Green Sukuk and Maqasid al-Shariah: Evaluating Islamic Sustainable Finance in Indonesia

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Abstract

In recent years, the rapid growth of sustainable finance has encouraged many countries, including Indonesia, to develop Islamic financial instruments that align with global environmental objectives. One of the most prominent instruments is *Green Sukuk*, which integrates financial returns with social and ecological responsibility. However, the extent to which *Green Sukuk* fulfills the principles of *Maqasid al-Shariah,* particularly in promoting social welfare, environmental protection, and economic justice, remains insufficiently explored. This study aims to evaluate the role of *Green Sukuk* in achieving Islamic sustainable finance within the framework of *Maqasid al-Shariah* and to analyze its regulatory and implementation aspects in Indonesia. Using a qualitative-descriptive approach supported by document analysis, this research examines data from official reports of the Indonesian Ministry of Finance, OJK, and existing academic literature. The findings reveal that *Green Sukuk* significantly contributes to financing environmentally friendly infrastructure projects while upholding Islamic ethical values. Nevertheless, challenges persist in the areas of transparency, project selection criteria, and public awareness. The study concludes that *Green Sukuk* represents a strategic instrument to realize a resilient and sustainable Islamic financial system, in line with both national development goals and *Shariah* principles. Strengthening regulatory frameworks and promoting cross-sector collaboration are essential to enhance its long-term impact.

Keywords **:** *Green Sukuk, Maqasid al-Shariah, Islamic Sustainable Finance, Regulation, Indonesia.*

INTRODUCTION

The issue of global sustainability has become a central agenda in the modern economic system, compelling nations worldwide to balance economic growth with environmental preservation. The intensifying impacts of climate change, uncontrolled exploitation of natural resources, and widening socio-economic inequalities have necessitated a new paradigm of development (Aulia et al., 2025). Within this context, sustainable finance has emerged as a pivotal pillar to ensure that economic activities are not merely profit-oriented but also incorporate social, ethical, and ecological values (Rustya, 2023). Global institutions such as the United Nations, the World Bank, and the OECD have actively promoted green financing as a strategic instrument to achieve the Sustainable Development Goals (SDGs).

As the world's most populous Muslim-majority country, Indonesia bears both a moral and strategic responsibility to demonstrate leadership in developing an Islamic financial system aligned

with sustainability principles. In Islamic economics, sustainability encompasses not only environmental aspects but also spiritual and social dimensions, as mandated in the concept of Maqasid al-Shariah (Mukson & Subhi, 2025). This principle underscores the necessity of maintaining balance between fulfilling human needs and preserving God's creation (Widiastuty & Anwar, 2025). Consequently, the Islamic financial system holds significant potential to provide ethical solutions to global environmental and social crises through a holistic and value-based approach.

In line with this vision, the Government of Indonesia has, since 2018, issued Green Sukuk as an innovative financing instrument that integrates Islamic principles with sustainable development objectives (Rifantini, 2024). This issuance represents a milestone, positioning Indonesia as the first nation to combine Islamic values with a sovereign green financing policy (Musari, 2024). Proceeds from Green Sukuk are allocated to environmentally friendly projects such as renewable energy, energy efficiency, waste management, sustainable transportation, and climate change mitigation (Putra et al., 2023). Thus, Green Sukuk serves not only as a vehicle for public fund mobilization but also as a symbol of Indonesia's ecological and spiritual commitment to national development.

Nevertheless, despite its international recognition, fundamental questions remain regarding the extent to which Green Sukuk truly embodies the principles of Maqasid al- Shariah. Most previous studies have concentrated on technical aspects such as issuance mechanisms, market performance, and economic contributions while often overlooking the philosophical and ethical dimensions of maqasid (Iskandar, 2025). In essence, maqasid centers on the realization of maslahah (public good) encompassing social justice, community welfare, and environmental preservation (Mutakin, 2023). Accordingly, the success of Green Sukuk should not be measured solely by financial returns or the number of funded projects but by their tangible benefits for humanity and nature.

The theoretical foundation for this study rests on the Maqasid al-Shariah framework as articulated by al-Ghazali and al-Shatibi, who assert that the primary objectives of Shariah are to safeguard five essential aspects of human life: religion (*hifẓ al-din*), life (*hifẓ al-nafs*), intellect (*hifẓ al-'aql*), lineage (*hifẓ al-nasl*), and wealth (*hifẓ al-mal*). These five objectives serve as moral indicators for evaluating the extent to which Islamic economic practices, including Green Sukuk, achieve equilibrium between material progress and moral sustainability. However, limited research has yet assessed Green Sukuk implementation within this maqasid framework, particularly in Indonesia, where unique social, economic, and ecological complexities prevail. This research posits that Green Sukuk represent more than a financial instrument labeled "Islamic"; they are a concrete manifestation of maqasid principles within modern economic practice. Ideally, Green Sukuk should function as a tool for achieving public welfare by financing projects that are not only environmentally friendly but also socially just and conducive to societal well-being. Therefore, their success must be evaluated not only through economic indicators but also through their ability to reinforce the moral and social dimensions of development. This perspective signifies a paradigm shift from profit-oriented investment to value-oriented finance, situating maqasid as the core normative framework.

