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GREEN SUKUK IN INDONESIA: Unraveling Legal Frameworks for Sustainable Islamic Bonds

**Aditya Prastian Supriyadi, Dwi Fidhayanti, Ramadhita,
Mohd Shahid bin Mohd Noh**

Universitas Islam Negeri Maulana Malik Ibrahim Malang, Indonesia

University Malaya, Malaysia

aditya.prastian@uin-malang.ac.id

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ABSTRACT

Green sukuk is a contemporary-era sharia investment revolution that accommodates environmental aspects. Integrating Sustainable Financing in green sukuk can be an alternative investment platform contributing to sustainable development. The concept paradigm is relevant for strengthening the proportional construction of green sukuk law in Indonesia. The study aimed to analyze the concept of sustainable financing as the legal basis for implementing green sukuk in supporting sustainable development programs in Indonesia. The study used normative legal research methods. This research approach used a conceptual approach through reasoning the concepts of sustainable financing, green sukuk, and other concepts relevant to the topic of study to strengthen the discussion argument. The study showed that there are 2 (two) components of the relevance of the Sustainable Financing paradigm as the basis for implementing green sukuk in Indonesia. First, the implementation of green sukuk in various countries has rules that accommodate sustainable financing in response to climate change problems. Second, the sustainable financing Paradigm is relevant as a source of green sukuk legal construction to strengthen the policy basis for implementing environmentally sound investment in Indonesia. The urgency of the regulation is to increase investment commitments that can increase environmental resilience, alleviation of social problems and business transparency in contributing to sustainable development in Indonesia.

Keywords: Green Sukuk; Islamic Investment Bond; Legal Principle; Sustainable Financing;

ABSTRAK

Green sukuk merupakan revolusi investasi syariah era kontemporer yang mengakomodasi aspek lingkungan. Mengintegrasikan pembiayaan berkelanjutan dalam green sukuk dapat menjadi platform investasi alternatif yang berkontribusi terhadap pembangunan berkelanjutan. Paradigma konsep tersebut relevan untuk memperkuat konstruksi proporsional hukum green sukuk di Indonesia. Penelitian ini bertujuan untuk menganalisis konsep pembiayaan berkelanjutan sebagai landasan hukum penerapan green sukuk dalam mendukung program pembangunan berkelanjutan di Indonesia. Penelitian ini menggunakan metode penelitian hukum normatif. Pendekatan penelitian ini

menggunakan pendekatan konseptual melalui penalaran konsep-konsep *sustainable financing*, green sukuk, dan konsep-konsep lain yang relevan dengan topik kajian untuk memperkuat argumentasi pembahasan. Hasil penelitian ini menunjukkan bahwa terdapat 2 (dua) komponen relevansi paradigma pembiayaan berkelanjutan sebagai landasan penerapan green sukuk di Indonesia: pertama, penerapan green sukuk di berbagai negara memiliki aturan yang mengakomodasi pembiayaan berkelanjutan dalam merespons permasalahan perubahan iklim. Kedua, paradigma pembiayaan berkelanjutan relevan sebagai sumber konstruksi hukum green sukuk untuk memperkuat landasan kebijakan pelaksanaan investasi berwawasan lingkungan di Indonesia. Urgensi peraturan tersebut dapat mendukung komitmen investasi yang dapat meningkatkan ketahanan lingkungan, pengentasan permasalahan sosial dan transparansi dunia usaha dalam berkontribusi terhadap pembangunan berkelanjutan di Indonesia.

Kata Kunci: Green Sukuk; Obligasi Investasi Islam; Prinsip Hukum; Sustainable Financing;

Introduction

The development of contemporary-era green sukuk research produces ideas as part of participation in overcoming the global issue of climate change.¹ H.M. Liu said Green Sukuk is one of the efforts to promote the transformation of the green economy towards sustainable development. This paradigm cannot be separated from geographical literacy towards the development of financial instruments that prioritize not only profit-oriented but also accommodate environmental resilience in facing climate change in the future.² The seriousness of the economic idea is the answer. Jankovic & Bowman's research showed that the growth of green economic shows the seriousness of commitment amid promising global issues after getting criticism due to a perceived lack of commitment to contribute to climate change.³ The emergence of realizing Green Sukuk as an Islamic-based investment is one of the answers in responding to criticism of the world of green

¹Felicia H M Liu and Karen P Y Lai, "Ecologies of Green Finance: Green Sukuk and Development of Green Islamic Finance in Malaysia," *Environment and Planning A: Economy and Space* 53, no. 8 (August 19, 2021): 1896–1914, <https://doi.org/10.1177/0308518X211038349>.

