

## LEGAL ADEQUACY OF GREEN ZAKAT ENVIRONMENTAL IMPACT REPORTING IN INDONESIA

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### ABSTRACT

*This paper examines the normative adequacy of Indonesia's zakat legal framework in mandating transparency and environmental-impact reporting for "green zakat" programs. It draws comparative insights from Malaysia's dual structure of zakat regulation and Islamic sustainable finance to propose an integrated legal standard for ecologically accountable zakat governance. The study employs doctrinal legal research combined with functional comparative law. It undertakes a systematic analysis of Law No. 23/2011 on Zakat Management and its implementing regulations, reads them alongside Law No. 32/2009 on Environmental Protection and Management, and contrasts the Indonesian setting with Malaysian state zakat enactments and federal-level frameworks on value-based intermediation, green sukuk and Islamic SRI. The findings show that Indonesian zakat law has significantly institutionalised financial and social transparency but remains normatively silent on environmental reporting. In contrast, environmental law and sustainable finance regulations operate in a separate, parallel regime. Malaysia exhibits a similar gap for zakat, but its more advanced Islamic green finance ecosystem demonstrates that integrating environmental objectives into Islamic financial governance is both doctrinally sound and operationally feasible. The analysis is confined to textual and policy sources and does not empirically measure implementation or institutional capacity, suggesting the need for future empirical and mixed-methods research. The paper proposes concrete elements for statutory and regulatory reform, including explicit environmental reporting obligations, maqāsid-based indicators and tiered implementation for zakat institutions. Highlights the broader societal or community impact. Strengthening environmental impact reporting for green zakat enhances public trust, mitigates greenwashing risks and aligns Islamic social finance with broader sustainability agendas. This study is among the first to assess the legal adequacy of green zakat environmental reporting and to construct a maqāsid-grounded, comparative legal framework for ecologically accountable zakat governance.*

**Keywords:** Green Zakat; Environmental Impact Reporting; Islamic Law; Sustainable Governance; Comparative Legal Analysis.

### I. INTRODUCTION

Environmental sustainability is one of the most pressing issues in global development governance. Numerous reports indicate that the rate of environmental degradation, increasing greenhouse gas emissions, and natural resource degradation is outpacing the ability of legal and institutional regimes to respond effectively (Fahmi, 2025; Falikhatun et al., 2020). Indonesia, as a country with both vast biological resources and high vulnerability to climate change, faces a paradox between the need for economic growth and the obligation to maintain environmental quality. On the other hand, Indonesia also

has the largest Muslim population in the world and has enormous zakat potential, estimated at hundreds of trillions of rupiah per year. However, the collection has not yet reached 5% of this potential (Ayuniyyah et al., 2022; Sabri et al., 2024). This potential opens the door to strengthening Islamic social finance instruments, particularly zakat, as a sustainable financing mechanism for environmental protection and restoration programs.

From an Islamic legal perspective, the relationship between humans and the environment is powerful. The concepts of *khilāfah* (humanity's role as vicegerent on earth), *amanah* (trust), and *maqāsid al-sharī'ah* (obligatory duties), which develop from five main objectives (*ḥifz al-dīn*, *ḥifz al-nafs*, *ḥifz al-'aql*, *ḥifz al-māl*, and *ḥifz al-nasl*), are increasingly being developed to include environmental protection (*ḥifz al-bī'ah*) as a crucial dimension (A. B. Abdullah & Abdullah, 2017). Various previous papers have shown that zakat, *infaq*, alms, and *waqf* are no longer understood solely as instruments of social redistribution, but also as instruments for financing sustainable development that can target environmental sectors, such as renewable energy, waste management, and sustainable agriculture (Dirie et al., 2024; Raimi et al., 2024; Tok et al., 2022). Fahmi's (2025) paper demonstrates that Islamic social finance has significant potential to support the environmental sustainability agenda. Still, it faces normative, institutional, and regulatory barriers, including the lack of a legal framework that explicitly mainstreams environmental issues in program design and reporting.

The concept of "green zakat" emerged as an effort to reinterpret and reorient the utilization of zakat by incorporating the goals of environmental protection and restoration into the framework of *fi sabilillah*. Normative and policy studies indicate that green zakat is positioned as a form of productive zakat development directed, among other things, at financing organic farming, tree-planting programs, renewable energy in poor communities, and community-based waste management innovations (Ma & Sukmana, 2025; Tok et al., 2022). Kusuma's paper demonstrates that zakat institutions can integrate green economy principles, such as sustainable natural resource management, waste reduction, and renewable energy, into their programs, generating positive social and ecological impacts. These findings confirm that zakat institutions (LAZ) can be important actors in supporting the transition to a green economy, provided they have appropriate program design and adequate regulatory support (Kusuma et al., 2025).

At the management level, public trust in zakat institutions remains a persistent challenge. Mutaqin and Yandri's paper shows that the transparency of zakat institutions is closely related to their ability to collect ZIS funds. Institutions with high transparency tend to show an increasing collection trend each year (Mutaqin & Yandri, 2024). The paper also found that one of the main factors influencing zakat payers' trust is information transparency, particularly regarding financial reports and fund utilization programs that are easily accessible to the public. Another paper on good *amil* governance (GAG) emphasized that the dimensions of transparency, accountability, participation, and sharia compliance are pillars that determine the efficiency and effectiveness of zakat institutions. Ninglasari and colleagues found that the implementation of sound *amil* governance principles has a positive impact on the efficiency of zakat institutions in Indonesia, as well as reducing the risk of misallocation of funds and practices that approach moral hazard (Ninglasari et al., 2023).