To bridge the identified gap, this study seeks to evaluate the role of Green Sukuk within the context of Islamic sustainable finance through the lens of Maqasid al-Shariah. The analysis aims to

determine whether Indonesia's Green Sukuk policies and implementation practices genuinely reflect the comprehensive objectives of Shariah. . Employing a qualitative-descriptive approach, this study analyzes data derived from government documents, financial institution reports, and academic literature to assess the alignment between maqasid principles and green finance policies. This focus is expected to strengthen the theoretical linkage between maqasid and contemporary economic practices while offering a new avenue for developing a more holistic evaluation model for Islamic financial policy.

This research specifically aims to examine the role of Green Sukuk within the framework of Maqasid al-Shariah. It seeks to assess the extent to which Green Sukuk fulfills the principles of Maqasid al-Shariah across social, economic, and environmental dimensions. In addition, the study evaluates the effectiveness of government regulations and policies in supporting the implementation of Green Sukuk. Lastly, it identifies the challenges and opportunities that may strengthen the role of Green Sukuk in achieving national sustainable development goals. Through these objectives, the study intends to contribute theoretically by deepening the understanding of Islamic value integration within the modern financial system and practically by providing policy insights to strengthen Green Sukuk governance and sustainability.

Ultimately, this research aspires to enrich the global discourse on Islamic sustainable finance by offering a more substantial maqasid-based perspective. The integration of Green Sukuk and Maqasid al-Shariah is expected not only to reinforce Indonesia's position as a pioneer in Sharia-compliant green finance but also to serve as a model for an equitable, sustainable, and value-driven Islamic economy. Hence, the findings of this study are relevant not only to the advancement of Islamic economic scholarship but also to the formulation of public policies that holistically integrate spiritual, social, and ecological values within national development frameworks.

LITERATURE REVIEW

The Concept of Sustainable Finance

Sustainable finance represents a new paradigm in the global economic system that seeks to balance economic interests with social and environmental responsibilities. According to the United Nations Environment Programme (UNEP, 2016), sustainable finance not only emphasizes market efficiency but also ensures that investment decisions consider the long- term impacts on people and the planet (Judijanto et al., 2025). In international practice, this principle is operationalized through the Environmental, Social, and Governance (ESG) framework, which serves as a benchmark for assessing corporate responsibility.

However, the ESG approach is often pragmatic and compliance-oriented rather than transformative. Its main limitation lies in the bias of materiality, focusing on the economic impact on firms rather than the social impact on communities. From an Islamic perspective, this view remains insufficient because Islamic finance aims not only for economic balance but also for justice and public welfare (*maslahah*). Therefore, sustainable finance in the Islamic context must be grounded in the principles of *Maqasid al-Shariah*, ensuring that sustainability is assessed not merely through economic indicators but also through contributions to social welfare and justice.

Green Sukuk as an Innovation in Islamic Finance

Green Sukuk is an Islamic financial instrument that combines asset-based financing principles with a commitment to environmental preservation. In simple terms, Green Sukuk refers to sukuk whose proceeds are allocated to finance environmentally friendly projects such as renewable energy, energy efficiency, green transportation, and natural resource conservation (World Bank, 2020). Indonesia pioneered the issuance of sovereign Green Sukuk based on Islamic principles in 2018, positioning itself as a global model for green financing within an Islamic framework (OECD, 2021). Structurally, Green Sukuk emphasizes transparency in the use of proceeds, external verification (second-party opinion), and periodic environmental impact reporting.

Nevertheless, various studies indicate a gap between green claims and actual outcomes on the ground. Challenges such as greenwashing, limited verification data, and low public literacy regarding sustainable investment have hindered the optimal effectiveness of Green Sukuk (Rasyidin, E.Y., n.d.). Moreover, most studies assess Green Sukuk primarily from an economic standpoint, such as market performance, the potential for *greenium*, or investor appeal, without examining whether the instrument truly embodies *maqasid* values such as social welfare, distributive justice, and environmental stewardship as divine trust. Hence, scholarly inquiry into Green Sukuk needs to shift from a purely financial perspective toward an ethical and *maqasid*-based framework.

Maqasid al-Shariah as the Normative Foundation of Islamic Finance

Maqasid al-Shariah is a philosophical concept that outlines the objectives of Islamic law in preserving human welfare in both worldly and spiritual dimensions. Classical scholars such as al-Ghazali and al-Shatibi identified five essential objectives (*maqasid*): the protection of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), progeny (*hifz al-nasl*), and property (*hifz al-mal*). In the realm of economics and finance, *maqasid* demands a system that is not only legally *halal* but also socially just. Dusuki and Bouheraoua (2011) emphasize that *maqasid* should be understood as a moral principle guiding economic policy to achieve *maslahah 'ammah,* broad and sustainable public benefit.

The application of *maqasid* within Islamic finance encompasses dimensions of welfare, resource protection, and intergenerational responsibility. In relation to Green Sukuk, *maqasid* can serve as an ethical metric to assess whether funded projects preserve the environment (protection of life and progeny), promote economic equity (protection of wealth), and foster ethical investment behavior (Kaunang & Husain, n.d.). Thus, *maqasid* transcends the framework of formal Sharia compliance, functioning as a benchmark for the moral and social success of the Islamic financial system itself.