²S. Bracking Revealed That The World Of Investment Is One Of The Factors In Environmental Damage Due To Not Controlling Environmentally Friendly Industries. The Investment World Needs To Pay Attention To The Current Geographical Status Which Is Starting To Be Polluted Due To Pollution And Has An Impact On The Fate Of Life In The Future. So Financial Investment Must Have A "Green" Orientation As Part Of Tackling Life-Threatening Climate Change, Sarah Bracking, "Performativity in the Green Economy: How Far Does Climate Finance Create a Fictive Economy?," *Third World Quarterly* 36, no. 12 (December 2, 2015): 2337–57, <https://doi.org/10.1080/01436597.2015.1086263>.

³Vladimir Janković and Andrew Bowman, "After the Green Gold Rush: The Construction of Climate Change as a Market Transition," *Economy and Society* 43, no. 2 (April 3, 2014): 233–59, <https://doi.org/10.1080/03085147.2013.791511>.

investment to face the challenges of global dynamics.⁴ Green Sukuk is a milestone in the transition of Islamic investment, which was initially only synonymous with the prohibition, such as the charging of interest or industries prohibited by the religion,⁵ but also prioritizes the principle of green finance to bring benefits to the environment, especially solutions to climate change disasters.⁶

Green Sukuk already occupies the investment world in Indonesia but has yet to be supported by proportional rules as an ecology-oriented Islamic investment in realizing sustainable financing. However, even though there is no regulation yet, Indonesia is the first country to initiate the issuance of the first retail Green Sukuk in Southeast Asia. In 2018, the total Green Sukuk investment in Indonesia amounted to US \$ 1.25 billion, equivalent to Rp16.75 trillion.⁷ However, legally, the provisions for issuing Green Sukuk in Indonesia are only regulated in the Financial Services Authority Regulation Number 60 / POJK.04 / 2017 concerning Issuance and Requirements of Environmentally Friendly Debt Securities. Regarding sustainable financing, green sukuk arrangements in Indonesia do not represent the concept. First, Sustainable financing has become the primary paradigm for the financial world in realizing investments that have Environmental, Social, and Government (ESG) principles amid the climate change era.⁸ Meanwhile, Law No. 19 of 2018 concerning State Sharia Securities as the basis for Sukuk issuance does not have legal principles that accommodate the essence of ESG principles, which implies that there are no imperative guidelines in supporting the realization commitment of green sukuk nationally. Second, the accommodation of green sukuk only in institutional rules implicates the realization of green sukuk in Indonesia only facultative or voluntary, so the

⁴Lena Rethel, "Whose Legitimacy? Islamic Finance and the Global Financial Order," *Review of International Political Economy* 18, no. 1 (February 7, 2011): 75–98, <https://doi.org/10.1080/09692290902983999>.

⁵Lena Rethel, "Economic Governance Beyond State and Market: Islamic Capital Markets in Southeast Asia," *Journal of Contemporary Asia* 48, no. 2 (March 15, 2018): 301–21, <https://doi.org/10.1080/00472336.2017.1404119>.

⁶Mohammed Obaidullah, "Managing Climate Change: The Role Of Islamic Finance," *IES Journal Article* 26, no. 1 (2018): 31–62, <https://doi.org/10.2139/ssrn.3303687>.

⁷Eka Septiana and Gemala Dewi, "Challenges and Opportunities for the Development of Green Sukuk in Indonesia," *Budapest International Research And Critics Institute-Journal (Birci-Journal)* 5, no. 3 (2022): 18488–500, <https://www.bircu-journal.com/index.php/birci/article/view/5835>.

