International Journal of Education, Culture, and Society

e-ISSN : 3024-8973
p-ISSN : 3024-8981

Index : Harvard, Boston, Sydney University, Dimensions, Lens, Scilit, Semantic, Google, etc

https://doi.org/10.58578/IJECS.v3i1.4293

Implementation of Sharia Economic Law Principles in Overcoming the Economic Impact of the Palestinian Israeli Conflict

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Article Info:

Submitted:	Revised:	Accepted:	Published:
Nov 1, 2024	Nov 20, 2024	Dec 2, 2024	Dec 7, 2024

Abstract

This study discusses the implementation of Sharia Economic Law principles in overcoming the economic impact of the prolonged Palestinian-Israeli conflict. This conflict has not only destroyed the economic infrastructure in Palestine, but has also led to social difficulties and prolonged political instability. Through a qualitative approach and case study method, this study explores the role of zakat and waqf as short-term and long-term solutions in the recovery of the Palestinian economy. The results of the study show that zakat plays an important role in meeting the basic needs of people affected by conflict, while waqf supports the development of social infrastructure such as schools and hospitals. However, the implementation of these principles is still faced with challenges, especially related to economic blockades and political instability. Therefore, it is necessary to increase Islamic financial literacy, strengthen regulations, and international cooperation to maximize the role of Sharia Economic Laws in economic recovery in conflict areas.

Keywords: Sharia Economic Laws, Zakat, Waqf, Palestinian-Israeli Conflict, Economic Recovery

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INTRODUCTION

The prolonged conflict between Palestine and Israel has had a very significant impact not only in social and political aspects, but also profoundly affected the economies of both regions. Political instability, characterized by prolonged tensions, military strikes, as well as an economic blockade, has caused major disruptions to the economic infrastructure in Palestine (Azizah, 2024). Key sectors such as trade, investment, and production have stalled or run very slowly, resulting in tremendous economic losses. The blockade imposed by Israel restricts Palestinians' access to basic resources, worsening the economic and social situation in an already uncertain territory. Physical infrastructure such as roads, power grids, and public facilities such as hospitals and schools were severely damaged by military strikes, resulting in disruption to overall economic activities (Ma et al., 2018).

Trade, which should be one of the main pillars in maintaining people's welfare, is also significantly hampered. Blockades that close access to ports, borders, and distribution routes of goods make the supply of staples and other essential goods limited and very expensive. This exacerbates the inflation rate in Palestine, which in turn makes the cost of living even more intense. Many small businesses have been forced to close due to the inability to access raw materials or export their products (Hidayaturrahman et al., 2024). Investment from abroad has also declined sharply due to high uncertainty, making the Palestinian economy even worse. In the midst of a worsening economic crisis, the Palestinian people face great challenges in meeting their daily needs. The high unemployment rate, especially among the youth, exacerbates the situation. Many Palestinian families depend on humanitarian aid from international agencies, but it is often insufficient to meet their basic needs (Sari, 2024). Social inequality has widened, with many families living below the poverty line, especially in areas such as Gaza that have been severely affected by the blockade and military offensives. This situation also has an impact on the quality of education and health services which are getting worse due to lack of funds and damage to infrastructure(Ayyat et al., 2020).

Meanwhile, continued security instability creates an environment that is not conducive to economic recovery. Fears of a sudden military attack disrupt economic activity, both at the household level and in the industrial sector. Many entrepreneurs and investors, both local and international, are reluctant to take the risk of investing in

regions that are vulnerable to violence and political uncertainty. This further exacerbates economic stagnation, forcing many to rely on outside aid, which is also limited in amount and scope (Tri Putra & Dahlian Persadha, 2024). Overall, the impact of the Palestinian-Israeli conflict on the economies of the two regions is complex. In Palestine in particular, economic conditions continue to deteriorate due to major disruptions to trade, investment, and infrastructure, which further deepen the already protracted economic crisis. The Palestinian people face a great challenge in maintaining their well-being amid seemingly endless political and security instability. To sustainably recover the Palestinian economy, collaborative efforts involving the international community, financial institutions, and strong regulatory support are needed so that economic infrastructure can be rebuilt and Palestinian people can return to living in more stable conditions (Suraningsih et al., 2024).