Integrating Green Sukuk and Maqasid al-Shariah: Research Gaps and Theoretical Relevance

The integration of Green Sukuk and *Maqasid al-Shariah* opens a new avenue of inquiry within Islamic finance literature. While the ESG approach explains how impacts can be measured quantitatively, *maqasid* elucidates why those impacts matter for human welfare (Al Banjari, Naufal Rizqullah, n.d.). By combining both frameworks, Islamic finance can measure sustainability not only in terms of project efficiency but also in terms of justice, ethics, and social responsibility.

This approach positions *maqasid* as the moral compass, assessing the extent to which Green Sukuk contributes to public welfare and environmental sustainability.

Empirical studies examining this relationship, however, remain scarce. Most prior research is descriptive, focusing on policy and economic potential rather than on concrete measurement of *maqasid* impacts. Another critical gap lies in the issue of *additionality,* whether the funded projects genuinely generate additional social benefits or merely substitute conventional financing. Low public literacy and limited impact reporting data further complicate evaluation efforts. This study therefore, posits that Green Sukuk should be evaluated not only by its Sharia compliance and financial performance but also by its tangible contribution to achieving *maqasid*.

This research assumes that the quality of sukuk design, governance, and regulatory frameworks influences the effectiveness of Green Sukuk in realizing *maqasid*. Transparent instrument design and reporting mechanisms enhance project selection, increase socio-environmental impact, and strengthen *maqasid* attainment. Robust regulations reinforce this relationship by fostering trust and accountability. Based on these assumptions, the study hypothesizes that Green Sukuk positively affects the realization of *Maqasid al-Shariah* in the context of Islamic sustainable finance in Indonesia, with transparency and governance as mediating variables and regulatory support as a moderating variable.

Final Synthesis

Green Sukuk can thus be regarded as a strategic instrument that integrates Islamic ethical dimensions with modern economic imperatives. Its success is not solely measured by project sustainability or financial returns, but by its ability to generate social and ecological *maslahah* in line with *Maqasid al-Shariah*. This study seeks to broaden the paradigm of Islamic finance from mere legal compliance toward the realization of substantive Sharia values, justice, welfare, and environmental responsibility. In the Indonesian context, this effort is essential to ensure that the Islamic financial system genuinely contributes to inclusive and sustainable national development.

RESEARCH METHOD

This study adopts a qualitative–descriptive approach aimed at developing an in-depth understanding of the role of Green Sukuk in realizing Islamic sustainable finance in Indonesia within the framework of *Maqasid al-Shariah*. This approach is selected because the research focus lies not in statistical hypothesis testing but in exploring meanings, values, and the ethical relevance of Sharia principles in sustainable financial practices. The qualitative approach also allows the researcher to examine the relationships among policy frameworks, Sharia principles, and the socio-ecological outcomes produced through the implementation of Green Sukuk.

From a design perspective, this research is descriptive-analytical, systematically describing factual phenomena related to the implementation of Green Sukuk and analyzing its conformity with *Maqasid al-Shariah* principles. This approach enables the identification of the extent to which Green Sukuk functions not only as a financial instrument but also as an ethical mechanism integrating Islamic values into green economic practices. Through descriptive analysis, the study seeks to

interpret the interconnections among environmental, social, and spiritual dimensions embedded in projects financed by Green Sukuk.

Data Sources

The study utilizes both primary and secondary data. Primary data are collected through *in-depth semi-structured interviews* with key informants directly involved in the issuance and management of Green Sukuk, including officials from the Ministry of Finance of the Republic of Indonesia, representatives from the Financial Services Authority (OJK), scholars from the National Sharia Board of the Indonesian Ulema Council (DSN-MUI), and Islamic finance academics and practitioners engaged in green financing projects. These interviews are designed to elicit deep insights into the implementation, challenges, and perceptions of *maqasid* within the context of Green Sukuk. Secondary data are gathered from the analysis of official documents, including annual Green Sukuk reports, the *Green Bond and Green Sukuk Framework* issued by the Ministry of Finance, OJK's sustainability reports, as well as scholarly publications and academic articles on Islamic sustainable finance.

Data Collection Techniques

Data collection is conducted through a comprehensive document review and literature study, tracing the policies, regulations, and reporting practices related to Green Sukuk in Indonesia. The documents analyzed cover the period 2018–2024, capturing policy evolution and implementation since the issuance of the first sovereign Green Sukuk. All documents are examined using source triangulation by comparing data from multiple institutions and publication periods to ensure informational reliability.

Data Analysis Techniques

The study employs content analysis to identify major themes related to *Maqasid al- Shariah* principles and sustainability objectives. The analysis proceeds through three stages: Data Reduction; selecting and categorizing data according to *maqasid* dimensions: *hifẓ al-din* (protection of religion), *hifẓ al-nafs* (life), *hifẓ al-'aql* (intellect), *hifẓ al-nasl* (progeny), and *hifẓ al- mal* (wealth). Data Display: mapping these dimensions to the sustainability aspects present in Green Sukuk policies, such as environmental protection, social welfare enhancement, public education, and equitable economic governance. Conclusion Drawing: interpreting findings in light of theoretical and empirical studies to identify alignment or divergence between *maqasid* principles and real-world practices.