⁸Marco Migliorelli, "What Do We Mean by Sustainable Finance? Assessing Existing Frameworks and Policy Risks," *Sustainability*, 2021, <https://doi.org/10.3390/su13020975>.

legal framework that accommodates green sukuk in Indonesia has a weak and disproportionate position as a legal basis.⁹

Green Sukuk and Sustainable Financing are the objects of massive study during the challenges of global environmental issues. M.S. Abdullah & J.S. Keshminder have identified a growing interest in Green Sukuk in Malaysia. Based on this research, ecological elements have become an indicator of investor interest in green sukuk in participating in the global realm, and they need to be accommodated by the government in the country.¹⁰ Then Y.A. Faisal et al. presented the results of their research on the social, emotional, and religious impact on Green Sukuk's interest in Indonesia. Research based on the Theory of Consumption Value (TCV) has found valuable insights for literacy in determining sukuk interest and being one of the factors in increasing the national economic sector.¹¹ Then, N. Alam et al. Demonstrating Green Sukuk investment is highly beneficial for the environment's future and can promote a high commitment to corporate social responsibility.¹² Moreover, Green Sukuk can also be an investment instrument for realizing new and renewable energy investments. Research from D. Hasan shows guidelines on the implementation of new and renewable energy investment financing through green sukuk to create environmentally friendly energy security.¹³

Although several researchers have examined the correlation between green sukuk and sustainable financing, these studies have yet to examine the legal prospects of how proportional legal arrangements are the legal basis for implementing an ideal Green Sukuk in Indonesia based on sustainable financing. This research study is urgent to analyze the paradigm of sustainable financing that can be accommodated into legal principles to become the basis for implementing green sukuk as part of Islamic investment

⁹Bella Tahya Hania, Endri, and Indra, "Identify the Issuance Problem of Corporate Green Sukuk in Indonesia," *Islamic Economics Journal* 8, no. 2 (2022): 187–204, <https://doi.org/10.21111/iej.v8i2.8404>.

¹⁰Mohammad Syafiq Abdullah and J S Keshminder, "What Drives Green Sukuk? A Leader's Perspective," *Journal of Sustainable Finance & Investment* 12, no. 3 (July 3, 2022): 985–1005, <https://doi.org/10.1080/20430795.2020.1821339>.

¹¹Yudi A Faisal et al., "Examining the Purchase Intentions of Indonesian Investors for Green Sukuk," *Sustainability*, 2023, <https://doi.org/10.3390/su15097430>.

¹²Nafis Alam, Meryem Duygun, and Rima Turk Ariss, "Green Sukuk: An Innovation in Islamic Capital Markets BT - Energy and Finance: Sustainability in the Energy Industry," ed. André Dorsman, Özgür Arslan-Ayaydin, and Mehmet Baha Karan (Cham: Springer International Publishing, 2016), 167–85, https://doi.org/10.1007/978-3-319-32268-1_10.

¹³Hasan Dinçer, Serhat Yüksel, and Hüsne Karakuş, "The Role of Green Sukuk for Sustainable Energy Production," *Disruptive Technologies and Eco-Innovation for Sustainable Development*, 2022, <https://doi.org/10.4018/978-1-7998-8900-7.ch003>.

in Indonesia. The contribution of the sharia analysis in this study is part of the reasoning of Islamic norms in the contemporary era, which can be a source of developing positive law for social interests.¹⁴ The results of Islamic reasoning can be internalized to become a source to support the preparation of ideal green sukuk regulations in Indonesia. Without clear legal provisions, it will impact limited individual understanding of green sukuk so that it is far from the ideal value.¹⁵ These factors can result in investors deliberately violating initial commitments that cause more significant environmental losses.¹⁶ The particular study determines the focus of the object of study, which includes an analysis of how the urgency of Sustainable Financing in the legal principle can be the basis for implementing green sukuk with ideal ESG principles to contribute to increase the growth and development of the green economy in Indonesia.