This research aims to explore the implementation of Sharia Economic Law principles as a solution in overcoming the economic impact caused by the Palestinian-Israeli conflict. By analyzing the Sharia Economic Law policies implemented in the region, this study will assess the effectiveness of this approach in creating economic stability, reducing socio-economic disparities, and building a stronger economic foundation even in crisis situations. The novelty of this study lies in the analytical approach that focuses on the application of Sharia Economic Law principles in the context of prolonged armed conflicts. Although previous research has addressed the impact of the Palestinian-Israeli conflict on various sectors, this study fills in the gaps in the literature by focusing on how Sharia Economic Law policies and mechanisms can be alternative solutions to mitigate the economic impacts of the conflict. The study also presents a new perspective on how principles such as zakat, alms, and profit-sharing can help reduce poverty, improve people's welfare, and create economic stability in conflict-affected areas. Thus, this research not only contributes to the development of Islamic Economics literature, but also offers practical solutions for policymakers in conflict areas to overcome prolonged economic crises(Rusanti et al., 2025).

METHODS

This study uses a qualitative approach with a case study method to understand the implementation of Sharia Economic Law principles in overcoming the economic impact

of the Palestinian-Israeli conflict (Susanto et al., 2024). The qualitative approach was chosen because it is appropriate to explore complex socio-economic phenomena in conflict areas. This method provides an opportunity to delve into the perspectives of experts, practitioners, and community leaders who understand the economic conditions in Palestine and how the principles of Sharia Economic Laws are applied in challenging situations. The data sources used in this study consist of primary and secondary data. Primary data were obtained through in-depth interviews with Sharia Economic Laws practitioners, Islamic economists, and community leaders who have knowledge related to the implementation of sharia principles in conflict areas. Semi-structured interviews were conducted to explore their views on the effectiveness of instruments such as zakat, waqf, and profit-sharing in mitigating the impact of the economic crisis in Palestine. Secondary data is collected from reports from international institutions, scientific journal articles, and documents from relevant Islamic financial institutions. The study also relies on reports from institutions such as the World Bank and the Islamic Development Bank (IDB) to get a comprehensive picture of the economic situation in Palestine.

The data analysis technique in this study uses a thematic analysis approach. After the data from the interview and documents are collected, the transcription process is carried out to convert the interview into a written form. The next stage is codification, where data is classified based on key themes such as applied Sharia Economic Law principles, implementation challenges in conflict areas, and impacts on society. Through this analysis, it is hoped that a pattern will be found that can explain how Sharia Economic Laws plays a role in maintaining economic stability even in crisis situations due to conflict. To ensure the validity of the data, this study uses triangulation, which is comparing the results of interviews with secondary data and relevant literature. Member checking will also be carried out by asking respondents to verify the researcher's interpretation of the interview results. This step is important to ensure that the data obtained is accurate and in accordance with the reality in the field. The research location is focused on Palestine, particularly in the Gaza and West Bank areas, which are the areas most affected by the conflict. The subjects of the study include Sharia Economic Laws practitioners, Islamic financial institutions, and community leaders involved in economic recovery efforts. Despite the challenges in terms of access to conflict areas, this research is expected to make an important contribution to the understanding of the application of Sharia Economic Laws as a solution to overcome economic crises in conflict areas such

as Palestine. The limitations of this study are mainly related to limited access to conflict areas and the possibility of limitations in obtaining primary data directly. Nonetheless, this research is focused on the implementation of Sharia Economic Law principles, with the hope of providing relevant solutions for economic recovery in Palestine and other conflict areas.