Subsequently, a thematic analysis is conducted to explore interrelationships among core concepts. This process involves grouping data under central themes such as transparency, social justice, public welfare, and environmental accountability, and assessing the degree to which these themes reflect *maqasid* objectives. The results are then compared with previous theoretical and empirical studies to identify consistencies or gaps. This approach enables the researcher to pinpoint the disconnect between policy design and the actual realization of *maqasid* in Green Sukuk implementation in Indonesia.

Validity and Reliability

To ensure validity and credibility, the study applies data and methodological triangulation. Data triangulation combines insights from interviews, official documents, and academic literature to obtain a holistic and objective understanding. Methodological triangulation integrates qualitative and descriptive-comparative analysis, comparing empirical data from Indonesia's Green Sukuk practices with international standards such as the *Green Bond Principles (GBP)* and the *ASEAN Green Bond Standards*. This multi-layered approach ensures that the interpretation of results is evidence-based and not influenced by the researcher's subjectivity.

Unit of Analysis and Analytical Focus

The unit of analysis comprises policies and implementation practices of Green Sukuk in Indonesia, including project selection mechanisms, fund management, and impact reporting. The main focus is to assess how these policies contribute to achieving *Maqasid al- Shariah* across three dimensions: social, economic, and environmental. An evaluative approach is used to measure the degree of alignment between *maqasid* principles and sustainability practices, taking into account Indonesia's regulatory and governance context. Finally, the findings are interpreted within a theoretical framework linking Green Sukuk, sustainable finance, and *Maqasid al-Shariah* as an integrated system within Islamic economic development. Through the qualitative–descriptive method and systematic content analysis, this research aims to provide a comprehensive understanding of how Green Sukuk functions not merely as a financing instrument but as a vehicle for implementing *maqasid* values, promoting justice, ethics, and sustainability within Indonesia's Islamic financial ecosystem.

RESULTS AND DISCUSSION

A. The Concept and Implementation of Green Sukuk as an Islamic Financial Instrument for Sustainable Development in Indonesia

Conceptually, Indonesia's Green Sukuk is designed as a Sharia-compliant security with exclusive use of proceeds for green projects related to climate change mitigation, adaptation, and biodiversity conservation. This conceptual design is outlined in the *Green Bond & Green Sukuk Framework* (2018) issued by the Ministry of Finance, which defines the criteria for green projects, the governance of fund distribution (ring-fencing in special accounts), cross- ministerial selection mechanisms, and the obligation of annual allocation and impact reporting. The framework received a second-party opinion from CICERO with a "medium green" assessment, indicating substantial alignment with the long-term decarbonization vision while acknowledging that the transition is still ongoing. The framework includes nine green sectors: renewable energy, energy efficiency, green buildings, sustainable transportation, waste management/WtE, sustainable natural resource management and biodiversity conservation, green tourism, sustainable agriculture, and climate resilience/disaster risk reduction (Direktorat Jenderal Pengelolaan Pembiayaan dan Risiko. (n.d.). API DJPPR - Kementerian Keuangan Republik Indonesia. Retrieved from https://api-djppr.kemenkeu.go.id).

At the implementation level, the financing flow begins with climate/budget tagging, the preparation of a project pipeline by technical ministries, followed by joint review and approval

by the Ministry of Finance and Bappenas, before the issuance proceeds are allocated and monitored by the implementing ministries. The Ministry of Finance issues an *Allocation & Impact Report* annually to disclose project lists, allocation proportions, and outcome indicators (e.g., avoided CO_2e emissions, installed clean energy capacity, and strengthened climate resilience). The consistent publication of these annual reports updated through the 2024 edition reflects the accountability function that underpins market credibility.

From the perspective of the instrument, Indonesia combines *Global Green Sukuk* (foreign currency, for global institutional investors) and *Retail Green Sukuk* (ST series) to broaden the domestic investor base. Historically, UNDP recorded an early leap with the mobilization of more than USD 3.9 billion within the first few years since 2018; global issuances were conducted repeatedly during 2018–2020 and beyond, while retail issuances began in 2019 to deepen public literacy and participation. Data from the Ministry of Finance (official release, July 16, 2025) show that cumulative Global Green Sukuk issuance reached approximately USD 7.7 billion since 2018, reflecting the consistency of the national green financing strategy. In the early retail phase, the government raised IDR 1.46 trillion (ST006), which increased to IDR 5.4 trillion in the second issuance, with a relatively young investor demographic, an early indication of success in expanding green financial inclusion.

From a policy standpoint, OJK supports the ecosystem through the *Sustainable Finance Roadmap* (Phase I 2015–2019; Phase II 2021–2025), which accelerates standardization, data strengthening, and cross-sector coordination. Policy updates also include the issuance of the *Indonesia Green Taxonomy* with a traffic light approach (green–amber–red) to guide capital flows; however, the latest version has sparked debate due to the "amber" category for captive coal plants within the transition context of strategic mineral supply chains, which some observers argue could create ambiguity in the "green" narrative. This dynamic is crucial since Indonesia's Green Sukuk operates within the national taxonomy regime; classification clarity will affect the quality of the project pipeline and international investor perception (Otoritas Jasa Keuangan. (n.d.). *Portal Keuangan Berkelanjutan Indonesia*. Retrieved from https://keuanganberkelanjutan.ojk.go.id.

