

ABSTRACT

The increasing carbon emissions in the member countries of the Organisation of Islamic Cooperation (OIC) have highlighted the need for financial instruments that support low-carbon development. Islamic Green Finance has the potential to facilitate the transition toward sustainable development; however, its effectiveness in reducing carbon emissions remains inconclusive. This study aims to examine the effects of Islamic Green Finance, fossil energy consumption, renewable energy consumption, Gross Domestic Product (GDP), and Foreign Direct Investment (FDI) on CO₂ emissions in nine OIC member countries during the 2021–2024 period.

This study employed a quantitative approach using panel data from nine OIC member countries for the 2021–2024 period. The data were analyzed using the Fixed Effects Model (FEM) with Cluster-Robust Standard Errors.

The results indicate that Islamic Green Finance and fossil energy consumption have a positive and significant effect on CO₂ emissions. In contrast, FDI has a negative and significant effect on CO₂ emissions, while renewable energy consumption and GDP have negative but insignificant effects. These findings suggest that the implementation of Islamic Green Finance in OIC member countries has not yet been effective in reducing carbon emissions. Therefore, strengthening the implementation of green financing and accelerating the transition toward a low-carbon economy remain essential.

Keywords: Islamic Green Finance, CO₂ emissions, fossil energy consumption, renewable energy consumption, Gross Domestic Product (GDP), Foreign Direct Investment (FDI).