RESULTS

Implementation of Sharia Economic Law Principles in Palestine

The implementation of Sharia Economic Law principles in Palestine has been one of the significant efforts in dealing with economic challenges due to prolonged conflicts. In this study, the findings show that zakat and waqf instruments play a crucial role in economic recovery efforts in the conflict area. These principles make a tangible contribution to reducing poverty, improving access to basic services, and supporting infrastructure development in Palestine. Zakat instruments have proven to be effective in distributing aid to people affected by the conflict. Zakat plays a role in aiding both in the form of cash and necessities such as food, clothing, and health services. Zakat institutions operating in Palestine have carried out their role well, distributing aid in a targeted manner to those most in need. Zakat not only helps affected individuals, but also strengthens socio-economic resilience at the community level. With zakat, people who have lost their source of income due to conflict can be helped in meeting their daily needs.

On the other hand, waqf functions as a long-term instrument that supports infrastructure development, especially in the fields of education and health. Some of the waqf assets have been used to establish schools and hospitals, which are urgently needed in areas that have experienced infrastructure destruction due to the conflict. This waqf not only benefits today's society, but also creates a long-term impact by providing better access to essential basic services. Educational infrastructure funded by waqf helps young Palestinians to gain access to education, while hospitals built from waqf provide necessary health services in areas with minimal health facilities.

This research highlights that the active implementation of zakat and waqf has become the main pillar in overcoming the economic impact of the Palestinian-Israeli conflict. However, although zakat and waqf have provided significant benefits, challenges in the implementation of the sharia economy remain, especially related to economic

blockades and political instability that hinder the smooth distribution of aid and optimal management of waqf assets.

Table 1 Implementation of Sharia Economic Law Principles in Palestine

Aspects	Zakat	Waqf
Main Functions	Reducing poverty and helping conflict-affected communities	Supporting infrastructure development in the fields of education and health
Types of Aid Distributed	Cash, groceries, clothing, healthcare	Waqf assets for the construction of schools, hospitals, and public facilities
Beneficiaries	Conflict-affected families, poor individuals	All people who need education and health services
Short-Term Benefits	Fulfillment of basic needs, reduction of poverty levels	Development of vital infrastructure, access to health services and education
Long-Term Benefits	Socio-economic resilience of the community in the midst of a crisis	Long-term impact on quality of life through improved basic services
Implementation Challenges	Economic blockade, political instability	Management of waqf assets hampered by political and economic conditions

Source: Author's Analysis

The table above provides an overview of the implementation of zakat and waqf in Palestine and the role of both in reducing the impact of the conflict. Zakat focuses on meeting the short-term needs of the affected communities, while waqf focuses more on sustainable long-term infrastructure development. Both of them, despite facing challenges in their implementation, have shown effectiveness in helping the Palestinian community in a state of crisis.

Economic Impact of Zakat and Waqf

Zakat and waqf play an important role in reducing the economic impact of the protracted conflict in Palestine. These instruments are a solution to ease the economic burden of communities affected by conflict by providing direct and sustainable assistance. Zakat is mainly distributed in the form of cash to families affected by the war, but it is also

given in the form of essential goods and services such as food, medicine, and education and health services. This zakat distribution helps the community in meeting their basic needs, especially for families who have lost their source of income due to conflict. In addition to zakat, waqf plays an important role in rebuilding infrastructure damaged by the war. Waqf assets are used to establish schools, hospitals, and other public facilities that are important for the social and economic sustainability of the community. Cash waqf is also used to support small and medium enterprises (MSMEs) in Palestine, by providing access to capital to local entrepreneurs who want to rebuild their businesses after infrastructure damage due to the conflict. Waqf, in this case, not only acts as an instrument of philanthropy, but also becomes the main driver for long-term economic development(Meler et al., 2024).

The effectiveness of zakat is evident in efforts to reduce poverty, while waqf provides long-term benefits through infrastructure development that can support the needs of the community for a longer period of time. In this study, it was found that zakat and waqf institutions have contributed significantly to improving economic conditions in Palestine, especially in the health and education sectors. However, there are still challenges, such as economic blockades and lack of access to international markets, which hinder the wider implementation of zakat and waqf.