In the global market, several institutions (LSEG, Climate Bonds Initiative) indicate strong demand for thematic Sharia-based instruments with measurable use-of-proceeds. These reports identify Green/Sustainability Sukuk as a rapidly growing segment, with Indonesia often cited as a sovereign issuer case study. This has implications for the cost of capital (potential greenium), the expansion of the investor base (including ESG funds in the Middle East, Europe, and Asia), and the reputation of Indonesia's climate policy in the market. Although greenium is inconsistent and liquidity-sensitive, maintaining supply continuity (annual programs) has proven crucial for sustaining a deep demand curve (London Stock Exchange Group, n.d.). *LSEG*. Retrieved from https://www.lseg.com/en/about-us.

In terms of outcomes, the Ministry of Finance's annual impact reports present concrete environmental outputs (such as emission reduction, renewable energy generation in MWh, and adaptation infrastructure) and the consistent ring-fencing of fund utilization. Several recent academic reviews of the *2023 Allocation & Impact Report* highlight progress in measuring physical impact while emphasizing the need for stronger baselines and counterfactuals to enhance the credibility of additionality claims, for example, ensuring that projects would not have been

implemented without Green Sukuk funding. Recommendations include deepening impact measurement methodologies, expanding social indicators (access and equitable benefit distribution), and strengthening independent impact assurance to align with international standards and the vision of *Maqasid al-Shariah* (Islamic Finance Council UK. (n.d.). *Islamic Finance Council UK*. Retrieved from https://ukifc.com).

In synthesis, the concept of Indonesia's Green Sukuk fulfills three core pillars for effectiveness as an Islamic financial instrument for sustainable development: (i) a clear conceptual framework (eligible sectors, use-of-proceeds, CICERO SPO); (ii) standardized implementation and reporting mechanisms (budget tagging, inter-agency selection, annual allocation & impact reporting); and (iii) policy support from OJK through continuous roadmap and taxonomy refinement. Indonesia's main strength lies in program consistency (repeat issuances, including retail channels) and the fiscal–policy integration that enables climate-oriented public projects to be financed under Islamic principles. The most impactful areas for strengthening in the next phase include: clarifying taxonomy standards to avoid transition ambiguity, enhancing additionality methodologies and social benefit distribution in impact reports, and expanding independent assurance three factors essential to maintain global investor confidence, reduce long-term capital costs, and affirm Green Sukuk's position as a practical bridge between ESG targets and *Maqasid al-Shariah* objectives in national development.

B. The Realization of Maqasid al-Shariah Principles in the Implementation of Green Sukuk in Indonesia

Normatively, Indonesia's Green Bond & Green Sukuk Framework is designed to ensure that funds flow exclusively to green projects relevant to climate mitigation and adaptation, supported by ring-fencing mechanisms, inter-ministerial selection processes, second-party opinions (CICERO: medium green), and mandatory annual allocation and impact reporting. From the *maqasid* perspective, this design establishes a governance foundation to ensure that the element of *maslahah* (environmental and social welfare) does not remain merely a label but materializes through measurable and audited use-of-proceeds. In other words, the framework pairs the "why" (maqasid) with the "how" (ESG), ensuring that Sharia compliance is not only legal-formal but also substantively meaningful, being bound to impact indicators and public accountability (Direktorat Jenderal Pengelolaan Pembiayaan dan Risiko, Ministry of Finance of the Republic of Indonesia. (n.d.). *API DJPPR – Kementerian Keuangan Republik Indonesia*. Retrieved from https://api-djppr.kemenkeu.go.id.

At the outcome level, official reports by the Ministry of Finance through the *Allocation & Impact Report*, issued regularly (including the 2023 and 2024 editions), demonstrate that green sukuk financing has funded priority sectors such as renewable energy, energy efficiency, waste management, climate resilience, conservation, and sustainable transportation. These reports present environmental output and outcome metrics such as avoided CO_2e emissions, clean- energy capacity, and adaptation indicators, which serve as evidence of the realization of *hifz al- nafs* (protection of life) through a safer environment and *hifz al-nasl* (inter-generational sustainability) through natural-resource conservation. The existence of consistent and standardized reporting reinforces *amanah* (trustworthiness) and transparency, key *maqasid* values, while minimizing *gharar* in the tracing

of public funds (Direktorat Jenderal Pengelolaan Pembiayaan dan Risiko. (n.d.). *Portal Resmi DJPPR – Kementerian Keuangan Republik Indonesia*. Retrieved from https://www.djppr.kemenkeu.go.id).

The social dimension of *maqasid* has also begun to manifest through documented spillover benefits in government and development-partner materials, such as support for millions of beneficiaries in the agricultural, educational, and community-resilience sectors. For instance, the World Bank Symposium (2024), referencing the *Green Sukuk Allocation and Impact Report 2023*, highlights the program's reach to farmers, students, regional entrepreneurship, and agricultural land, an indication of contributions to *maslahah 'ammah* that extend to equitable public-service provision and livelihood resilience. Such evidence expands the evaluation focus from "reduced emissions" to measurable improvements in welfare, aligning with *hifz al-mal* (protection of wealth/prosperity) and *hifz al-'aql* (enhancement of knowledge capacity through education and literacy) (The World Bank. (n.d.). *World Bank Documents & Reports*. Retrieved from https://documents.worldbank.org).