However, transparency, which has been the focus of studies and practice, is generally limited to financial aspects (financial reports) and socio-economic performance (social performance). In contrast, the environmental impact of programs has not been systematically reported or regulated. Law Number 23 of 2011 concerning Zakat Management and its implementing regulations demonstrate that the legal

framework places greater emphasis on institutional management, collection and distribution mechanisms, and financial accountability, but does not explicitly regulate the obligation to disclose the environmental impact of zakat programs, including green zakat. This has resulted in the development of zakat programs directly related to natural resource management, waste management, or environmental rehabilitation, based on internal institutional policies and normative fatwas, without a clear legal framework for reporting standards, environmental performance indicators, or oversight mechanisms.

On the other hand, Law Number 32 of 2009 concerning Environmental Protection and Management, the AMDAL instrument, and the environmental performance rating program (PROPER) have developed relatively advanced environmental reporting and disclosure practices in the corporate sector. This paper on the relationship between corporate governance, environmental performance, and environmental disclosure in public companies in Indonesia shows that the existence of strong governance mechanisms is positively correlated with the quality of environmental disclosure (Ratmono et al., 2021; Razieh Adinehzadeh et al., 2018). A study of companies participating in PROPER found that good environmental performance tends to be mediated by effective governance structures and higher-quality environmental disclosures. In this context, the zakat sector can actually learn from sustainability reporting practices in the corporate sector, particularly regarding indicator formulation, verification mechanisms, and external oversight (Abedin et al., 2023; Utomo et al., 2020).

Sustainability reporting regulations in Indonesia have also undergone significant development, for example, through the Financial Services Authority (OJK) regulation on sustainable finance (POJK 51/2017) and the requirement for financial services institutions, issuers, and public companies to prepare sustainability reports. Several legal and policy papers have assessed that the mandatory disclosure regime for CSR and sustainability reporting has not been fully effective in driving changes in corporate behavior, due in part to overly general provisions, weak oversight, and the lack of systematic linkages with SDG targets. Windari and Dewi's paper found that the reporting obligations stipulated in the 2007 Limited Liability Company Law and POJK 51/2017 have not resulted in optimal CSR implementation, and environmental disclosure remains far from adequate. They advocate for a more detailed and measurable reformulation of disclosure policies, including those related to ecological content and indicators (Windari & Dewi, 2024).

However, we found several significant gaps in the mandatory environmental and sustainability reporting framework, which is primarily designed for business entities (limited liability companies and financial institutions) rather than religious nonprofits such as BAZNAS and LAZ. Zakat institutions are typically subject to the zakat legal regime, foundation law, and other specific regulations. However, they are not explicitly subject to environmental impact reporting obligations, even though they implement programs that directly affect the environment. This is where a significant regulatory gap emerges: first, from a zakat legal perspective, there is no norm explicitly requiring LAZ/BAZNAS to report the environmental impact of green zakat programs; second, from an environmental and corporate legal perspective, zakat institutions fall outside the scope of the mandatory environmental disclosure regime applicable to the business world. Consequently, a regulatory grey area exists in which green zakat activities thrive without transparency obligations or standardised environmental reporting.

Recent studies that focus on the development of the green zakat concept also show that normative-theological approaches and macro policies still dominate the discourse, for example, the proposed green zakat regulatory framework to support the transition towards a green economy, without outlining in detail the environmental reporting and accountability instruments that zakat institutions must

carry out (Azmi, 2023; Dirie et al., 2024; Harun & Rahmat, 2025). Several papers propose revisions to zakat regulations to accommodate the funding of environmental projects, or the development of sustainability indices for Islamic social finance programs, but almost none specifically examine the adequacy of the existing legal framework in requiring transparency and reporting of the environmental impact of green zakat programs (Abojeib et al., 2025; Rosman et al., 2022; Tok et al., 2022; Widiastuti et al., 2022). At the global level, the literature on Islamic social finance and the SDGs strengthens the argument that Islamic social finance instruments can contribute significantly to the achievement of sustainability goals, including climate and environmental goals (Abdul Khir et al., 2025; Dirie et al., 2024). In contrast, papers on zakat and zakat institutions talk more about aspects of trust, financial transparency, internal governance, and distribution effectiveness (Mutaqin & Yandri, 2024; Ninglasari et al., 2023). However, neither these studies nor other research on zakat transparency has developed a reporting framework that incorporates the environmental dimension as an integral part of institutional accountability. This is true even when zakat programs are geared toward supporting environmental agendas, such as productive zakat practices for organic farming, waste management, or renewable energy. These environmental impacts are not presented in standardized reports, making it difficult to assess whether the program has truly contributed to reducing emissions, improving environmental quality, or strengthening local ecological resilience.

This clearly demonstrates a research and regulatory gap. First, from an academic perspective, there is little research examining the adequacy of the existing zakat legal framework, whether at the level of laws, government regulations, or ministerial regulations, that explicitly mandates transparency and reporting of the environmental impact of green zakat programs. Existing studies generally focus on the normative proposal that zakat can be used for environmental purposes, without examining whether and how ecological reporting obligations can be derived from these norms. Second, from the perspective of administrative and environmental law, there has been no comprehensive study comparing environmental reporting standards in the corporate sector (e.g., under PROPER and POJK 51/2017) with those required for zakat institutions. Consequently, the opportunity to adopt sustainability reporting principles in zakat governance remains untapped. Third, from the perspective of good governance theory and the principle of public accountability, the discourse on the accountability of zakat institutions remains highly anthropocentric (focused on benefits for humans and specific social groups) and has not integrated the ecological accountability dimension, which measures the contribution and potential negative impacts of zakat programs on the environment.