Table 2 Economic Impact of Zakat and Waqf in Palestine

Aspects	Zakat	Waqf
Main Focus	Distribution of funds to communities affected by conflict	Development of educational, health, and economic infrastructure
Types of Assistance	Cash, foodstuffs, health services and education	Waqf assets are used for the construction of schools, hospitals, and MSMEs
Beneficiaries	Conflict-affected families, poor individuals	The wider community, especially those who need basic services
Short-Term Benefits	Fulfillment of basic needs such as food, medicines	Reconstruction of critical infrastructure such as schools and hospitals
Long-Term Benefits	Poverty reduction and welfare improvement	Economic development through MSME support and social services
Challenges in Implementation	Economic blockade, limited access to international aid	Obstacles in the management of waqf assets due to political instability

Source: Author's Analysis

The table above shows the role of zakat and waqf in overcoming the economic impact of the Palestinian-Israeli conflict. Zakat helps meet short-term basic needs, while waqf contributes more to long-term development by providing important infrastructure for the community. Although these two instruments are effective, the challenges faced, especially related to economic blockades and political instability, still hinder the full potential of zakat and waqf in having a wider impact.

Challenges of Sharia Economic Law Implementation in Conflict Areas

Although the principles of Sharia Economic Laws, especially zakat and waqf, have proven effective in responding to the economic crisis caused by the Palestinian-Israeli conflict, their implementation still faces various challenges. The biggest challenge found in the study is the economic blockade imposed by Israel, which severely restricts the flow of goods and services to and from the Palestinian territories. This blockade cut off the critical supply chains needed to support various economic projects, including the distribution of zakat and the utilization of waqf assets. In addition, the blockade hampers access to capital and foreign investment that is urgently needed to finance long-term economic infrastructure development. The blockade has also resulted in limited access for Islamic financial institutions in Palestine to international markets, making it difficult for them to obtain wider funding and technical support. The management of zakat and waqf which requires reliable logistics and distribution networks is also becoming increasingly difficult. Funds collected through zakat or waqf are often hindered by strict regulations and do not allow them to be distributed quickly to people in need (Rafols, 2024).

In addition to the blockade, the ongoing political instability in Palestine exacerbates the challenges in the implementation of Sharia Economic Laws. Political uncertainty caused by armed conflicts and social upheavals has made it difficult for many Islamic financial institutions and zakat/waqf organizations to carry out their operations consistently. The economic infrastructure damaged by the war, coupled with the lack of security, affected their ability to manage and distribute aid optimally. Another challenge is the lack of awareness and literacy of Islamic finance among the public. Although zakat and waqf are an integral part of Islamic principles, many Palestinians still rely on international aid which is often temporary, and lack a grasp of the long-term potential of the Sharia Economic Law system. This low financial literacy hinders public participation in supporting the zakat and

waqf system in a sustainable manner. In addition, there is still a misunderstanding about how these instruments can play a greater role in building an independent economy in conflict areas.

Overall, these challenges hinder the full effectiveness of the Sharia Economy in Palestine. Although zakat and waqf have great potential in reducing the impact of the economic crisis, without adequate access to resources, support from the government, and increased public awareness, their benefits will be difficult to maximize. Therefore, further measures, such as political advocacy, increasing Islamic financial literacy, and improving more stable and secure economic infrastructure, are urgently needed to meet these challenges.

Table 3. Challenges of Sharia Economic Law Implementation in Palestine

Aspects	**Challenge**	**Impact**
Economic Blockade	Restrictions on the flow of goods, services, and foreign investment	Hindering the distribution of zakat and waqf as well as the management of waqf assets
Political Instability	Armed conflict and insecurity	Hindering the operation of Islamic financial institutions and the management of zakat/waqf
Lack of Public Awareness	Low Islamic financial literacy	Lack of community participation in supporting the zakat and waqf system
Limited Access to International Markets	Limited access to capital and technical support from abroad	Difficulty obtaining the funding needed for economic development
Damaged Economic Infrastructure	Damage to infrastructure due to war	Reducing the capacity of sharia institutions in distributing aid and investment

This table explains the main challenges faced in the implementation of Sharia Economic Laws in Palestine and their impact on the effectiveness of zakat and waqf instruments. Without overcoming these challenges, the implementation of Sharia Economic Laws cannot run optimally in mitigating the economic impact of prolonged conflicts.

