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SYNERGY OF GREEN FINANCE AND MAQASID SHARIA: A STUDY OF THE DEVELOPMENT OF GREEN SUKUK IN INDONESIA

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HIGHLIGHT

- Philosophically, Green finance has the same objective as maqasid sharia, which is about Maslahat (advantages). in Indonesia, the two interrelationships can be seen through the role of the government through green financing policies, namely green Sukuk.

ABSTRACT

This research explores the relationship between green finance and Maqasid Shariah through a study of the development of green sukuk in Indonesia. Green sukuk, as a Shariah-compliant financing instrument aimed at environmentally friendly projects, philosophically aligns with Maqasid Shariah, which emphasizes the protection of religion, life, intellect, lineage, and property. This study employs a qualitative method based on literature review to analyze the development of green sukuk since its first issuance in 2018. The findings indicate that green sukuk in Indonesia has shown significant growth, with an increase in issuances and funded projects, such as renewable energy and sustainable transportation. The implications of this research suggest that green sukuk not only contributes to sustainable financing but also strengthens the principles of Shariah within the context of modern Islamic finance. This study recommends an expanded green economic model based on Maqasid Shariah to support sustainable development policies in Indonesia.

KEYWORD

Interrelation, Green Economy, Green Finance, Green Sukuk, Maqasid Sharia

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A. INTRODUCTION

The current economic development can be said to be dynamic; various efforts have also been made, including making policies and developing new economic concepts to be in line with the times; the goal is for the economy to continue to be in line with its welfare purpose (Gayatri, 2017).

Welfare can be defined as the well-being of all living things, including humans, nature, and even inanimate objects. Although the relationship between the economy, man, and nature is not always positive, (Loiseau et al., 2016). Why is this the case? because policies frequently made for welfare are not balanced, such as excessive human exploitation of natural resources whose purpose is to be equal, as if to be a paradox (Cui et al., 2020). Nature is predicted to eventually produce disasters such as floods caused by deforestation or a lack of absorption areas, as well as global warming and erratic weather, among other things. This phenomenon is caused by man's actions, who no longer consider the resulting lead or its relationship to the sustainability of natural ecosystems. Nature is a gift from God that we must protect, in Islam it can be referred to Allah's word in surah Al-A'raf verse 85 which states:

...الْأَرْضِ فِي تَفْسِدُوا وَلَا ...

Meaning: "... And you shall not make mischief on the face of the earth..." (Q.S Al-A'raf verse 85 in Departemen Agama RI, 2019)

The interpretation of this verse, unequivocally delivered by the Islamic scholar Prof. Dr. Quraish Shihab, M.A in his popular interpretation of Al-Misbah, he argued that human beings should maintain harmonious relations in economic and financial interactions, then maintain the system and benefit of the general public (Shihab, 2005). According to the author, this interpretation emphasizes the importance of humans maintaining natural ecosystems because nature provides many benefits to mankind, and if we maintain those ecosystems, a good economic cycle will be created, so humans must reciprocate to nature.

The world's economic leaders are currently working to provide the appropriate economic model for constructing a clean, environmentally friendly, and long-term economic ecosystem, also known as the green economy (Loiseau et al., 2016). This concept has been passed down through various world economic meeting events by academics, practitioners, and even government officials. The financing sector (finance), also known as green finance, is one of the strategic

sectors of the green economy concept. In short, green finance is the provision of financing to only the green sector or those that are environmentally friendly, such as financing trains, hydroelectric power plants, and so on (Wang & Zhi, 2016).

In Indonesia, various parties ranging from the private sector to the government are supporting the development of green finance. For example, several private banks have agreed not to lend to mining companies or the dirty energy sector. The government then issued State Sharia Securities (SBSN) or *Sukuk* specifically to finance the green sector, known as green *sukuk*, through the ministry of finance (Liu & Lai, 2021), meaning that the state makes special policies to build green energy and slowly abandons the dirty energy sector (Iskandar & Aqbar, 2019).