Therefore, we aim to position green zakat at the intersection of three normative regimes that have so far operated relatively independently: zakat law and zakat jurisprudence (including the development of the concept of *fi sabilillah* for environmental programs), environmental law and the environmental reporting regime, and the principles of good governance and public accountability. Thus, the focus of the research is not only on whether zakat may or should be used for environmental purposes, but further: whether the existing legal framework is sufficient to require zakat institutions to report the environmental impact of green zakat programs transparently, and if not, what are the ideal legal standards for reporting that are in line with the principles of accountability and good governance.

## II. LITERATURE REVIEW

The institutional legal framework of BAZNAS, as set out in Law No. 23 of 2011, affirms its status as a non-structural government institution responsible for national zakat management, with funding sources from the APBN and Amil Rights to ensure accountability and transparency. This regulation strengthens the professionalism of zakat management but, empirically, still faces several challenges, such as insufficient regulatory support for the family-based zakat distribution approach, low public literacy about zakat, and the non-mandatory nature of legal provisions on the obligation to distribute zakat through official institutions (Pater, 2024; Yahya, 2020). This condition affects the effectiveness of BAZNAS in fulfilling its role as a strategic instrument for poverty alleviation and the transformation of mustahik into muzakki. On the other hand, increasing institutional credibility is a key factor in maintaining public trust, which is crucial for the sustainability of trustworthy zakat governance (Sawmar & Mohammed, 2021). Therefore, regulatory reconstruction aligned with Maqasid al-Shari'ah, particularly the protection of religion, life, intellect, descendants, and property, including environmental concepts, as well as the integration of digital technology and strengthening zakat literacy, is an urgent step to ensure zakat's potential can contribute significantly to sustainable development and address the environmental crisis in Indonesia (Karimullah et al., 2025; Kurnia et al., 2020).

The concept of Hifz al-Biah emphasizes the human obligation to protect and preserve the environment as a divine trust, thus becoming an essential part of Maqasid al-Shari'ah in responding to the contemporary ecological crisis (Purwanto et al., 2022). The teachings of the Qur'an, which emphasize the preservation of the balance of nature and the prohibition of damage to the earth, strengthen the normative foundation for environmental protection, including the view that the environment is part of wealth (al-mal) whose sustainability must be maintained for future generations (Mukhlis, 2022). In the contemporary context, environmental damage underscores the strengthening of Muslims' collective responsibility to maintain ecological stability. At the same time, academic discourse encourages integrating Hifz al-Biah into the positive legal framework to address gaps in classical jurisprudence on environmental issues (Sibyan & Abdillah, 2023). A systems-thinking approach helps broaden understanding of the interconnectedness of all elements of nature, resulting in policy recommendations aligned with modern science and Islamic principles in addressing challenges such as climate change and genetic engineering. Thus, while Hifz al-Biah offers a strong theological and ethical paradigm, its success depends heavily on the ability to harmonise Islamic teachings with cutting-edge environmental science and responsive public policy, thereby making a tangible contribution to sustainable ecological governance.

The accountability of reporting governance in green zakat sustainability institutions rests on principled frameworks such as the Zakat Core Principles (ZCP) and the sharia accounting standard PSAK 109, which emphasize transparency, ethics, and dual accountability to God and society (Zahara et al., 2023). However, empirical findings indicate that a gap persists between stakeholder expectations and zakat institutions' actual reporting practices, particularly regarding the completeness, clarity, and consistency of the information presented to the public (Baehaqi et al., 2025). This condition indicates that more comprehensive best-practice guidelines are needed to ensure reporting that is accountable, responsive to donor needs, and aligned with the principles of good sharia governance (Zakiy & Turahman, 2023). Thus, the accountability of green zakat institutions can be achieved only if the normative framework is strengthened through consistent implementation, increased institutional capacity, and a sustained commitment to meeting transparency and public trust demands.

### III. METHODOLOGY

We employ a normative legal approach (doctrinal legal research) with an evaluative and prescriptive orientation. Our primary focus is to assess the adequacy of the legal framework governing the transparency and reporting of the environmental impact of green zakat programs by zakat institutions in Indonesia, while simultaneously developing ideal reporting standards grounded in the principles of accountability and good governance. This approach is combined with comparative law, with Malaysia as a benchmark. Malaysia was chosen based on its shared characteristics as a Muslim-majority country, the existence of relatively established zakat institutions, and the development of Islamic financial regulations and zakat governance, which can serve as a mirror and source of normative learning for Indonesia. This research is qualitative in nature, with an explanatory-analytical and prescriptive research design. It relies not on field data collection but instead on an in-depth review of relevant legal materials and academic literature.

