human capital and resource development are key components of Islamic economic diversification drive. In this respect Sadeq argued that (Sadeq 1987) “all nations irrespective of their ideological leanings strive to achieve for their people a reasonable measure of economic and social well-being consistent with their national aspirations”. Islamic modes of ethical, technical, formal, quality and higher education as well as training could pave the way for better human capital and human resource development.

11. Foreign Direct Investment (FDI)

With favorable business and foreign investment rules, foreign direct investment or FDI can be increased. *Shari'ah* law encourages OIC member states, people living in non-OIC member states and various regional and international organizations to increase FDI through flexible FDI rules and policy. FDI can be enhanced in *Shari'ah*-compliant modes with sustainability, affordability and certainty. FDI inflows would be able to enhance productivity and economic growth. *Shari'ah* law based FDI would protect the business sectors with affordable duties and fees. This factor is important to improve existing capacities.

MODEL ECONOMIES WITH PROBLEMS AND PROSPECTS OF ISLAMIC ECONOMIC DIVERSIFICATION

Three case studies in Muslim countries have been conducted, by selecting three model economies and considering their problems and prospects of Islamic economic diversification. All the economies are from Asia, because significant socio-economic and environmental growth factors exist in this region. However, from natural and human resource perspectives, this is one of the most important continents. The case study analysis will determine how far economic and environmental challenges could be rationalized through Islamic economic diversification.

These economies have local, regional and international contribution for economic diversification for preserving ‘environment-friendly

sustainable green economy’ in *Shari'ah*-compliant way. Each economy has preferred own methods and strategies to implement such objective.

Case Study: Bahrain

By way of diversifying its economy, several important steps have been taken in the Kingdom of Bahrain (Hvidt 2013). Among GCC countries, Bahrain is a small territory in terms of size, population and oil production. Vision 2030 plan has diversified the economy of Bahrain by recognizing the significance of productivity of both private and public sectors (Nakibullah 2018).

According to this plan enough new jobs will be created with a view to secure employment for the fast growing and well-educated Bahraini workforce in terms of both quality and quantity. Tourism, business services, and manufacturing will contribute as income earning sectors as per the plan. Private sector will contribute through neo liberal economy. Additionally, the public sector will perform by improving and investing in human capital development through education and training, particularly in the field of applied sciences. Meritocracy will be encouraged with hard work and talent being rewarded with success (Hvidt 2013).

The Bahrain-based Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI) has contributed as a key global body in the growth of internationalization of Islamic finance industry and architecture (Grewal 2015). That is how economy of Bahrain is diversifying in *Shari'ah*-compliant way for preserving ‘environment-friendly sustainable green economy’ according to the level of resource and efficiency the economy possesses.

Case Study: Malaysia

Another glorious example of sustainability in Islamic finance is the government of Malaysia, who has played an instrumental role in the development of Islamic economy and environmental protection by globalizing its multidisciplinary products and services. The role of Islamic economic diversification could be assessed with evaluation of Country Head, CIMB Group (Ghani 2015: 98):

“The emergence of Islamic finance is considered one of the important events of the millennium, an event that to a certain extent has contributed to the dynamics of the world’s economic and political changes. The paradigm shift has the potential to forge greater international financial linkages between countries, particularly among

the Islamic countries. Islamic finance can contribute toward a more optimum allocation of wealth across borders and help the world's Muslim population participate more actively in financial and economic activities. The regulatory, legislative, tax, and supervisory frameworks established in Malaysia for the Islamic finance industry can be seen being emulated by many countries all over the world."

The journey starts with "the pilgrims (*Hajj*) Fund Corporation (PFC) enabled Malaysian Muslims to save gradually and invest in *Shari'ah*-compliant instruments, with the purpose of supporting their expenditures during the *Hajj* period (pilgrimage)" (Hussain, Shahmoraadi & Turk 2015). In 2012, the PFC had eight million account holders and deposits of more than \$12 billion.

In the area of environment-friendly sustainable green economy, Malaysia is planning to implement holistic approach with various segments participation for the proper implementation of energy efficiency imperatives. The country has its renewable energies, such as solar panels and biofuels. A comprehensive approach and effective implementation would be able to reduce dependency on fossil fuels as it would prevent energy wastage. Such an approach would also enhance efficient energy consumption and improve renewable energy production by reducing CFCs emission, environmental degradation, and by saving costs as well as improving energy security and economic sustainability adopting energy efficiency measures (Ghazali, Zahari & Karim 2023). These are remarkable efforts regarding commencing Islamic economy in Malaysia via protecting environment and diversifying its values simultaneously regionally and internationally.

Case Study: Bangladesh

The real economy and equity-based commercial as well as financial transactions reward performance and prohibit uncertain business or ambiguous contract which is void under *Shari'ah* Law. Constitutionally Bangladesh is neither an Islamic country nor its economy is based on Islamic *Shari'ah*. Nevertheless, Islamic economic diversification could benefit this territory by dealing with problems regarding poverty, environmental pollution, globalization challenges and targets to achieve SDGs within limited time span. The country has huge prospect for preserving environment-friendly sustainable green economy via Islamic economic diversification, although infrastructural, regulatory

and legal framework, human resource development would create possibilities or obstacles depending on how it would be enforced.