From an economic standpoint, the consistency of issuances, both global and retail, reflects the state's credibility in mobilizing cost-efficient capital for *maslahah*-oriented projects. Market studies and reports note that Indonesia has been a pioneer and remains one of the most active sovereign issuers in the green sukuk segment, with significant cumulative value since 2018. This strong demand dynamic expands the Sharia-ESG investor base and deepens the market, ultimately supporting fiscal sustainability for public projects. From the *maqasid* viewpoint, stability and efficiency accompanied by transparency and purpose affirm *hifz al-mal* at the macro level, preserving the state's capacity to finance public services without compromising ethical stewardship of resources (London Stock Exchange Group. *About LSEG: One of the World's Leading Providers of Financial Markets Infrastructure and Data.* Retrieved from https://www.lseg.com/en/about-us).

Nevertheless, there are value tensions that must be considered to preserve the integrity of *maqasid* claims. The debate surrounding Indonesia's *Green Taxonomy* (2024 version), particularly the "transition" category that permits certain captive coal power plants within the strategic mineral supply chain, has drawn criticism for potentially blurring the definition of "green" and weakening the environmental-ethics message central to *hifz al-nafs* and *hifz al-nasl*. For the *maqasid* agenda, such classification ambiguity risks reducing additionality and the credibility of "environmental welfare" claims if not counterbalanced by rigorous impact methodologies and transparent disclosures. This underscores the importance of maintaining strong ring-fencing, baseline- and counterfactual-based impact methodologies, and independent assurance to ensure that Green Sukuk remains a vehicle of *maslahah*, not merely a thematic instrument (Green Central Banking. (n.d.). *Green Central Banking Website*. Retrieved from https://greencentralbanking.com).

Overall, current conceptual and empirical evidence support the conclusion that Indonesia's Green Sukuk implementation aligns with the principles of *Maqasid al-Shariah* across three main dimensions: environmental (emission reduction, adaptation, conservation), social (public-service outreach and livelihood resilience), and economic (trustworthy and efficient Sharia financing mobilization). However, to make this *maqasid-fit* alignment more precise and accountable over time, three critical enhancements are needed: first, deepening additionality measurement with clear baselines, counterfactuals, and impact attribution to funded projects; second, expanding social-welfare indicators (access, equity, vulnerability) so that *maslahah 'ammah* is as measurable as environmental metrics; and third, maintaining taxonomy and verification

integrity through independent impact assurance and harmonization with regional/ASEAN standards to avoid *mission drift* from *maqasid* values that demand welfare, justice, and trust. With these improvements, Green Sukuk will be not only "Sharia-compliant" and "green" in market terms but also generate tangible and measurable *maslahah* consistent with *Maqasid al-Shariah* objectives in the Indonesian context.

C. Challenges in Integrating Maqasid al-Shariah into the Regulation and Governance of Green Sukuk in Indonesia

Integrating *Maqasid al-Shariah* into the modern financial system presents complex conceptual and institutional challenges. In the context of Indonesia's Green Sukuk, policy and regulation have formally accommodated Sharia principles through DSN-MUI fatwas and *Sharia compliance* mechanisms that ensure contract structures do not contradict Islamic law (Wildani, F., Mahmudi, M., & Jannah, n.d.). However, achieving *maqasid* fulfillment goes beyond contractual compliance; it requires *Sharia objectives alignment,* that is, the extent to which policy and instrument implementation truly generate social welfare, economic justice, and environmental preservation. The main challenge lies in translating *maqasid* principles from a normative realm into concrete, measurable, and sustainable regulations and technical practices. Philosophically, parts of Indonesia's Islamic finance policy still operate under a Sharia- compliance paradigm (legal adherence) rather than a Sharia-purpose paradigm (achievement of objectives). As a result, regulatory attention often focuses on contract validity, ensuring that sukuk use lawful structures such as *ijarah* or *wakalah* rather than assessing the social and ecological impacts of financed projects (Sukardi, n.d.). This paradigm creates a gap between Sharia legality and morality. Within the *maqasid* framework, this gap risks diminishing *maslahah 'ammah* because *maqasid* evaluates not only "how" actions are performed but also "for what purpose and for whose benefit." When Green Sukuk is assessed solely from a contractual lens, *maqasid* objectives such as distributive justice (*'adl*) and environmental stewardship (*khilafah*) fade from the success parameters.

Structurally, *maqasid* integration is hindered by institutional fragmentation and weak cross-sector coordination. Although the Ministry of Finance acts as issuer and fund manager, project selection and impact reporting responsibilities are distributed among several technical ministries (Indonesia, K. K. R., & No, n.d.). The Financial Services Authority (OJK) oversees financial-market aspects, while DSN-MUI ensures Sharia compliance (Rulanda, S. P., Zaini, Z. D., & Safitri, n.d.). The absence of an integrated *maqasid-based evaluation mechanism* results in each institution working within its own silo. Consequently, Green Sukuk project reports tend to focus on technical indicators such as emission reductions or project counts without showing direct linkages to *maqasid* dimensions like *hifẓ al-nafs* (protection of life) or *hifẓ al-mal* (just management of public assets). This fragmentation also leads to a lack of feedback loops between policy and *maqasid* outcomes, meaning that lessons from implementation have not been fully embedded into new regulatory designs.