In this research, we analyse primary, secondary, and tertiary legal materials. Primary legal materials include Law No. 23 of 2011 on Zakat Management, regulations issued by BAZNAS and the Ministry of Religious Affairs, and environmental regulations, such as Law No. 32 of 2009. We also describe fatwas related to productive zakat management and green zakat initiatives. A regulatory-legal approach is used to identify norms of transparency and accountability, while a contextual approach explores the concept of green zakat and environmental impact reporting. To this end, we employ content analysis and normative-critical analysis. Content analysis is conducted on laws and regulations, fatwas, policy documents, and reporting guidelines to identify articles and provisions related to transparency, reporting, and environmental impact. Each norm is analysed in layers using legal interpretation methods: grammatical, systematic, teleological, and historical. A critical-normative analysis is used to evaluate whether existing norms are sufficient to establish legal obligations for reporting the environmental impact of green zakat programs, including assessing their consistency and comprehensiveness in guaranteeing the rights of muzakki (recipients of zakat), mustahiq (recipients of zakat), and environmental interests as part of the public interest. We will utilise theoretical frameworks on good governance, public accountability, and the environmental rule of law to assess the extent to which the legal framework for zakat and the environment has internalised these principles.

Therefore, the research method is expected to produce a comprehensive and in-depth analysis of the adequacy of the applicable legal framework for transparency and reporting of the environmental impact of green zakat programs, while also providing conceptual and practical contributions to the development of zakat governance more oriented towards environmental sustainability.

### IV. RESULTS AND DISCUSSION

*4.1. In this section, we examine the normative adequacy of Indonesian zakat law for green zakat environmental impact reporting.*

Law No. 23 of 2011 concerning Zakat Management and its implementing regulations demonstrate that the legal framework for zakat in Indonesia has placed transparency and accountability as a key pillar of governance. This is evident through the institutional arrangements of BAZNAS and LAZ, financial reporting obligations, audits, and state oversight mechanisms. This pattern aligns with findings from

studies examining the evolution of sustainability reporting practices and non-financial disclosures in Indonesia, which confirm that regulation plays a significant role in promoting transparency. However, the quality of disclosure does not always increase in line with formal obligations. A paper by Gunawan, Permatasari, and Fauzi shows that the trend in corporate sustainability reporting in Indonesia has increased significantly since the enactment of OJK regulations regarding sustainable finance, but the weight of environmental information still tends to be lower compared to economic and social aspects (Gunawan et al., 2022). Analogously, the Zakat Law also aims to strengthen accountability. However, its primary focus remains financial and social, neglecting the environmental impact of zakat programs, including those labeled green zakat.

A closer look at the structure of Law No. 23 of 2011 reveals that the reporting obligations imposed on BAZNAS and LAZ revolve around accountability for the collection and distribution of funds and transparency of budget use. This is further clarified in implementing regulations and reporting guidelines for BAZNAS and the Ministry of Religious Affairs. This configuration aligns with the prevailing literature on zakat institution accountability, which defines accountability primarily as transparency of financial information, compliance with sharia law, and reporting on social outcomes for those entitled to receive zakat (Rejab et al., 2023). Academic discourse on the accountability of zakat institutions is dominated by the perspectives of accounting, reporting, and disclosure, with an emphasis on the relationship between transparency, public trust, and institutional sustainability, but barely touches on the ecological accountability dimension (Baehaqi et al., 2025a; Bakri et al., 2022; Rini et al., 2021). Thus, although Law 23/2011 has been a significant milestone in institutionalizing transparency and accountability for zakat institutions, it remains normatively silent on the obligation to report the environmental impact of zakat-funded programs.

This normative limitation becomes even more apparent when the zakat legal framework is placed alongside developments in environmental governance and reporting in other sectors. In the context of Islamic finance and Islamic social finance, for example, various studies indicate a shift towards integrating environmental, social, and governance (ESG) principles and the Sustainable Development Goals (SDGs) in the design of instruments and reporting frameworks. The paper by Dirie, Alam, and Maamor asserts that Islamic social finance, including zakat, is conceptually very close to the SDGs agenda, but bridging the gap between potential and practice requires a more robust governance and reporting framework, including environmental impact measurement (Dirie et al., 2024). Sharia-based green financing is growing rapidly through instruments such as green sukuk, but environmental impact reporting standards have not been fully internalized into the legal and policy framework and still rely heavily on non-Sharia international standards (Liu & Lai, 2021; Ulfah et al., 2024). This disparity between the advancement of conceptual discourse and the stagnation of positive norms regarding environmental impact reporting is also reflected in Indonesian zakat law.

A systematic reading of the relationship between the Zakat Law and Law No. 32 of 2009 concerning Environmental Protection and Management shows that these two legal regimes developed in different contexts and operate in parallel, without complementing each other. The Environmental Law has created various sophisticated instruments, such as AMDAL (Environmental Impact Assessment), environmental permits, and PROPER (Proper). It is supported by OJK regulations regarding sustainable finance that mandate sustainability reporting for certain entities. On the other hand, the Zakat Law focuses on the institutional and socio-religious dimensions without explicitly linking zakat institutions' activities to environmental obligations. A paper by Sri Wahyuningrum and colleagues shows that the shift from

voluntary to mandatory sustainability reporting in Indonesia has led to a significant increase in the number of reports, but the quality of environmental disclosure has actually decreased, indicating that compliance is more nominal than substantive (Sri Wahyuningrum et al., 2025). This finding underscores that the existence of sophisticated environmental legal instruments does not automatically guarantee substantial internalization of ecological accountability, especially in sectors that have not yet been affected by environmental reporting obligations, such as zakat institutions.