Method

The research used a normative legal research methods to answer legal problems to obtain a comprehensive answer. Normative legal research is a method to formulate legal rules, legal principles and legal doctrines in constructing legal argumentation as problem-solving in a legal problem.¹⁷ This type of research was considered appropriate for analyzing the problematic rules of green sukuk Indonesia, which has no proportional regulatory provisions in realizing these instruments based on the Sustainable Financing principle approach. Then, it used a conceptual approach to analyze problems that are more comprehensive and deep.¹⁸ The concepts of Sustainable Financing and Green Sukuk acted as the basis for literacy to strengthen the results of discussions on the issues being studied.

¹⁴Badrudin and Aditya Prastian Supriyadi, "Dinamika Hukum Islam Indonesia: Reaktualisasi Norma Islam Dalam Menalarkan Hukum Positif Merespon Sosio-Kultural Era Kontemporer," *De Jure: Jurnal Hukum Dan Syar'iah* 14, no. 1 (2022): 38–57, <https://doi.org/10.18860/j-fsh.v14i1.15512>.

¹⁵J S Keshminder, Mohammad Syafiq Abdullah, and Marina Mardi, "Green Sukuk - Malaysia Surviving the Bumpy Road: Performance, Challenges and Reconciled Issuance Framework," *Qualitative Research in Financial Markets* 14, no. 1 (January 1, 2022): 76–94, <https://doi.org/10.1108/QRFM-04-2021-0049>.

¹⁶Tanguy Claquin, "Green Bonds-A Promising Tool for Climate Finance," *Climate Bonds Initiative*, 2015, https://www.ca-cib.com/sites/default/files/2017-02/Proparco_Article_T_CLAQUIN_PSD_22_UK.pdf.

¹⁷Theresia Anita Christiani, "Normative and Empirical Research Methods: Their Usefulness and Relevance in the Study of Law as an Object," *Procedia - Social and Behavioral Sciences* 219 (2016): 201–7, <https://doi.org/10.1016/j.sbspro.2016.05.006>.

¹⁸Robert Elliott and Ladislav Timulak, "Descriptive and Interpretive Approaches to Qualitative Research," ed. Jeremy Miles and Paul Gilbert, *A Handbook of Research Methods for Clinical and Health Psychology* (Oxford University Press, June 1, 2005), <https://doi.org/10.1093/med:psych/9780198527565.003.0011>.

The data analysis used the content analysis method. Holsti stated that the content analysis approach opens new horizons in finding, identifying, and processing material through conceptual integration of the explanation of research objects.¹⁹ Through this method, the article tried to analyze research issues more dynamically through various conceptual literacy presented in each analysis argumentation.

Findings and Discussion

The Sustainable Financing Paradigm in Legal Principle as the Basic for Implementing Green Sukuk

Sustainable economic development is critical to creating a better future for everyone, and the financial sector plays a vital role in achieving this goal.²⁰ The interaction between sustainable finance and the financial system can make a major contribution to sustainable economic growth. Sustainable finance revolves around investment choices that incorporate environmental, social, and governance (ESG) considerations. Financial institutions, through investments in sustainable enterprises, can encourage the advancement of environmentally friendly energy sources, fair labor practices, and other initiatives that are aligned with sustainability goals.²¹

In realizing sustainable development that can maintain economic stability, a national economic system is needed that prioritizes equality among economic, social, and environmental aspects. Through the Financial Services Authority, Indonesia has created a sustainable finance roadmap by issuing regulations that can develop the capital market industry and environmental sustainability. As the 2005-2025 Long-Term Development Plan (RPJP) states Indonesia's national development vision is to achieve an independent, advanced, just, and prosperous Indonesia. The realization of the national development vision is pursued through one of the 8 (eight) development missions, namely realizing a beautiful and sustainable Indonesia in the following ways: (1) Balance between the

¹⁹Holsti Or, *Content Analysis for the Social Sciences and Humanities* (Addison-Wesley Publishing Company, 1969), https://books.google.co.id/books/about/Content_Analysis_for_the_Social_Sciences.html?id=IMpCAAAAIAAJ&redir_esc=y.

²⁰Ahmed Imran Hunjra et al., "Role of Financial Development for Sustainable Economic Development in Low Middle Income Countries," *Finance Research Letters* 47 (2022): 102793, <https://doi.org/10.1016/j.frl.2022.102793>.