If we look at the philosophical foundations of the green economy, green finance, and green *sukuk*, they have connections and interrelation with *maqasid sharia*. Which has the same breath in Islam, it is because the concept of *maqasid sharia* emphasizes the benefits of the environment (Kurniawan & Hudafi, 2021). *maqasid sharia* is known to have five (5) concepts, among which religion, soul, reason, ancestry, and property are preserved. In summary, if we refer to popular opinion about *maqasid sharia*, we will find Imam Asy-Syatibi and Islamic scholars referring to him as the "Father of *Maqasid Sharia*." He argued that the essence of *maqasid sharia* is whatever policy is made for the benefit of the people on earth (Suhada & Setyawan, 2016). God has entrusted man with the role of caliph or leader, so man has an obligation to protect. The interrelationship will be discussed further in the results and discussion section.

This research aims to explain how green *sukuk* in Indonesia functions not only as an instrument for environmentally friendly financing but also as a manifestation of the principles of Maqasid Sharia in the context of the modern economy. By integrating the concepts of green economy, green finance, and Maqasid Sharia, this study highlights the importance of developing policies that support environmental sustainability while aligning with the principles of Sharia.

The author formulates the problems he presents based on this background: first, how is the development of green *sukuk*; and second, why the green economy, green finance, and green *sukuk* are frequently associated with *maqasid sharia*? The author is particularly interested in reviewing this issue under the title **"Interrelation Between Green Finance and *Maqasid Syariah*: A Study of the Development of Green *Sukuk* in Indonesia".**

B. METHOD

This research employs a qualitative method based on a literature review to examine the interrelation between green finance, Maqasid Sharia, and the

development of green sukuk in Indonesia. The literature sources utilized in this study were selected based on several key criteria. First, only literature published in the last ten years was considered to ensure relevance to current trends in green finance and the application of Maqasid Sharia. Second, the literature sources are derived from accredited scientific journals, academic books, and reports from relevant international organizations, such as the United Nations and the Ministry of Finance of the Republic of Indonesia.

The data analysis process was conducted in several stages. First, data reduction was performed to condense information from various relevant literatures concerning the research questions. Key information related to the development of green sukuk in Indonesia and its philosophical relationship with Maqasid Sharia was then identified and integrated into the research arguments. Triangulation techniques were employed to ensure data consistency, whereby multiple literature sources were examined for the validity of the findings.

Through this approach, the research aims to provide a comprehensive understanding of the role of green sukuk in advancing a green economy in alignment with Sharia principles, while also laying a strong foundation for further research.

C. RESULT AND DISCUSSION

Nowadays, the discussion of economics is becoming increasingly diverse, with the emergence of new terms in response to the times, even though some of the purposes of these terms have been discussed by previous economic scholars. The author will explain the concepts of green economy, green finance, green *sukuk*, and how they relate to sharia *maqasid* and the development of green *sukuk* in Indonesia in this section.

Green Economy, Green Finance, and Green Sukuk

In general, discussing the green economy can begin with the United Nations (UN) Conference on the Environment and Development, which was held in Rio de Janeiro in 1992, as previously mentioned. The concept of "green economy" was created 20 years later at the Rio+20 conference in 2012. In some ways, the United Nations Agency for Environmental Programs (UNEP) interpreting green economy as an economic concept that can improve welfare and social justice. There are three areas to concentrate on: low carbon, social inclusion, and resource efficiency (Loiseau et al., 2016).

The green economy aims to help reduce greenhouse gas emissions while also seeing the benefits of the green economy concept, specifically as a means of a development model that considers environmental and ecosystem justice. The green

economy has a broader scope than the Low-Carbon Economy (LCE) and the Low-Fossil-Fuel Economy (LFFE), both of which aim to reduce greenhouse gas (GHG) emission activities. Because the green economy is based on the basic concept of ecological economics, which is a science that studies the impact of economic activity on environmental ecosystems such as climate change (Koehrsen, 2021).

Along the way, the green economy provides an understanding that was initially focused on only greening regulations but has now shifted to environmentally friendly economic development. However, the concept of a green economy also considers opening jobs, also known as green jobs, namely green sector jobs. According to the opinions of the world's economists, Prof. Emil Salim, M.A., Ph.D., reminded the audience that a developed country does not rely solely on economic factors; there must also be an increase and strengthening of human and ecological resource development (Willya et al., 2020). That is, the human understanding of employment must be consistent with the understanding of the work's impact, particularly the impact on the environment.

Nowadays, it is undeniable that job opportunities include financiers or investors in the concept of a green economy known as green investment, namely investment in the green sector. Thus, the green economy refers to the economy and the environment in general, from downstream to upstream, or so to speak, considering all sectors before developing policies. The focus is not only on stopping but looking at how economic actors produce goods, trade products, and consume environmentally friendly products (Karina, 2019).