Recognizing the mission to reduce poverty levels and enrich the standard of living, the growing preference and opportunities for Islamic microfinance are promising in Bangladesh. A large burgeoning Muslim population have role to perform to achieve this vision. In similar economies in Asia are performing well in that direction. Moreover, the people of Bangladesh are well known for waqf contributions, including the Haji Mohammad Mohsin Trust, Hamdard Laboratories (Waqf) Bangladesh, and most importantly Anjuman Mufidul Islam (Iqbal 2015).

Quality governance, economic and commercial diplomacy, Export Processing Zones, industrial parks, foreign investments in telecommunication and textiles contribute to strengthening the positive correlation between FDI inflows and exports that are playing an important role in Bangladesh in the long run in reducing the deficit in the country's trade balance (Hossain 2008). *Shari'ah*-compliant FDI in these sectors could yield better results with 85%-90% *Shari'ah*-compliant resources.

With Islamic economic diversification it is possible to commence national *Hajj* saving schemes and *Zakah* Fund and raise equity fund for every capable Muslim citizen. "Islami Bank Bangladesh Limited offers welfare deposit schemes for *Waqf* and *Hajj*" (Saqib 2014). *Hajj* is an international assembly for entire Muslim brotherhood from different parts of the world. In observing religious rituals, people are prone to contribute to the economy and environment.

The International Development Association-funded for off-grid electricity services expansion through Rural Electrification Board of Bangladesh with the primary support from *Palli Bidyut Samities* (Rural Electricity Consumer Cooperatives) for grid extension (the World Bank 2003). To enhance this growth with conventional system, rationalization of power tariff and improvement of power sector management is essential for accelerating uninterrupted power supply throughout the region in *Shari'ah*-compliant way.

A seminar titled "Prospects and Challenges in the Development of Islamic Finance for Bangladesh" held 23-24 September 2013 in Dhaka argued that "Bangladesh can demonstrate the vitality of Islamic finance as a means of greater financial inclusion" (Saqib 2014).

The economy as well as industry is built up with the laborious efforts and contributions of people and institutions passing several trials, errors or sacrifices by continuous effort of progressive relentless journey. These model economies play exemplary roles, both combined and sector-wise, in the area of Islamic economic diversification for many countries in the global economy.

CONCLUSION

As most of the resources for socio-economic development must be generated internally at first, then expand gradually at the global level, the commitments and attitudes of the decision makers are very significant. No state can plan for improved rule of law and socio-economic conditions without associated expansion of its economic base, standards of living, cooperation and coordination among various sectors with ethics, conscience and a people-oriented approach.

Islamic values of equality are committed, transparent and accountable to its ideal principles of mobilization of resources and expansion of skills. Therefore, Islamic economic diversification and environmentally friendly sustainable green economy would be able to attain better efficiency in institutional quality and infrastructural progress.

There is a core linkage between *Shari'ah*-compliant investment and qualitative sustainable development. *Shari'ah*-compliant investment contributes not only to the enforcement of ethical business transactions, but also to sustainable development of the Islamic economies. Environmental protection fosters economic growth by providing a supply of environmental resources to meet basic needs and enhance social welfare by sharing prosperity (Al-Roubaie & Sarea 2019).

An Islamic economy considers resources from the perspective of 'adequacy' rather than 'scarcity'. According to the Holy Qur'an, humans are created with inborn nobility, moral and spiritual capacities and with beautiful forms as well as shapes (al-Qur'an: 40:64;95:4;96:3-5). As the best creation, the periphery of human personality is also equipped with universally honored moral qualities. Nurturing and nourishment of this scope of human personality with improved technical know-how would provide persistent means and ways to restore the natural state of adequacy rectifying excessive scarcity

by controlling disproportionate needs (Khan 1984AD/1404H).

Islamic economics by way of its diversification for preserving environment friendly sustainable green economy is a time relevant, promising and ever growing subject matter both theoretically as well as practically for future research. Islamic economy is stable and certain even in adverse situation. Islamic economics have contributed towards global economy as well as environment and this has been supported by several case studies. Discussion about area and sector based diversification process provided scope for future research. It is essentially required to be connected with globally accepted green economy for preserving environment in *Shariah*-compliant way. In addition, this study has argued that with this continuous diversification process, benefits of Islamic economics with protection of environment would provide horizontal, vertical, curve and circle growth and advancement that would also open horizon for further research.

Environmentally friendly sustainable green economy would roll the entire system with required ethical norms and legal regulations. Human resource or capital is the base in this system and would yield the desired outcome where related institutions, infrastructure, suitable environment, better finance, time and labor force would be provided. The entire world community is living under one roof of web-based global environment (al-Qur'an: 29:45-51; 30:30), where the way of al-Qur'an for global economic stability could provide contribution for the rest of the world. Islamic economic diversification has the objective of contributing in the process of globalization. To ripen its benefits Islamic economic diversification deserves support to expand its contributions and enhance its investments.

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