²¹Rebecca Bakken, "What Is Sustainable Finance and Why Is It Important?," Harvard Extension School, 2021, <https://extension.harvard.edu/Blog/What-Is-Sustainable-Finance-And-Why-Is-It-Important/>.

utilization, sustainability, existence, and usefulness of natural resources and the environment; (2) Sustainable economic utilization of natural resources and the environment; as well as (3) Maintenance and utilization of biodiversity as a principle capital for development.

ICMA plays an active role in promoting environmental, social, and governance (ESG) initiatives. ICMA developed The Green Bond Principle (GBP) to guide on the issuance of green bonds.²² The Green Bond Principles aim to enable and develop the key role that debt markets can play in funding projects that contribute to environmental sustainability. In addition, issuers can use green bond principles in terms of use of funds, project evaluation and selection, fund management, and reporting in the process of issuing green bonds. Issuers must also provide information related to the environmental impact of projects financed by green bonds. It is the interesting factor that makes investors interested in providing their investment because green bonds prioritize sustainable financing practices.²³ Green Sukuk attempts to align financial investments with climate and other sustainability goals.²⁴ Also, it plays a significant role in funding projects that contribute to environmental protection and social welfare. This investment model provides support for positive change in the financial market. In Indonesia, the principles of green bonds have been applied in developing a green bond framework in the issuance of green bonds.

The priority of sustainable financing in green sukuk has provided the highest level of investment in renewable energy and energy efficiency. Rahman, in his research, illustrated the process of energy creation and use has become a priority in green bond issuance.²⁵ Sustainable development bonds have issued the highest level of investment in

²²“Green Bonds Principles,” ICMA, 2018, <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf>.

²³Albidin Linda, “Green Bonds, The Way to Drive More Sustainable Development in Indonesia,” EY, 2022, <https://www.ey.com/En Id/Climate-Change-Sustainability-Services/How-Green-Bonds-Drive-Sustainable-Developments-In-Indonesia>.

²⁴Jiří Dusík and Alan Bond, “Environmental Assessments and Sustainable Finance Frameworks: Will the EU Taxonomy Change the Mindset Over the Contribution of EIA to Sustainable Development?,” *Impact Assessment and Project Appraisal* 40, no. 2 (March 4, 2022): 90–98, <https://doi.org/10.1080/14615517.2022.2027609>.

²⁵Abdur Rahman et al., “Policy Approach Adopted for Issuance of Green Sukuk: Is Priority Given to Priority Needed Areas?,” *Journal of Islamic Accounting and Business Research*, January 1, 2023, <https://doi.org/10.1108/JIABR-10-2022-0279>.

many sectors, such as public and private transportation (environmentally friendly), water and wastewater, biodiversity, and solid waste management. Not all sectors are used in green sukuk but are commonly used in sustainable development bonds, such as finance, public administration, social protection, health, education, industry, trade and services, and information and communication technology.

As per the Green and Sustainability Sukuk Report 2022, ESG sukuk are categorized into various types, each with a distinct purpose and focus. Green Sukuk serves to finance environment-positive projects like renewable energy, clean transportation, carbon neutrality, and sustainable water and wastewater management. On the other hand, Social Sukuk aimed to fund projects with a positive social impact. Sustainable Sukuk allocates raised funds exclusively for environmental and social projects. Sustainability or SDG-related Sukuk ties to an issuer's commitment to meet ESG objectives, allowing proceeds for general use but mandating the achievement of predetermined targets; failure results in a penalty of increased coupons. Transitional Sukuk supports a company's transition towards reduced environmental impact or carbon emissions, while Blue Sukuk focuses on marine-related projects such as waste management or marine conservation. These classifications demonstrate the diversified nature of ESG sukuk, highlighting their varied roles in promoting sustainability and social responsibility.²⁶

ESG sukuk can support the implementation of sustainable development bonds by anticipating the impact of the implementation of funding sectors that support sustainable and environmentally friendly projects. This concept is part of sustainable financing with ESG (environmental, social, and governance) principles. The goal is to create long-term sustainable value and consider non-financial aspects in financial decisions. This concept supports the issuance of green sukuk as an alternative to sustainable financing for infrastructure development.²⁷ Implementing green principles on this platform can provide

²⁶Shrey Kohli, Mustafa Adil, and Omar Shaikh, "Green and Sustainability Sukuk Report 2022," Revinitiv, 2022, https://www.globalethicalfinance.org/wp-content/uploads/2022/10/Financing_A_Sustainable_Future_Web.pdf.