The financing sector or green finance is a concern in the concept of the green economy. Green finance is a trend that combines the financial and business sectors with environmentally conscious behaviour. Many actors, including individual consumers, producers, investors, and financial lenders, have a place in this concept. Green finance can be implemented in various ways depending on the perpetrator and the country's financial policymakers, with the ultimate goal of preserving the planet. Green finance, in contrast to traditional financial activities, places a greater emphasis on the benefits of the ecological environment and pays more attention to the environmental protection industry (Azizah & Hariyanto, 2021).

Banks play the majority of the role in green finance because they are financial institutions that are an important part of economic development, and banks are responsible for climate commitments. Among them is the commitment not to finance dirty energy; the problem among academics is that banks have a profit goal, so the commitment to stop financing dirty energy appears difficult; however, some banking institutions have committed not to finance dirty energy and instead switch to clean or environmentally friendly energy. Not only banks but also state institutions such as the ministry of finance play an important role in implementing policies that promote sustainable development.

In Indonesia, the government has made various efforts to fulfil this commitment, including green *Sukuk* or State Sharia Securities (SBSN), also known

as green *sukuk*. The Indonesian government launched the world's first green *sukuk* concept in 2018 to provide green financing (Rohmah et al., 2020). Following that were several countries such as the UAE, Malaysia, and others.

The proceeds from the Republic of Indonesia's issuance of green *Sukuk* in 2018 totaled 1.25 billion USD or Rp. 16.75 trillion, will be distributed solely to environmentally friendly projects following the Republic of Indonesia's Green Framework. The Green Bonds and *sukuk* Initiative seeks to assist Indonesia in meeting its commitment to reduce greenhouse gas emissions. Dwi Irianti, Director of Sharia Finance at the Ministry of Finance of the Republic of Indonesia, stated that green *sukuk* is an innovative sharia-based financial instrument that will help Indonesia meet its commitment to combat climate change (Kementerian Keuangan Republik Indonesia, 2019). The concept of green *sukuk*, or sharia-based innovative financial instruments, is interesting to study above with the concept of sharia *maqasid*, which is thought about policies that provide for the benefit of the people, which will be explained further.

Concrete examples of the implementation of green *sukuk* in Indonesia include the environmentally friendly railway project in Palembang, which supports sustainable transportation, and the coastal protection project at Taluda Beach in Gorontalo, which focuses on mitigating the impacts of climate change and protecting natural assets (Kementerian Keuangan Republik Indonesia, 2022). These projects not only reflect the principle of *hifdz al-mal* (protecting wealth) by preventing damage to assets but also *hifdz an-nasl* (protecting descendants) by ensuring the sustainability of natural resources for future generations.

Synergy of Green Finance and Maqasid Syariah

The well-known sources of law in Islam as the main reference are the Al-Quran and Hadith; if it is not found in the two (2) main sources, the next step is *Ijma* and *Qiyas* (Lubis et al., 2021). Islam defined green finance as a financing model that prioritizes benefits. Why is this so? Because when it comes to benefits, Islam has a concept known as *maqasid* sharia. Before delving deeper into the relationship between green finance and *maqasid* sharia, the researcher will provide a theoretical overview of *maqasid* sharia.

Maqasid sharia is derived from two words: *maqasid* and sharia. The word *maqasid* is the plural form of the word *maqasid*, which has several meanings, including towards something and a straight path. (Sarip Saputra, 2020, p. 17). While sharia is a rule, *Syara'* and *Syir'ah*, according to Ibn Taimiyah, are related to everything that Allah has ordained, whether it is a matter of *Aqidah* or charity. (Sarwat, 2019, p. 16). It is possible to define *maqasid* sharia as sharia's purpose for the benefit of the world and the hereafter (Al-Shatibi, 1996).

Is an Islamic sciences concept developed by well-known figures in the field of Islamic studies, particularly sharia *maqasid*? Imam Haramain al-Juwainy, Abu

Hamid Al-Ghazali, Al-Razy, Saifuddin Al-Amidy, Ibn Hajib, Izzuddin Abdussalam, Al-Qarafi, Ibn Taimiyah, Ibn Qayyim, Ath-Thufi, and Ash-Syatibi will all be found. They believe that *maqasid* sharia is for the benefit of the people (Sarwat, 2019, p. 39).