The literature on environmental disclosure in Indonesia reinforces the understanding of the functional separation between environmental reporting obligations in the corporate sector and socio-religious institutions. Kiswanto et al. found that company characteristics, financial performance, and corporate governance variables significantly influence environmental disclosure by public companies in Indonesia. There is a pattern where companies operating in environmentally sensitive sectors tend to provide more extensive information (Kiswanto et al., 2020). After the OJK made sustainability reporting mandatory, the trend of environmental disclosure has indeed increased, but is still fluctuating in terms of quality, and many companies tend to choose safe themes such as energy and waste over more sensitive issues (Wahyuningrum et al., 2024). Gunawan et al.'s study also confirms that of the three pillars of sustainability, environmental aspects are consistently the least disclosed in depth in Indonesian corporate sustainability reports (Gunawan et al., 2022).

Within the theoretical framework of accountability and management of zakat institutions, national regulations currently emphasize the classic pillars of good governance, such as transparency, financial accountability, effectiveness, and compliance with sharia. The implementation of good governance mechanisms, including the role of a sharia supervisory board, a clear organizational structure, and a regular reporting system, is positively associated with organizational performance, particularly in terms of fundraising growth and distribution quality (Zakiy et al., 2025). Measuring the performance of zakat institutions cannot stop at operational and financial indicators alone; a more holistic accountability framework is needed to ensure quality governance and prevent the misuse of trust funds. However, the paper still places accountability in an anthropocentric context, namely the institution's relationship with muzakki (obligors), mustahik (obligors of charity), regulators, and the community, without considering the environment as an entity that also normatively deserves protection from the perspective of maqāsid al-sharī'ah (the principles of sharia).

A teleological interpretation of the Zakat Law and a maqāsid-based zakat management framework actually opens the door to incorporating environmental impact reporting obligations into a broader scope of accountability. Various studies on Islamic social finance and the SDGs demonstrate that the classical objectives of sharia (ḥifẓ al-dīn, al-naḥs, al-‘aql, al-nasl, al-māl) are increasingly understood within a more ecological horizon, where environmental preservation is a prerequisite for the long-term preservation of life, descendants, and property (Tok et al., 2022). Systematic reviews of Islamic finance for sustainable development also note increasing efforts to integrate ESG criteria with sharia principles, particularly through instruments such as green sukuk, i-SRI, and other sustainable investment products (Harun & Rahmat, 2025). Within this framework, reporting the environmental impact of green zakat programs can be viewed as a logical consequence of the sharia mandate to avoid harm and achieve sustainable benefits. Therefore, it can be constructed as part of the accountability obligation, even though it is not explicitly stated in the Zakat Law.

Correspondingly, recent literature on Islamic green finance emphasizes that sharia principles such as the prohibition of causing harm (*lā ḍarar wa lā ḍirār*), the obligation to maintain trusts, and the protection of assets (*ḥifẓ al-māl*) can serve as a normative basis for incorporating environmental considerations into the design and reporting of Islamic financial instruments. Widiastuti et al. (2022) have even developed a framework for integrating sustainable Islamic social finance, incorporating governance, regulation, and technology as key determinants of success, and implicitly requiring reporting of social and environmental impacts to ensure evidence-based policy decisions. Suppose these conceptual frameworks are brought into a teleological interpretation of the Zakat Law. In that case, it can be argued that although the law does not explicitly mention "environmental impact reporting," the general objective of zakat management to improve welfare and reduce poverty in the long term provides argumentative space for demanding accountability for the environmental dimension of green zakat programs.

However, from the perspective of legal certainty and binding force, such teleological arguments have limitations. The literature on mandatory environmental reporting shows that, without clear, explicit provisions on scope, indicators, and enforcement mechanisms, reporting obligations tend to be reduced to mere administrative formalities. A paper by Burhanuddin Harahap et al. emphasizes that without a concrete and measurable regulatory framework, the potential of Islamic finance to support the sustainability agenda will remain at the discourse level (B. Harahap et al., 2023). Although sustainability reporting is mandatory for public companies, many entities practice nominal compliance, preparing reports solely to meet regulatory requirements without improving the quality of environmental disclosure. In the context of zakat institutions, the lack of explicit regulations on environmental impact reporting makes it difficult for regulators to enforce this obligation consistently, and zakat institutions lack clear benchmarks for determining the minimum standards for environmental reporting expected of green zakat programs.

An analysis of the implementing regulations of the Zakat Law, issued by both the government and BAZNAS, also reveals a structural orientation heavily skewed toward financial compliance and social targeting. Existing reporting formats typically emphasize aggregate fund collection and distribution, program types, the number of recipients of zakat funds, and socio-economic outcomes such as increased income or the number of small businesses assisted. This aligns with findings from various studies on zakat governance, which link financial transparency, reporting quality, and good governance practices with zakat payers' trust and collection performance. The digitalization of zakat reporting and increased technology-based transparency have positively contributed to accountability and accelerated zakat growth, but the indicators used remain financial and social, omitting environmental parameters (Alshehadeh et al., 2023). In other words, even the most cutting-edge governance innovations have not shifted the accountability paradigm of zakat institutions toward measuring ecological impact.

When linked to emerging green zakat practices, such as organic farming programs, renewable energy, and community-based waste management, this lack of environmental impact reporting standards has several normative and practical consequences. First, from an environmental justice perspective, it is difficult to assess the extent to which zakat funds actually contribute to environmental restoration or potentially create new negative impacts, as the available information only describes social outputs (number of beneficiaries, business units, and so on) (Kusuma et al., 2025). Second, from an anti-greenwashing perspective, the "green zakat" label can be applied loosely without substantiation through measurable environmental impact indicators, thereby opening the door to pseudo-green projects.