The Role of Sharia Financial Institutions in Economic Recovery

Islamic financial institutions, especially Islamic banks, have played a very important role in the recovery of the Palestinian economy affected by the protracted conflict. Islamic banks in Palestine offer a variety of financial products based on sharia principles, such as mudharabah (profit sharing) and murabahah (buying and selling), which help people, especially small entrepreneurs, in gaining access to capital without having to rely on conventional interest-bearing loans. These profit-sharing-based products provide fairer and more sustainable solutions for business actors, especially in the micro, small, and medium (MSME) sector, which is facing economic uncertainty due to the war and economic blockade. One of the main advantages of Islamic financial institutions is the profit-sharing system, where risks and profits are shared proportionally between banks and entrepreneurs. This system provides a more flexible and affordable alternative to the interest system applied in conventional banks. In the midst of a vulnerable economic situation, where many small entrepreneurs are experiencing losses and difficulties in maintaining their businesses, this sharia-based financial system provides an opportunity for them to survive and even thrive, without a high debt burden. Islamic banks not only play the role of capital providers, but also as partners in risk management, which is very important in unstable economic conditions (Miswar, 2024).

In addition, Islamic financial institutions in Palestine have also played an active role in supporting local economic development through various sharia-based investment programs. For example, several Islamic banks collaborate with Islamic philanthropic institutions such as Baitul Maal to distribute zakat and waqf funds to people in need, as well as support small businesses that have the potential to grow. These funds not only help people meet their daily needs, but also provide capital for them to start new businesses or expand existing businesses, thus creating a long-term impact on economic growth. However, despite the role of Islamic financial institutions is very strategic, they still face various challenges, especially in terms of regulation and infrastructure. The absence of regulations that fully support the operations of Islamic banks in conflict areas limits their expansion. Some strict rules, both in terms of local and international financial authorities, are often an obstacle for Islamic banks to expand their service reach to more people. In addition, the lack of stable financial infrastructure due to conflict is also a major challenge. Many Islamic banks have difficulty operating in areas with damaged infrastructure, such as poor telecommunications networks and physical access hampered by war (ZA Warshagha

et al., 2024).

On the other hand, the lack of Islamic financial literacy among the community is also a challenge in itself. Although Islamic banks offer products that are in accordance with Islamic principles, many Palestinians do not fully understand the advantages and potential of this Islamic financial system. This results in low public participation in utilizing the services offered by Islamic banks. Therefore, greater efforts are needed in education and increasing Islamic financial literacy so that people can better understand and utilize sharia-based financial products. With these challenges, Islamic financial institutions in Palestine need to continue to innovate in providing services that are in accordance with the needs of people in conflict areas. They must also strengthen cooperation with governments and international institutions to overcome regulatory and infrastructure barriers that hinder their expansion. With the right support, Islamic financial institutions have great potential to become a major pillar in restoring and stabilizing the conflict-torn Palestinian economy.

Table 4. The Role of Sharia Financial Institutions in Economic Recovery in Palestine

Aspects	**Sharia Bank**	**Challenge**
Main Financial Products	Mudharabah (profit sharing), Murabahah (buying and selling)	Strict regulation from local and international financial authorities
Benefits for Small Entrepreneurs	Access to interest-free capital, partnership in risk management	Infrastructure damaged by the war
Support for MSMEs	Sharia-based investment, distribution of zakat and waqf funds	Lack of Islamic financial literacy among the public
Advantages of the Sharia System	Fairer and more flexible profit-sharing system	Limited access to telecommunications technology and infrastructure
Philanthropy Program	Cooperation with Baitul Maal institutions to distribute zakat and waqf	Challenges in developing service coverage in conflict areas

The table above summarizes the role of Islamic banks in the economic recovery in Palestine, highlighting the main financial products they offer, their benefits for small entrepreneurs, and the challenges they face in overcoming regulations and infrastructure damaged by the conflict. Nonetheless, with the right support and literacy enhancement

efforts, Islamic financial institutions can play a greater role in driving economic growth in the region.