In this case, the researcher will concentrate on discussing *maqasid* sharia from the perspective of Asy-Syatibi, because his thoughts on the benefit of giving birth to works that have become reference material for various scholars until now, do not imply that other figures are not references, but Asy-Syatibi has complete, systematic, and simple to understand theories of sharia *maqasid*. (Kurniawan & Hudafi, 2021, p. 30). In fact, it has become the primary reference or required book for students continuing their studies in the field of Islamic Studies in Western countries, particularly the Netherlands, Canada, and America. The work that he wrote was later widely read by various scholars, namely *Al-Muwafaqat fi Usul al-Ahkam*, this work is very popular, so that of the many policies of Muslim scholars (ijtihad) in the field of Islamic law, it appears that this book is never absent from reference material. He is also known as the "Father of *Maqasid* Sharia." (Toriquddin, 2014).

Asy-Syatibi or Imam Syatibi, divides the *maqasid* of sharia into three (3) parts, among which are *dlaruriyat*, *hijayat*, and *tahsiniyat* (Al-Shatibi, 1996, p. 5). *Dlaruriyah* is a primary benefit or has a primary urgency that must be met by the individual or collective, and if ignored, it will be destructive to the order of society. The *dlaruriyah* is divided into five sections, popularly known as *al-kulliyat al-khamsah*, among which are the preservation of religion, soul, reason, *nasab*, and treasure. Understanding of *al-Kulliyat al-Khamsah* in *maqasid* sharia while having ties or interrelationships with green finance. As for the interrelationships, it is as follows.

First and foremost, *Hifdz Din* (maintaining religion) Maintaining religion has various interpretations among scholars, both classical and contemporary scholars. However, Asy-Syatibi interprets maintaining religion as preserving the originality of religious aims or objectives. Furthermore, Ash-Syatibi emphasized that religion's purpose is to benefit the world and the hereafter (Al-Shatibi, 1996). Based on this, green finance, which has a philosophical foundation in the form of financing that reduces environmental damage, has the same goal as religion, namely preserving what God created. As the author mentioned earlier in surah al-A'raf verse 85, Islam teaches us not to harm the environment, and this is the purpose of religion, namely benefit, which means that when religion teaches it, humans personally and collectively maintain religious teachings by practicing them through concrete actions to protect the earth or participating in green financing programs. It is how *hifdz din* and green finance are linked.

Second, *Hifdz Nafs* (maintaining the soul) is the same as the meaning of *hifdz din*, in the sense that *hifdz nafs* also experiences various dynamics of understanding, but in general *hifdz nafs* is defined as the survival of a person's life or soul on earth that has the right to live and protect each other both interpersonally and between groups. Green finance is a philosophically strict concept to ensure the continuity of human civilization on Earth through development financing specifically for the green sector.

Third, *Hifdz 'Aql* (maintaining reason) in Islam, maintaining what God has entrusted to the earth becomes a personal and collective obligation, as the existence of the earth, which is changing day by day, becomes a problem today, as we often heard in the past that the island of Borneo became the people's lungs. This statement is now being called into question in the world's lungs, as the forests of Kalimantan are being eroded by human greed. With the current state of the forest or the earth's ecosystem, which is currently unhealthy as if it contradicts the *maqasid* of sharia in *hifdz 'aql*, why is that, because Islam emphasizes the preservation of environmental ecosystems so that humans can live with adequate health insurance? Thus, to support creativity and thinking ability, humans must live in a good environmental ecosystem, rather than with air pollution, floods, landslides, or even forest fires, which are common in Sumatra and Kalimantan (Rahimah, 2021). Green finance represents a new hope for bettering the earth's ecosystem in order to give birth to the next generation of Indonesians who are smart, creative, and healthy in accordance with the constitution, namely educating the nation's life.

Fourth, *Hifdz Nashl* (maintaining offspring) if you remember the breath of *maqasid sharia*, namely realizing goodness and avoiding evil or attracting benefits and rejecting harm, known as *dar'u al-mafasid wa jalb al-masalih*, meaning *hifdz nashl* is maintaining healthy offspring. The relationship or interrelationship with the Indonesian government's policy of issuing green finance through the concept of green *sukuk* or green *sukuk* is an effort, as previously mentioned, to give birth to a generation of Indonesians who are intelligent and intellectual, according to the constitution. Making it happen requires personal and collective awareness of the importance of maintaining a healthy environmental ecosystem.