Without clear reporting regulations, such good practices are challenging to replicate and to assess by regulators and other stakeholders objectively.

This analysis also reveals that current regulations on zakat institution reporting and oversight are structurally geared toward financial compliance and social targeting, rather than impact measurement. Reporting templates, audit standards, and oversight procedures focus on the propriety of fund flows, the accuracy of beneficiary categories, and overall organizational performance, but do not require quantification of environmental outcomes such as emission reductions, waste diversion, or ecological restoration. In practice, this allows “green zakat” programs to proliferate under a fundamentally anthropocentric accountability regime: success is measured primarily by revenue generation, poverty reduction, and beneficiary satisfaction, while ecological benefits and risks remain underreported and, in some cases, unexamined. Consequently, the existing Indonesian zakat legal framework can be said to be normatively adequate concerning traditional financial transparency, but not yet normatively adequate to underpin strong and enforceable environmental impact reporting obligations in the context of green zakat.

#### *4.2. In this section, we examine comparative insights from Malaysian Zakat and sustainability reporting frameworks.*

The normative structure of zakat in Malaysia exhibits a dual configuration similar to that of Indonesia, but evolved within a much more mature Islamic financial governance ecosystem from a sustainability and reporting perspective. Zakat falls under the authority of the state through State Islamic Religious Councils (SIRCs) and state zakat institutions established under their respective enactments, which are mandated to manage zakat, waqf, baitul mal, and other Islamic social funds as public-interest entities entrusted with the trust of the Muslim community. A recent study of zakat collection and distribution patterns in 14 Malaysian states shows that SIRCs have developed quite complex institutional structures and relatively well-documented financial reporting and inter-snaf distribution mechanisms, but the focus is almost entirely on financial and social indicators (collection amounts, distribution trends, disbursement efficiency) without an explicit ecological impact dimension (Punding et al., 2024). The discourse on SIRCs accountability is still articulated primarily through management ethics, board governance, and internal oversight mechanisms, rather than through measuring the environmental impact of zakat-funded programs (Haron et al., 2023).

In contrast to the state-focused zakat framework, sustainability infrastructure in Malaysia is developing primarily at the federal level through Bank Negara Malaysia (BNM), the Securities Commission Malaysia, and Bursa Malaysia, which are gradually promoting the adoption of ESG principles in both conventional and Islamic financial practices. BNM's implementation of Value-Based Intermediation (VBI), conceptually analyzed, positions Islamic banks as agents that must direct financing toward positive socio-economic and environmental outcomes, explicitly linking the maqasid al-shariah framework to the SDGs and sustainability agenda. Although VBI is formally intended for banking institutions rather than zakat institutions, it shows that Malaysian Islamic financial authorities have normatively and operationally demonstrated that integrating environmental objectives into Islamic financial governance can be done without compromising Sharia compliance, but rather by articulating it as an extension of the maqasid to encompass *hifz al-bi'ah*. In the capital markets sector, Malaysia has been a pioneer in the issuance of green sukuk and the Sustainable and Responsible Investment Sukuk (SRI Sukuk) framework, which encourages issuers to report on the use of funds and the environmental impact

of funded projects. Liu & Lai (2021) explain how green sukuk in Malaysia operate within a "green finance ecosystem" that integrates sharia standards, green classifications, and transparency expectations from global investors, while also revealing the tension between "green" claims and the quality of the resulting impact reports. Recent literature indicates that Islamic green finance mechanisms, including green sukuk and Islamic SRI, are increasingly used to finance renewable energy, green transportation, and low-carbon infrastructure projects, amid growing pressure for transparency and verification of environmental impacts (Raimi et al., 2024; Raimi & Bamiro, 2025). Although zakat is within the same Islamic social finance landscape, it has not yet been positioned within a reporting framework compatible with these green finance standards, thereby losing momentum in aligning with the existing sustainability reporting architecture.

At the level of reporting practices, research on Malaysian corporate governance shows that regulations and market pressures have successfully driven improvements in the quality of sustainability reporting, including among Islamic financial institutions and companies. Jamil et al. document that the revision of the Malaysian Code on Corporate Governance and the mandatory issuance of sustainability statements on Bursa Malaysia have contributed significantly to improving the quality of sustainability reporting, with board structure and governance mechanisms playing a crucial role in determining the depth and credibility of disclosures (Jamil et al., 2021). A similar paper explains that external stakeholders such as regulators, institutional investors, NGOs, and the public are increasingly influencing the design and substance of ESG reporting, which is encouraging companies to expand the scope of disclosure, including aspects of climate risk and resource management (Wong et al., 2023). In the banking sector, Islamic banks in Malaysia tend to highlight the social and governance dimensions in their CSR reports, but still lag in the depth of environmental disclosure compared to global practices, although an improving trend is beginning to emerge (Lui et al., 2021).

Within the same ecosystem, Islamic sustainable finance is positioned as a bridge between the *maqasid al-Shariah* and the global ESG/SDGs agenda. Papers by Raimi & Bamiro (2025) and Raimi et al. (2024) demonstrate a strong convergence between the principles of justice, benefit, and environmental sustainability with ESG pillars, while emphasizing that instruments such as green sukuk, Islamic impact investing, and Islamic SRI can be a funding catalyst for environmentally friendly projects in Muslim economies, including Malaysia. Other papers on ESG and Islamic finance highlight that ESG integration in Islamic portfolios and institutions is theoretically aligned with the *maqasid*, but still faces fragmentation of standards and variations in disclosure practices across jurisdictions (D. Harahap et al., 2022). In this context, Malaysia is often highlighted as a policy laboratory due to regulatory experiments such as the VBI and the climate taxonomy framework, which explicitly place Islamic financial institutions within the orbit of national sustainability governance.