DISCUSSION

The Effectiveness of the Implementation of Sharia Economic Law Principles in Palestine

The results of the study show that the principles of Sharia Economic Laws, especially zakat and waqf, have played a significant role in reducing the economic impact caused by the Palestinian-Israeli conflict. Zakat, as one of the main instruments in Sharia Economic Laws, functions as social assistance that is urgently needed by people directly affected by conflicts. The targeted distribution of zakat, especially to meet basic needs such as food, clean water, and healthcare, has succeeded in providing short-term solutions for those experiencing economic hardship due to prolonged blockades and damage to infrastructure due to war. People who have lost their source of income due to conflict rely heavily on zakat to meet their daily needs, and through organized zakat institutions, this assistance has reached those most in need (Ahmed Bsoul, 2024). The success of zakat lies not only in its ability to provide material assistance, but also in its ability to maintain socio-economic stability in the midst of ongoing uncertainty. When access to public services is hampered by war, zakat acts as a lifesaver in providing aid to isolated and unaccompanied groups of people who do not have access to international aid. Local zakat institutions, in collaboration with international Islamic philanthropic organizations, have been able to reach out to affected populations in conflict areas, providing them with much-needed financial and moral support to survive (Oyekanmi et al., 2024).

On the other hand, waqf has shown a more long-term contribution to economic recovery and social infrastructure development. Waqf has been used to build and maintain schools, hospitals, and other public facilities that are the foundation for the community to recover and thrive after being hit by a crisis. Professional management of waqf assets allows waqf to become a source of sustainable funding, which not only provides direct benefits to the community, but also supports long-term economic growth in conflict-affected areas. By using waqf land and other assets for productive purposes, waqf institutions can create jobs, provide health services, and support the education of the younger generation which is key to a better future in Palestine (Schwartz & Galily, 2021).

However, although waqf has great potential, its effectiveness still depends heavily on adequate regulatory support and infrastructure. In the midst of conflict situations, waqf management is often hampered by a lack of adequate infrastructure, such as transportation and communication networks damaged by war, as well as bureaucracy that slows down the distribution process of waqf assets. In addition, the lack of regulations that support the operation of waqf institutions in emergency situations is also a major challenge that hinders the potential of waqf to be maximized. Therefore, greater efforts are needed from the government and the international community to create conducive conditions for waqf management, including improving infrastructure and providing regulatory incentives that encourage investment in waqf assets for the public interest. Overall, this study underscores that zakat and waqf, although different in purpose and duration of impact, both play an important role in alleviating the economic suffering of the Palestinian community due to the ongoing conflict. Zakat provides direct and quick assistance for basic needs, while waqf supports sustainable development through asset management for long-term socio-economic benefits. Although these two instruments have shown their effectiveness, further optimization is still needed through improving regulations, infrastructure, and public education on the importance of participation in the Sharia Economic Law system (Topidi, 2019).

Challenges in Sharia Economic Law Management in Conflict Areas

Although the implementation of Sharia Economic Laws shows positive results, there are various challenges that hinder more optimal implementation in conflict areas. One of the biggest challenges is the economic blockade imposed by Israel, which significantly restricts Palestinian access to essential goods and international aid. The blockade not only hampered the distribution of basic goods, but also restricted the flow of funds and access to vital infrastructure, such as healthcare, education, and energy. The impact extends to the ability of Islamic financial institutions to operate effectively. Instruments such as zakat and waqf, which are supposed to be sustainable solutions, are hampered by limited access to resources and infrastructure needed for optimal management and distribution.In addition, the continued political instability creates an environment that is not conducive to the development of the sharia economy. Security uncertainty in the region has made many investors, both local and international, reluctant

to participate in sharia-based economic development. This condition is exacerbated by limited access to international markets, which should be an important means of supporting waqf and zakat initiatives in improving people's welfare. The strict blockade also causes difficulties in developing small and medium-sized enterprises that often rely on capital support from Islamic financial institutions (Olson et al., 2024).