Finally, there is *Hifdz Mal* (maintaining the property). Maintaining a property cannot be interpreted arbitrarily, and interpreting it as accumulating wealth is not following *maqasid* sharia. The benefit of the property is the concept of maintaining the property; the economy has long been considered an excellent economic ecosystem, which can be said to consider the benefits of this economic practice. Islamic economics strictly forbids using wealth for activities that are not good or cause harm, such as contributing to the practice of overexploited coal mining, illegal

forest logging, etc. Using such assets is not in line with the concept of *hifdz mal* in sharia *maqasid*, so we are encouraged to use assets for activities that benefit the general public and the long term. In line with the practice of green finance through green *sukuk* in Indonesia, which prioritizes financing for the green sector for the sustainability of a good living ecosystem.

When one considers the interrelationship of the five models of *sharia* objectives or *al-Kulliyat al-Khamsah* to green finance, one can conclude that green finance has a solid philosophical foundation concerning sharia objectives. If you re-read this article, you will find the principle of a green economy, namely low carbon, which has the same goal as the concept of soul and mind preservation in *maqasid* sharia. Then there is resource efficiency, strongly linked to wealth preservation and offspring. Finally, it is socially inclusive and philosophically compatible with all *maqasid* sharia concepts. As a result, green economy, green finance, and green *sukuk* are interconnected with *maqasid sharia*, consistent with preserving religion, soul, mind, property, and offspring.

The Development of Green *Sukuk* in Indonesia

Green *sukuk* is derived from two (2) words: green and *sukuk*. Before delving into green *sukuk*, the author will first define *sukuk*. *Sukuk* is derived linguistically or etymologically from the word "*sakk*" (صك), which means document or certificate. (Fasa, 2016). Meanwhile, the National Sharia Council-Indonesian Ulema Council (DSN-MUI) defines *sukuk* as Sharia Securities (sharia securities) in the form of certificates or proof of ownership that cannot be determined in fatwa No: 137/DSN-MUI/IX/2020. the underlying asset's limits (*Musya'*) after receipt of *sukuk* funds, closing of orders and beginning use following their designation (DSN-MUI, 2020).

The international non-profit organization for the standardization of Islamic finance, AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions), defines *sukuk* as certificates of equal value that are non-distributed proof of ownership of an asset benefit rights, and services or ownership of a particular project or investment activity (Direktorat Pembiayaan Syariah Direktorat Jendral Pengelolaan Utang, 2018).

The development of *sukuk* in Indonesia has increased significantly from year to year, according to statistics released by the Financial Services Authority (OJK) on the development of corporate *sukuk* through public offerings, which began in 2018 with 21.30 trillion rupiah and will reach 37.79 trillion rupiah by June 2022. This achievement means that the growth of outstanding corporate *sukuk* (circulating) through public offerings will be positive until semester 1 of 2022.

The OJK released data related to the market update of the Indonesian Islamic capital market for the period January to June 2022, which explains that there is an increase in state *sukuk* from year to year, as evidenced by the number of outstanding series. There were 71 outstanding state *sukuk* series with an outstanding value of Rp. 1,227.89 trillion as of the end of June 2022. When compared to 2018, the outstanding value is Rp. 645.05 trillion, indicating a significant increase over previous years (Otoritas Jasa Keuangan, 2022).

According to Islamic law, *sukuk* in various countries have fatwas or legal conclusions from scholars (Ijtima') regarding their sharia practices. The National Sharia Council-Indonesian Ulema Council (DSN-MUI) is the fatwa institution in Indonesia that issues *sukuk* regulations under sharia principles or provisions (sharia compliance). DSN-MUI has issued several fatwas related to sharia bonds or *sukuk*.

Table 1.