Although the zakat framework falls outside the direct purview of the BNM and the Securities Commission, Malaysian zakat institutions have, in practice, moved toward the professionalisation of governance, parallel to that of financial institutions. Haron et al. (2023) emphasise the importance of integrity, competence, and social responsibility of SIRC administrators in maintaining public trust in the management of zakat, waqf, and baitul mal funds, even though the benchmarks used are still dominated by ethical and organisational indicators, rather than programmatic environmental impact measures. Abdullah Sani's paper asserts that the application of sound corporate governance principles, which address transparency, accountability, and responsiveness, is directly linked to zakki compliance and distribution effectiveness, but environmental aspects have not been included as a separate accountability

dimension (Sani et al., 2021). Strengthening governance and institutional legitimacy does increase the trust of muzakki and zakat compliance, but the indicators used remain focused on social distribution and administrative efficiency, not the environmental footprint of the program (N. I. Abdullah & Haron, 2022; Umar et al., 2022).

Malaysia's zakat practices during the COVID-19 pandemic demonstrate the adaptive capacity of zakat institutions to respond to crises through innovative distribution and new assistance schemes, such as emergency cash assistance, micro-enterprise capital support, and other social interventions. Masruki et al. show how state zakat institutions expanded recipient criteria and designed more flexible distribution mechanisms to maintain the social sustainability of vulnerable groups, which in turn strengthens the argument that zakat can function as a public policy instrument (Masruki et al., 2021). Punding et al. complement this picture with quantitative evidence that the volume of zakat collection and distribution has increased significantly in most countries, with SIRC's acting as a link between central policy and local conditions (Punding et al., 2024). However, even in the context of these distribution innovations and the scaling up of social interventions, there is no normative obligation for zakat reports to record environmental impacts or contributions to climate change mitigation and adaptation, even though some programs (e.g., agricultural assistance, housing, micro-enterprise management) materially impact resource use and environmental quality.

From a functional-comparative perspective, the Malaysian Islamic finance ecosystem demonstrates that integrating environmental considerations into the governance and reporting of Islamic institutions is not only theoretically possible but is already being practiced across the banking, takaful, and capital markets sectors. Empirical studies on the relationship between Islamic labeling, ESG performance, and firm value indicate that Islamic companies in Indonesia and Malaysia generally have ESG profiles as good as or better than non-Islamic companies, particularly in the social and governance pillars, with the potential to strengthen the environmental dimension if the regulatory framework and incentives are clarified (Qoyum et al., 2022). The impact of ESG scores on bank stability, including a comparison of Islamic and conventional banks, indicates that strengthening ESG practices does not harm financial performance, and can even improve long-term stability (Sendi et al., 2024). On the other hand, research on ESG reporting practices in global Islamic banks shows that, despite a tendency to emphasize the social dimension, more institutions are standardizing environmental indicators as global pressure and international standards develop.

This comparison reveals a crucial difference in institutional positioning for the legal design of zakat environmental impact reporting. Islamic financial institutions in Malaysia are directly supervised by the Bank Negara Malaysia (BNM) and the Securities Commission, allowing ESG integration into reporting obligations through prudential regulations and listing requirements. In contrast, zakat institutions fall under the jurisdiction of the Islamic Financial Regulatory Agency (SIRC's), whose domain is religion and social welfare, with an indirect relationship with the federal financial authorities. This structure requires that the design of environmental reporting obligations for zakat be positioned not solely as a matter of financial regulation, but as an elaboration of the maqasid al-Shariah (obligatory objectives) within the framework of the country's religious law. In the Indonesian context, comparative insights from Malaysia suggest that a rational integration model is to make zakat environmental impact reporting part of an expanded existing sharia and public accountability mandate, drawing on the precedents of VBI, ESG frameworks, and green finance developed for other sectors, while respecting the institutional autonomy of

BAZNAS and LAZ. Thus, the Malaysian experience does not offer a positive template for mandatory zakat environmental reporting, but provides normative and empirical evidence that integrating such obligations is consistent with the evolutionary direction of Islamic financial governance and can be designed in a manner compatible with sharia principles and established good governance practices.

*4.3. In this section, we will recommend a unified legal standard for green zakat environmental impact reporting.*

Building on the normative evaluation of Indonesian law and comparative insights from Malaysia, this study proposes an integrated legal standard for green zakat environmental impact reporting anchored in three interlocking pillars: explicit legal recognition of environmental reporting duties, alignment with maqāṣid-based conceptions of accountability, and operational convergence with sustainability reporting practices in other sectors. At the level of positive law, the first step is to close the textual gap by introducing explicit provisions—either through amendments to Law No. 23 of 2011, government regulations, or BAZNAS/ministerial regulations—that require zakat institutions undertaking environmentally oriented programs to disclose their environmental impacts in a standardized manner. Such provisions should define the scope of covered activities (e.g., projects involving natural resource use, pollution control, ecological restoration), the minimum content of environmental reports (e.g., inputs, outputs, outcomes, and impacts), and the mechanisms for submission, verification, and public disclosure. This formal recognition is essential to transform environmental reporting from a voluntary best practice into a legal obligation that can be supervised and enforced.