This study also found that the lack of public awareness and literacy about the benefits of Sharia Economic Laws is a significant obstacle. Many Palestinians still prefer temporary international aid and are unaware that sharia instruments such as zakat and waqf offer more sustainable solutions to overcome the long-term economic crisis. Public participation in the Islamic economic system is still low, which reflects the gap between the great potential of Islamic financial instruments and the public's understanding of the long-term benefits of these instruments. In many cases, people tend to see zakat and waqf only as simple philanthropic tools, without understanding their capacity as drivers of broader and sustainable economic development. Therefore, greater efforts are needed to improve Islamic financial education and literacy among the public. This increase is not only important to encourage community participation in zakat collection and waqf management, but also to change the perception that the sharia economy can be an effective tool in overcoming social inequality and improving economic conditions in conflict-affected areas. In addition, the role of the government and international institutions in supporting regulations that facilitate the operation of Islamic financial institutions is also very important. If these challenges can be overcome, the implementation of the sharia economy can contribute more to economic recovery in conflict areas, offering more stable and sustainable solutions than the current short-term assistance (Habbas, 2024).

The Potential of Sharia Economy as a Solution to Crisis in Conflict Areas

The results of this study emphasize that the principles of Sharia Economic Laws have great potential in overcoming economic crises caused by prolonged conflicts, especially in areas such as Palestine. Zakat and waqf, as the main instruments in Sharia Economic Laws, offer flexible and relevant solutions to various economic challenges faced by war-affected communities. In the short term, zakat can be used to meet basic community needs such as food, clothing, education, and health, which are often difficult to access due to the destruction of infrastructure and limited resources during conflicts.

Meanwhile, in the long term, waqf can be used for the development of more sustainable social infrastructure, such as establishing schools, hospitals, and other public facilities that are crucial for post-conflict economic and social recovery. In addition to zakat and waqf, profit-sharing-based Islamic financial instruments, such as mudharabah and musharakah, offer a fairer and more sustainable alternative to conventional high-interest loans. In situations where people are trapped in structural poverty due to conflict, profit-sharing systems provide more flexible and low-risk financial solutions for people who want to start or develop small and medium-sized businesses. This instrument helps create new jobs and encourage economic independence, thereby reducing people's dependence on high-interest loans or temporary international aid. However, despite this enormous potential, this study confirms that in order to maximize the benefits of the principles of Sharia Economic Laws, stronger support from governments and the international community is needed. One of the crucial aspects is regulations that support the operationalization of Islamic financial institutions, both in terms of law and infrastructure. The government needs to develop regulations that allow zakat and waqf institutions to operate more efficiently and transparently, as well as provide incentives for economic actors to participate in the Sharia Economic Law system. In addition, international cooperation is also needed, especially in opening access to global markets and obtaining technical and financial support from international institutions to strengthen Islamic institutions and financial systems in conflict areas (Althalathini D, Al-Dajani H, 2021).

Strengthening Islamic financial institutions in Palestine is very important to increase the effectiveness of zakat and waqf management. Not only do these institutions need to have a better capacity in terms of collecting and distributing funds, but they also need to be given wider access to collaborate with international institutions and investors. With more professional and integrated management, zakat and waqf can be a more effective instrument in improving the socio-economic conditions of people affected by conflicts, as well as encouraging sustainable economic development. In addition, to expand the range of services to affected communities, Islamic financial institutions also need to strengthen their technical and logistical capabilities. In the midst of challenges such as economic blockades and political instability, digital technology and innovative sharia-based financial platforms can play an important role in accelerating access to and distribution of zakat and waqf funds to people in need. Thus, Sharia Economic Laws is not only a solution to short-term crises, but can also be a key pillar for long-term economic development in conflict-affected

areas.

Recommendations for Improving the Implementation of Sharia Economic Laws

Based on the findings of this study, there are several strategic steps that need to be taken to maximize the application of Sharia Economic Laws in economic recovery in Palestine, especially in a prolonged conflict situation. First, the Palestinian government needs to strengthen regulations that support the growth of Islamic financial institutions, both in terms of managing zakat and waqf and in terms of providing incentives for economic actors involved in this sector. Clearer and firmer regulations will provide legal certainty, as well as facilitate the management of Islamic financial instruments in the midst of the complexity of the political and economic situation. In addition, efforts need to be made to reduce bureaucratic obstacles that have been obstacles in the management of zakat and waqf. Convoluted bureaucracy not only slows down the aid distribution process, but also reduces the effectiveness of funds that should be distributed to the people most in need (Fan, 2024).