²⁷Lastuti Abubakar and Tri Handayani, "Green Sukuk: Sustainable Financing Instruments for Infrastructure Development in Indonesia," in *Proceedings of the 1st Borobudur International Symposium on Humanities, Economics and Social Sciences (BIS-HESS 2019)* (Atlantis Press, 2020), 983–87, <https://doi.org/10.2991/assehr.k.200529.206>.

green funding that is safe for the environment, especially in preventing project development problems that often reduce the rights of the surrounding community.²⁸

There are two main categories of sustainable financing products in the financial market. First, financial products dedicated to specific GST projects, including "green bonds/loans" or "social bonds/loans," where proceeds are allocated to finance green projects or social initiatives such as sustainable buildings, transportation, power generation, or social housing. Second, financial products that support the ESG ambitions of the issuer/borrower: These are known as "sustainability-related" or "ESG-related" bonds or loans. In this case, the use of funds may be less relevant, but the funding supports initiatives to improve the issuer's or borrower's overall ESG performance, such as making their supply chain and output more environmentally friendly.²⁹

The application of ESG principles to green sukuk products should have the aligned objective of ensuring that these financial instruments contribute to sustainable development and address environmental and social concerns. Green sukuk can utilize procedures with the same green principles as green bonds. The issuance method is similar to a typical sukuk but with additional elements, such as managing the use of proceeds from the funded project. The management of the use of proceeds from the funded project is one of the GST-specific elements included in green sukuk. The issuer is responsible for such management.

ESG principles play an important role in ensuring sustainable development through green sukuk.³⁰ Green Sukuk ensures compliance with green principles similar to green bonds, with additional elements such as managing the use of funds. Transparency and accountability are also emphasized, as Green Sukuk issuers are expected to provide ongoing sustainability reporting, disclosing information on funded projects and their environmental impact. Green Sukuk combines financial objectives with environmental priorities, creating a symbiotic relationship where investors can achieve market returns

²⁸Aditya Prastian Supriyadi, "Reduction of Public Participation Rights in The Rules of Analysis of Environmental Impacts for Business Licensing in Indonesia: Green Constitution Perspective," *Jurnal HAM* 14, no. 1 (2023): 15–38, <https://doi.org/10.30641/ham.2023.14.17-40>.

²⁹Marieke Driessen, "Sustainable Finance: An Overview of ESG in the Financial Markets," ed. Danny Busch, Guido Ferrarini, and Seraina Grünwald (Cham: Springer International Publishing, 2021), 329–50, https://doi.org/10.1007/978-3-030-71834-3_10.

³⁰Liu and Lai, "Ecologies of Green Finance: Green Sukuk and Development of Green Islamic Finance in Malaysia."

while contributing to addressing environmental challenges. The platform can be an instrument to overcome environmental problems due to climate change.³¹ In addition, the green sukuk platform can also be an instrument to welcome legal reform and the formation of rules for the realization of green energy as part of efforts to alleviate environmental problems arising from excessive use of fossil energy.³²

Green sukuk, as evidenced by various findings, emerge as a crucial financial instrument in promoting sustainability and addressing environmental concerns. First, these sukuk effectively combat pressing environmental issues and play a pivotal role in reducing greenhouse gas emissions,³³ aligning with global efforts to mitigate climate change. Furthermore, they serve as a means to finance renewable energy initiatives and other environmentally friendly projects, thus contributing significantly to sustainable development goals.³⁴ An important facet of green sukuk lies in their ability to attract a broader investor base, particularly those interested in supporting sustainable and responsible investments, thereby enlarging the pool of funding available for eco-friendly initiatives. This increased investment not only expands the market's scope but also offers issuers access to new avenues for financial support, enhancing the overall reach and impact of these instruments. Additionally, green sukuk proves instrumental for countries facing financial deficits in pursuing Sustainable Development Goals (SDGs), acting as a viable financial solution for funding gaps. One of their key features involves the assurance of transparency and accountability through regular sustainability reporting, ensuring that the raised funds are used for the intended environmental and social projects. Finally, by directing capital towards projects with clear environmental and social benefits, green sukuk significantly contributes to sustainable development efforts on a global scale.