Substantively, the proposed standard must be grounded in an expanded understanding of accountability that incorporates ecological accountability as an intrinsic dimension of good amil governance. In Islamic legal terms, this involves operationalizing ḥifẓ al-bī'ah alongside ḥifẓ al-māl and ḥifẓ al-nafs within the governance of zakat programs. Environmental reporting should not be treated merely as a technical annex, but as part of the institution's amanah to ensure that zakat funds do not inadvertently cause harm (mafsadah) to ecosystems and that they actively promote long-term environmental benefits for present and future generations. From this perspective, indicators such as hectares of land rehabilitated, volume of waste diverted, renewable energy capacity installed, or estimated emission reductions become not only managerial metrics, but also expressions of fulfilling a Shariah-based duty to avoid fasād fi al-arḍ (corruption on earth). Embedding these indicators in legal standards would help bridge the conceptual divide between Islamic social finance discourse and environmental governance practice.

Procedurally, the standard should aim for convergence—not necessarily identity—with existing sustainability reporting frameworks to minimize duplication and facilitate comparability across sectors. For example, regulators could encourage or require zakat institutions to adopt simplified environmental disclosure templates derived from established reporting standards, adapted to the scale and nature of zakat programs. This might include narrative disclosures on environmental policies and risk management, as well as quantitative indicators for key environmental outcomes, presented in a concise “Green Zakat Impact Report” annexed to annual reports. External oversight could be ensured through a combination of internal Shariah and governance committees, independent auditors with environmental expertise, and supervisory review by BAZNAS or relevant ministries. Over time, such a standard would enable regulators, muzakki, researchers, and the public to assess whether green zakat initiatives genuinely deliver environmental benefits or merely rebrand conventional programs with “green” labels.

Finally, the proposed legal standard must be sensitive to capacity constraints and diversity among zakat institutions. A phased or tiered approach could be adopted, whereby larger national and provincial institutions with significant green portfolios are subject to more comprehensive reporting obligations, while smaller institutions begin with basic qualitative disclosures and gradually scale up as their capacity improves. Capacity-building programs, technical guidelines, and digital tools should accompany the introduction of new reporting duties to prevent the standard from becoming a formalistic compliance burden that encourages box-ticking rather than substantive environmental accountability. By combining clear legal mandates, maqāṣid-oriented content, and pragmatic implementation strategies, the integrated standard outlined in this study aims to reposition green zakat not only as a promising financial instrument for environmental sustainability but also as a legally accountable practice that upholds public trust and environmental stewardship within a coherent governance framework.

## V. CONCLUSION AND RECOMMENDATION

Although Law No. 23 of 2011 concerning Zakat Management and its subsequent regulations have brought significant progress in institutional transparency and accountability, through strengthening the position of BAZNAS and LAZ, financial reporting obligations, audits, and state oversight mechanisms, the framework is still essentially focused on financial and social aspects, thus failing to capture the ecological accountability dimension that has become important as zakat begins to be directed towards “green zakat”; a systematic analysis of the Zakat Law and Law No. 32 of 2009 concerning Environmental Protection and Management shows that the two regimes operate in parallel without any normative bridge: on the one hand, environmental law has developed sophisticated instruments such as AMDAL, environmental permits, PROPER, and sustainability reporting regimes in the corporate sector, while on the other hand, zakat law positions amil institutions as public interest entities with fiduciary responsibilities towards muzakki and mustahik without linking their programmatic activities to reporting obligations on impacts on ecosystems, resource management, and pollution control; teleological analysis based on maqāṣid al-syarī‘ah actually opens up space to articulate ḥifẓ al-bī‘ah as an integral part of the objectives of zakat management, so that environmental impact reporting can be seen as a broader form of accountability and an instrument to maintain public trust, but without explicit affirmation at the level of laws and implementing regulations, the obligation will remain a legally weak moral ethos; comparative insights from Malaysia further clarify this finding: the dual structure where zakat is regulated by state enactments under SIRC while sustainability and ESG are supported by a federal framework (VBI, green sukuk, i-SRI, and capital market regulation) shows that the integration of environmental considerations into Islamic financial governance is very possible without compromising sharia principles, but to date has not been translated into an obligation to report environmental impacts in the zakat realm, both in Malaysia and Indonesia, mainly due to differences in institutional positions and locus of the regulators who supervise; Based on the overall findings, this article recommends, first, the reformulation of the legal framework of zakat in Indonesia by including an explicit clause regarding the obligation to report environmental impacts for green zakat programs through limited amendments to Law 23/2011 and/or strengthening of PP and BAZNAS/Kemenag regulations that detail the program scope, input–output–outcome–impact indicators for the environment, and public disclosure mechanisms; second, the development of reporting standards that are conceptually rooted in the expansion of good amil governance and maqāṣid (combining ḥifẓ al-māl, ḥifẓ al-nafs, and ḥifẓ al-bī‘ah) and technically synergize with the existing sustainability reporting framework, so that green zakat is not just a label, but a practice

that can be audited and measured for its contribution to the sustainability agenda; Third, a gradual and tiered implementation design that differentiates reporting obligations between large and small zakat institutions and is supported by strengthening technical capacity and collaboration with environmental and financial authorities (learning from Malaysia's experience with VBI and green finance), so that this new obligation is not only an administrative burden, but a catalyst for the transformation of the accountability culture of zakat institutions from merely financial and social reporting to a credible, inclusive, ecological accountability regime that is in line with scientific standards and sharia ethics expected in internationally reputable publications.

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