On the other hand, Islamic financial institutions need to increase transparency and accountability in the management of zakat and waqf funds. Communities, especially in conflict areas, rely heavily on these funds to meet their basic needs. Therefore, it is important for Islamic financial institutions to ensure that every fund collected is managed properly and distributed in a targeted manner. The use of digital technology and a more open reporting system can help increase transparency, so that the public can monitor how zakat and waqf funds are used. With better transparency, public trust in Islamic financial institutions will increase, which in turn will strengthen their participation in the system. In addition, accountability also needs to be considered, with periodic audits and evaluation mechanisms that ensure that Islamic financial institutions carry out their duties in accordance with sharia principles and fund management ethics. Furthermore, to increase the effectiveness of Sharia Economic Laws, stronger efforts are needed to increase Islamic financial literacy among the Palestinian people. Although zakat and waqf are part of the familiar teachings of Islam, the public's understanding of the potential and long-term benefits of these instruments is still limited. Low financial literacy often makes people less involved in the process of collecting zakat or using waqf, even though these instruments have great potential to improve economic conditions in a sustainable manner. Therefore,

more intensive educational programs are needed to introduce the basic concepts of Sharia Economic Laws to the community, including how zakat and waqf can be used to create social welfare and overcome economic inequality. Sharia financial literacy campaigns can be carried out through cooperation between the government, Islamic financial institutions, and civil society organizations, with a focus on disseminating information that is easy to understand and relevant to the public (Prayogo et al., 2024).

It is also important to involve various elements of society in this effort to improve Islamic financial literacy, including religious leaders, community leaders, and academics, who can be agents of change at the grassroots level. They can help spread the message about the importance of participation in the Islamic financial system and how these instruments can contribute to the economic recovery of conflict-affected Palestinian communities. With a better understanding of Sharia Economic Laws, people will be more likely to support and participate in this system, which in turn will strengthen economic recovery efforts. With the strengthening of regulations, increased transparency and accountability, and better financial literacy, Sharia Economic Laws can be used more optimally as a long-term solution to recover the economy in conflict areas such as Palestine. By making the most of the potential of zakat and waqf, as well as actively involving the community, Sharia Economic Laws can contribute to creating a fairer, more stable, and sustainable economic system, even in severe crisis conditions.

CONCLUSION

This study shows that the implementation of Sharia Economic Law principles, especially zakat and waqf, has made a significant contribution in reducing the economic impact of the Palestinian-Israeli conflict. Zakat plays an important role in meeting the basic needs of people affected by the conflict, especially in terms of food, health, and education. Meanwhile, waqf supports the development of social infrastructure such as schools and hospitals which is an important foundation for long-term economic recovery. However, these two instruments still face various challenges, especially related to economic blockades that limit the flow of goods and services, as well as the lack of public awareness about the great potential of the Islamic economy in overcoming the crisis. In addition, Islamic financial institutions that play a role in providing profit-sharing-based products are also hampered by strict regulations and limited access to

global markets, which ultimately reduces their capacity to expand services. To maximize the potential of Sharia Economic Laws as a long-term solution for economic recovery in war-affected areas, several important steps are needed. First, increasing Islamic financial literacy among the public is very necessary so that people understand the benefits of zakat and waqf. Second, strengthening government regulations and policies that support the efficient management of zakat and waqf must be carried out, with incentives that allow investment in waqf assets. In addition, improving infrastructure that supports the management and distribution of zakat and waqf, as well as international cooperation to overcome the impact of the economic blockade, is very important to strive for. The optimization of waqf assets for sustainable development also needs to be improved through more innovative and productive management. Finally, expanding the role of Islamic financial institutions in supporting small and medium enterprises (MSMEs) will help create more independent local economic development and reduce dependence on international aid. With these measures, the potential of the Sharia Economy is expected to be maximized to support economic recovery and create sustainable prosperity in Palestine.

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