³¹A Rachmaniar et al., "Carbon Trading System as a Climate Mitigation Scheme: Why Indonesia Should Adopt It?," *IOP Conference Series: Earth and Environmental Science* 739, no. 1 (2021): 12015, <https://doi.org/10.1088/1755-1315/739/1/012015>.

³²Aditya Prastian Supriyadi et al., "Novel Renewable Energy as Resources for Environmentally Friendly National Energy Security: The Existence and the Readiness of the Regulatory Framework," *Indonesian Journal of Social and Environmental Issues (IJSEI)* 2, no. 1 (2021): 59–67, <https://doi.org/10.47540/ijsei.v2i1.128>.

³³Ahmad Tajjudin Rozman and Nurul Afifah Azmi, "Green Sukuk, Environmental Issues and Strategy," *IOP Conference Series: Earth and Environmental Science* 1067, no. 1 (2022): 12085, <https://doi.org/10.1088/1755-1315/1067/1/012085>.

³⁴Melanie Noronha, "A New Shade of Green: Sukuk for Sustainability," *Economist Impact*, 2020, <https://impact.economist.com/Sustainability/Resilience-And-Adaptation/A-New-Shade-Of-Green-Sukuk-For-Sustainability>.

Apart from Indonesia, several other countries have also implemented the concept of green sukuk to support sustainable and environmentally friendly projects. Some countries that have issued Green Sukuk include:

Table 1. Countries that have Implemented Green Sukuk

No	State	Supervision and Regulation	Publisher	Funding Focus
1	Uni Emirates Arab (UEA)	The <i>UAE Securities and Commodities Authority</i> (SCA)	Majid Al Futtaim	Green Sukuk project funding focuses on renewable energy, greenhouse gas emission reduction, and energy efficiency.
2	Malaysia	Bank Negara Malaysia (Central Bank of Malaysia) and Securities Commission of Malaysia	Malaysia Government, PNB Merdeka Ventures	Sustainable projects, including renewable energy and other environmental initiatives.
3	Nigeria	Securities and Exchange Commission (SEC), Nigeria	Nigeria Government	Environmentally sustainable and environmentally friendly projects.
4	Luksembur g	the Luxembourg Stock Exchange (LuxSE) and the Luxembourg Green Exchange (LGX)	Islamic Development Bank (IsDB) and European Investment Bank (EIB)	The financing will target job creation and growth; critical infrastructure; support for climate action; and technology and innovation.
5	Inggris	Financial Conduct Authority (FCA) dan bank sentral setempat	-	Reducing emissions and improving environmental quality.
6	New Zealand	Reserve Bank of New Zealand dan Lembaga keuangan setempat.	-	Environmental protection and sustainability.

Sources: personal processed data (2023)

Not unlike other countries that have implemented green sukuk, Indonesia also introduced green sukuk as a means to finance environmentally friendly projects. Green Sukuk are Sharia-compliant bonds specifically designed to raise funds for projects that have a positive impact on the environment. The Indonesian government issued its first green sukuk in 2018, raising funds to support renewable energy, green infrastructure, and environmentally friendly initiatives. The proceeds from these bonds were allocated to projects aimed at reducing carbon emissions, promoting clean energy, and addressing environmental issues. This initiative not only aligns with Indonesia's commitment to sustainable development but also attracts investors interested in ethical and

environmentally conscious investment opportunities. The issuance of green sukuk by the government demonstrates its commitment to promoting sustainable financing and addressing environmental challenges through innovative financial instruments.