DSN-MUI Fatwa Regarding Sukuk

Fatwa	Number of Fatwa	Year
Investment Implementation Guidelines for Sharia Mutual Funds	No: 20/DSN-MUI/IV/2001	2001
Sharia Bonds	No: 32/DSN-MUI/IX/2002	2002
Mudharabah Sharia Bonds	No: 33/DSN-MUI/IX/2002	2002
Capital Markets and General Guidelines for the Implementation of Sharia Principles in the Capital Market Sector	No: 40/DSN-MUI/X/2003	2003
Sharia Ijarah Bonds	No: 41/DSN-MUI/III/2004	2004
Implementation of Sharia Principles in the Mechanism of Trading Equity Securities in the Stock Exchange Regular Market	No: 80/DSN—MUI/III/2011	2011
State Sharia Securities	No: 69/DSN-MUI/VI/2008	2008

Method of Issuing State Sharia Securities	No: 70/DSN-MUI/VI/2008	2008
<i>Sukuk</i>	No: 137/DSN-MUI/IX/2020	2020

The fatwas illustrate that the fatwa institution responds to the development of a green economy in Indonesia, meaning that according to Islamic law, the practice of *sukuk* can be said to meet sharia standards, but in practice, it needs to be monitored in order to remain compliant with the fatwas.

Assessing the urgency of handling climate change in Indonesia is motivated by the condition of the Indonesian state. Indonesia is a country with the largest archipelago in the world, consisting of more than 17,508 islands, covering an area of about 790 hectares with a total coastline of 95,181 km and a land area of about 200 million hectares (Direktorat Pembiayaan Syariah et al., 2022). As a result, Indonesia is highly vulnerable to the adverse effects of climate change. Therefore, it motivates Indonesia to take action to combat climate change. Indonesia has committed to reducing carbon emissions by 20% by 2030 and 41% with international technical assistance.

Indonesia's commitment to combating climate change can also be seen in the policies that have been issued, including after ratifying the Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. The climate change convention was ratified through law number 6 of 1994 concerning the ratification of the United Nations Framework Convention on Climate Change, followed by hosting the 2007 COP-13 in Bali, which resulted in the Bali Action Plan, which is committed to reducing logging and providing shared solutions (Kementerian Lingkungan Hidup, 2015).

However, this commitment has run into several issues, including a financial gap or gap between funding needs and currently available funding sources to support the Indonesian government's commitment to financing climate change activities. The cost of climate change mitigation and adaptation actions in 2015-2020 is estimated to be 81 billion USD or Rp. 1.188 trillion rupiahs. Furthermore, Sri Mulyani, Minister of Finance of the Republic of Indonesia, stated during a visit to the webinar titled *Climate Challenge: Preparing for Indonesia's Green and Sustainable Future* that Indonesia requires Rp. 3.461 trillion to combat climate change. This large number has caused the country to reform its financing model so that it does not compete with other needs (Adinda Putri, 2021).

As a result of this inequality, the Indonesian government issued efforts through financial instruments in the form of green *sukuk*. Green *sukuk* is not much

different from the definition of *sukuk* in general. The difference is that green *sukuk* is a financial instrument that focuses on green financing projects that support climate change adaptation and mitigation following the Sustainable Development Goals (SDGs), followed by concepts that follow sharia provisions. *Sukuk* has become a financial instrument for green financing projects in various countries, including Indonesia, the Kingdom of Saudi Arabia, Turkey, Malaysia, Emirates of Dubai, Oman, Bahrain, Qatar, Pakistan, Hong Kong, United Kingdom, England, South Africa, and the Maldives. The sectors paid for are diverse, ranging from renewable energy, transportation, etc. In Indonesia, several green projects financed by green *sukuk* are Renewable Energy, Energy Efficiency, Green Building, Sustainable Transport, Waste and Waste to Energy Management, and Resilience to Climate Change for High Vulnerable Areas and Sector/Disaster Risk Reduction.

The Indonesian government issued several series of green *sukuk* from 2018 to 2021, including the global series and the savings series; retail green *sukuk* (savings) is one of the types of Retail SBSN issued by the Indonesian state. Retail SBSN is a Government Securities instrument primarily aimed at domestic individual investors. Therefore, the issuance value varies significantly from year to year. For example, in 2018, the government successfully issued 1.25 billion USD or Rp. 16.75 trillion, for the global series. Then, in February 2019, with the same global series, 750 million USD or the equivalent of Rp. 11.25 trillion were issued. Furthermore, in November 2019, it was the first momentum for Indonesia to issue retail *sukuk* with the code ST-006 with a total achievement of Rp. 1.46 trillion. The country then issued global *sukuk* worth 750 million USD, or Rp. 11.25 trillion in June 2020. In November 2020, the state issued the second series of retail *sukuk* with the code ST-007, worth Rp. 5.4 trillion. The following year, in 2021, the government will issue a global *sukuk* worth 750 billion USD, or Rp. 11.25 trillion. The same year, the government issued a retail rate of Rp. 5 trillion in November 2021 (Kementerian Keuangan Republik Indonesia, 2022).