One of the most evident barriers to implementing *maqasid* lies in limited transparency and outcome-based impact reporting. While Green Sukuk annual reports already provide data on allocations and environmental outputs (e.g., avoided CO_2e emissions), they rarely measure social additionality or benefit distribution across regions and communities (Syari, n.d.). Yet, *maqasid* demands social justice and inclusivity, which can only be demonstrated through disaggregated

and auditable data. The lack of independent impact assurance undermines the credibility of *maslahah* claims. For example, not all green projects have clear social baselines, whether they improve the living standards of poor communities, expand clean-energy access for marginalized groups, or are concentrated in urban areas. This gap creates a risk of *maqasid greenwashing*, where spiritual narratives are invoked rhetorically without tangible measurement of welfare impacts.

Beyond institutional issues, the low level of public literacy on Green Sukuk and *maqasid* also poses a major obstacle. Most investors understand sukuk in terms of financial returns rather than the moral and social values they embody (Lubis, Z. A., Shabri, M., & Musnadi, n.d.). This indicates that market orientation remains materialistic rather than *maslahah-oriented*. The government has sought to expand participation through retail Green Sukuk issuance; however, without deep literacy, public participation lacks an understanding of ecological and spiritual responsibility. In *maqasid*, community participation is not merely about investment but an ethical act of stewardship (*amanah*) in caring for the earth. Thus, the success of *maqasid* integration also depends on how far public awareness is cultivated through education and transparency, not only on financial incentives.

Regulatorily, challenges arise from the absence of explicit harmonization between green taxonomy standards and *maqasid* principles. Indonesia's *Green Taxonomy (IGT)* classifies economic activities based on environmental impact, yet its criteria have not incorporated *maslahah* or social-justice dimensions emphasized in *maqasid* (Iskandar, A., & Aqbar, n.d.). When some captive coal activities are classified as "transitional," tension emerges between fiscal pragmatism and *maqasid* values demanding life preservation (*hifẓ al-nafs*) and inter- generational sustainability (*hifẓ al-nasl*). Globally, no standard yet exists to measure *maqasid* conformity, while institutions such as the Islamic Development Bank (IsDB) and IIFM have only recently begun developing *Sustainability Sukuk Guidelines* integrating ESG and *maqasid* principles. This standards gap requires Indonesia to take a proactive role in formulating *maqasid* indicators that are context-specific yet compatible with international norms.

From the above challenges, it is clear that the main barrier to integrating *maqasid* into the regulation and practice of Green Sukuk lies not in policy intent but in translating values into measurable indicators, governance systems, and evaluation mechanisms. Policy reformulation is needed to position *Maqasid al-Shariah* as a national evaluative framework, not merely a moral complement. Priority actions include developing a *Maqasid Index for Sustainable Finance* to measure social, economic, and ecological impacts; strengthening independent impact-assurance systems; and enhancing institutional capacity to translate Sharia values into results-based reporting. Through this approach, Green Sukuk will evolve from a merely "Sharia-compliant and green" instrument into a *maqasid-driven* financial instrument that upholds social justice, protects life, and safeguards public wealth with integrity and sustainability.

D. Strengthening Policy and Governance Strategies for Maqasid al-Shariah-Based Green Sukuk

After more than six years of implementation, Indonesia's Green Sukuk has proven to be an effective public financing instrument oriented toward sustainability. However, financial success and Sharia compliance do not automatically guarantee the substantive realization of *maqasid*

(Mawarni, n.d.). The previously identified challenges, such as institutional fragmentation, weak impact transparency, and ambiguous green standards, indicate the need for a more systematic strategy to strengthen governance and embed *maqasid* values throughout the policy cycle. Strategic reform is essential not only to maintain market credibility but also to transform Green Sukuk from a "green-labeled" instrument into a truly value-based instrument that delivers tangible social, economic, and environmental welfare.

The first step in strengthening the effectiveness of Green Sukuk is to establish a regulatory framework that explicitly adopts *Maqasid al-Shariah* principles as a foundation for decision-making. Currently, regulation primarily emphasizes formal Sharia compliance aspects (contracts, structures, and fund management) (Aditya, R., Aljazirah, N. P., & Salsabila, n.d.). Moving forward, regulations should incorporate *maqasid alignment criteria* in project selection, reporting, and evaluation. For instance, every funded project should demonstrate its contribution to at least one *maqasid* dimension: protection of life (*hifz al-nafs*), economic welfare (*hifz al-mal*), or generational sustainability (*hifz al-nasl*). In this way, *maqasid* becomes not merely symbolic but a regulatory benchmark in decision-making. Furthermore, revisions to policies such as the *Green Bond & Sukuk Framework (GBSF)* should include *maqasid indicators* alongside impact indicators so that annual reporting does not end with emission numbers or project outputs but also presents *distributional equity* and *social welfare* outcomes.

Effective governance of Green Sukuk requires close inter-agency coordination among the Ministry of Finance, OJK, Bappenas, and DSN-MUI. The existing fragmentation has caused *maqasid* interpretations to become sectoral (Mupida, S., & Mahmadatun, n.d.). The necessary strategy is the establishment of a coordinating body or "National Council for Islamic Sustainable Finance," tasked with standardizing *maqasid* indicators, assessing project conformity, and evaluating cross-sectoral welfare outcomes. This council could serve as a convergence platform for financial regulators, fiscal authorities, scholars, and Sharia scholars. Through such a mechanism, decisions regarding green projects would be based not only on economic efficiency but also on the proportionality of social benefits and alignment with Sharia values. This institutional integration would also reinforce governance since *maqasid* cannot be realized without collective stewardship among stakeholders.

The dimension of transparency is a key pillar of *maqasid* in the context of *amanah* (trust) and *hisbah* (moral accountability). A strengthening strategy in this regard is the implementation **of** results-based impact reporting models. Annual reports, which currently focus on fund allocation, should be complemented by *Social Return on Investment (SROI)*, additionality assessments, and spatial mapping of socio-economic benefits (Purwohedi, U., Harto, P. P., Wibowo, H., & Bahri, n.d.). To ensure data validity, the involvement of independent third parties—such as ESG verification bodies or academic institutions is required to conduct impact audits using *maqasid*-based methodologies. Moreover, publishing reports in *open data* formats and interactive dashboards can broaden public participation and raise awareness of Green Sukuk's social function. This step would strengthen the perception that Green Sukuk is not an elitist instrument but a collaborative vehicle toward shared prosperity.

Maqasid integration will not be effective without community participation grounded in an understanding of its values. Therefore, the next strategy is to strengthen maqasid-based green finance literacy. The government, together with OJK and Islamic educational institutions, should develop literacy modules that explain the relationship between Islamic investment,

ecological responsibility, and social welfare (Fadila, N., & Soumena, n.d.). This education should target not only investors but also students, Islamic boarding school communities (*santri*), and mosque congregations. Retail Green Sukuk can serve as a platform for literacy and collective moral action, where every sukuk purchase becomes not only a financial transaction but also an ethical statement of commitment to environmental stewardship. This *maqasid* literacy has a dual function: enhancing demand-side engagement and reinforcing the social legitimacy of the instrument.

In the digital era, improving the transparency and effectiveness of Green Sukuk can be achieved through financial technology based on blockchain and big data analytics. Implementing blockchain ledgers can ensure accurate fund tracking from issuance to project execution, reinforcing principles of *amanah* and *anti-gharar*. Meanwhile, spatial data analysis (*geospatial impact analytics*) can monitor environmental and social impacts in real time. The application of such innovations aligns with *hifẓ al-'aql* (the use of knowledge for public welfare). The government can collaborate with Islamic fintech start-ups to build a digital reporting platform for Green Sukuk, enabling the public to access project impact data openly and interactively.

The next strategy is to strengthen Indonesia's position in international forums as a model of *maqasid-driven sustainable finance*. Collaboration with institutions such as the Islamic Development Bank (IsDB), International Islamic Financial Market (IIFM), and ASEAN Capital Markets Forum should be directed toward developing a Global Maqasid Index for Sustainable Sukuk, assessing the ethical and social impacts of each issuance. As a pioneer in sovereign Green Sukuk, Indonesia has the legitimacy to lead this standardization initiative. Through Islamic financial diplomacy, Indonesia can not only adopt global ESG standards but also offer a new paradigm of ethical sustainability based on maqasid, which enriches the global financial architecture.

In synthesis, strategies for strengthening Green Sukuk policy and governance should aim to shift the paradigm from a compliance-based system to a purpose-driven system. This means that the success of Green Sukuk will no longer be measured solely by issuance volume or project numbers, but by how far the instrument reduces poverty, protects the environment, and enhances distributive justice. To achieve this, three solid *maqasid* policy foundations are needed: (1) value alignment between fiscal policy and *maqasid* principles, (2) impact governance based on accountability and transparency, and (3) inclusive participation involving the public, academics, and religious institutions. Through these strategies, Green Sukuk will become a living laboratory for implementing *Maqasid al-Shariah* in the modern economy, not merely as a capital-market product, but as a moral instrument for equitable and sustainable national development.

CONCLUSION

This study concludes that Green Sukuk serves as a strategic Islamic financial instrument in realizing sustainable finance in Indonesia through the integration of *Maqasid al-Shariah* values. The findings indicate that the implementation of Green Sukuk has contributed to financing environmentally friendly projects and strengthening transparent public financial governance, although the achievement of *maqasid* remains suboptimal due to gaps between normative objectives and technical practices on the ground. The main challenges lie in weak institutional coordination, limited measurable social impact reporting, and insufficient integration of *maqasid* principles within regulatory and project evaluation frameworks. Therefore, policy and

governance strengthening based on *maqasid* is necessary through the formulation of maqasid-based performance indicators, enhancement of public literacy, and collaboration among financial institutions and Sharia authorities to expand welfare outcomes. This study is limited by the scope of empirical project data and has not quantitatively measured *maqasid* contributions; thus, future research is recommended to employ *impact assessment* and *maqasid-based social accounting* approaches. Theoretically, this study reaffirms that Green Sukuk is not merely a halal and green investment instrument but also a medium for
implementing maqasid values in national development that is just, ethical, and sustainable.

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