The realization and impact of the issuance can be seen in various current developments, including railways in Palembang, South Sumatra, coastal protection in Taluda Beach, Gorontalo, and green buildings in Medan City, North Sumatra, etc (Kementerian Keuangan Republik Indonesia, 2022). Infrastructure or physical building development is one of the economic development models that is part of the national strategic objectives (Andreas, 2021).

Financing with the concept of green *sukuk* is expected to impact environmental ecosystems with sustainable principles, demonstrating the Indonesian government's commitment. Moreover, according to the explanation of

green *sukuk*, Islam has a philosophical relationship, namely benefit, with its *maqasid sharia* concept.

However, despite its promising development, the implementation of green *sukuk* in Indonesia faces several practical challenges. One of the main challenges is regulation. Although the government has issued policies to support the issuance of green *sukuk*, the approval process for green projects often takes considerable time due to limited coordination among government agencies and the need to ensure compliance with environmental standards.

Another challenge faced is investor awareness. Green *sukuk* is still relatively new for most investors, especially in the retail sector. Investors tend to focus more on short-term returns rather than the long-term impact on environmental sustainability. To address this, more aggressive awareness campaigns are needed to educate the public about the importance of environmentally friendly investments that align with Sharia values.

In addition, the availability of green projects also poses a barrier. Although there are many projects that could potentially be funded by green *sukuk*, these projects often do not meet the necessary criteria for funding. This necessitates closer cooperation between the government, the private sector, and financial institutions to identify and develop green projects that can be funded.

Finally, there are issues related to issuance costs. Issuing green *sukuk* can be more expensive compared to conventional financial instruments, particularly due to the need for verification and reporting of environmental impacts. To tackle this challenge, the government should consider fiscal incentives or subsidized financing to reduce the issuance costs of green *sukuk*, making it more competitive and attractive for issuers and investors.

D. CONCLUSION

This research demonstrates a strong relationship between the concept of green *sukuk* and *Maqasid Sharia*. Green *sukuk*, which funds environmentally friendly projects, not only supports sustainable development goals but also embodies the Sharia principles aimed at protecting religion, life, intellect, lineage, and property. The implementation of green *sukuk* in Indonesia exemplifies how Islamic finance can address global challenges such as climate change and environmental degradation while remaining aligned with Islamic values.

However, several challenges must be addressed, including the low public awareness of the importance of environmentally friendly investments and the limited availability of viable green projects for funding. Therefore, the government, financial sector, and academic community must collaborate to enhance the

promotion of green sukuk and expand the scope of projects eligible for funding. Strengthening fiscal policies, providing incentives for the issuance of green sukuk, and engaging retail investors in green financing schemes can help accelerate the growth of the green sukuk market in Indonesia.

Looking ahead, further research is needed to examine the long-term impacts of green sukuk on social and ecological well-being in Indonesia, as well as the potential expansion of this instrument into other sectors such as sustainable agriculture or green technology. With a strong commitment from various stakeholders, green sukuk can become a cornerstone in achieving sustainable development goals and enhancing the welfare of society.

Academics have long been concerned with human-nature relationships from a religious perspective. The ties between green sukuk and *maqasid sharia* illustrate how a religious approach can foster commitment to environmental ecosystems that are currently undergoing changes attributed to climate change. The concept of *maqasid sharia*, formulated by Muslim scholars over centuries, encapsulates the spirit of preserving religion, life, lineage, intellect, and property, and is now being actively implemented. This paper highlights the interconnectedness of green finance through green sukuk and *maqasid sharia*.

Moreover, data presented by researchers indicate a year-on-year increase in the development of green sukuk in Indonesia. The researchers recommend conducting various studies to develop financing models that support a green economy, with collaborative efforts from the government, academics, and the community. Additionally, increased socialization of the concepts of ESG, SDGs, and green sukuk will enable the general public to consider how to utilize their assets (investments) in line with sustainable development. When investments promote sustainable development, investors will not only prioritize profit (profit orientation) but also long-term success in this world and the hereafter, known in Islam as *falah* (*falah* orientation).

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