Indonesia can emulate the green sukuk arrangements made by these countries: (1) Indonesia needs to emulate Malaysia's pioneering role in green sukuk issuance by studying their policies and market development. (2) Leverage government support to attract private financing for sustainable development. (3) Diversify the investor base to include different types of investors interested in sustainable investment. (3) Explore innovative financing mechanisms to attract more private financing for green projects. (4) Share knowledge and experience at international forums to showcase achievements and learn from others. (4) Prioritize renewable energy projects and offer incentives to attract green sukuk issuance. (5) Address challenges in the green sukuk market, such as green taxonomy and the application of green assets, to create a conducive environment for issuance. Indonesia, through its competent authorities, needs to tailor its sustainable finance strategy to local needs. In addition, stakeholders need to consider Indonesia's unique economic and cultural context so that Indonesia can take a step forward in promoting environmentally friendly initiatives and sustainable finance.

Legal Prospects on the Sustainable Financing for the Implementation of Green Sukuk as Platform Investment Islamic in Indonesia

Green Sukuk is a breakthrough in business innovation in responding to the dynamics of countries in the world that are developing green finance with investors to contribute to mitigating disasters due to climate change. The world movement is currently concentrating on mobilizing financial resources for the benefit of low-carbon development through integrating green bonds into country portfolios.³⁵ The offering of the green sukuk platform into Indonesia's investment portfolio so that the country also adapts to creating a low-carbon spiritual financial system to benefit people's lives that can avoid the distress of the effects of economic exploitation. The business platform offer is also a response to the condition of Indonesia's territory, which is vulnerable to climate

³⁵Raeni Raeni, Ian Thomson, and Ann-Christine Frandsen, "Mobilising Islamic Funds for Climate Actions: From Transparency to Traceability," *Social and Environmental Accountability Journal* 42, no. 1–2 (May 4, 2022): 38–62, <https://doi.org/10.1080/0969160X.2022.2066553>.

change and endangers the sustainability of ecosystems and natural resources.³⁶ Green sukuk will be an alternative platform for capital mobilization by involving external parties to jointly lead sustainable development in creating resilience in people's lives—distress due to climate change.³⁷

The accommodation of green sukuk into official law is part of efforts to transform the green economy that can support Islamic green investment instruments to compete with conventional green investment platforms. According to U.F. Moghul et al. research, the accommodation of Green Sukuk into the legal structure increases the certainty of businesses with low-interest rate programs than conventional loans because they do not follow changes in interest rates, and there are no fluctuations in interest rates.³⁸ The advantages of this investment platform are what make green sukuk currently growing quite rapidly and quite in demand. As Narayan et al. research, many investors are transitioning their assets to sukuk and green sukuk platforms because Islamic or conventional stock market platforms have high volatility and risk. The migration of investors was seen during the Covid-19 pandemic, where there was substantial evidence that volatility increased over time and was higher than usual.³⁹

The legal construction of green sukuk is very relevant by adopting the concept of sustainable financing to become a concrete, accountable, and transparent legal principle. Integrating the concept is an appropriate choice as a formal legal basis for green sukuk to fill the legal void in Indonesia rather than being subject to external assessment by independent opinion providers.⁴⁰ The availability of formal green sukuk rules is a legal

³⁶Jimmy Susanto et al., “The Impacts of Climate Variables and Climate-Related Extreme Events on Island Country’s Tourism: Evidence from Indonesia,” *Journal of Cleaner Production* 276 (2020): 124204, <https://doi.org/10.1016/j.jclepro.2020.124204>.

³⁷Umaira Danish Dervi, “A Bibliometric Review of Green Financing; Implication for Islamic Finance” (2021), <https://ir.iba.edu.pk/etd/87/>.

³⁸Umar F Moghul and Samir Safar-Aly, “Green Sukuk: The Introduction of Islam’s Environmental Ethics to Contemporary Islamic Finance,” *Georgetown International Environmental Law Review (GIELR)* 27, no. 1 (2015): 1–60, <https://ssrn.com/abstract=2580864>.

³⁹Paresh Kumar Narayan, Syed Aun R Rizvi, and Ali Sakti, “Did Green Debt Instruments Aid Diversification During the COVID-19 Pandemic?,” *Financial Innovation* 8, no. 1 (2022): 21, <https://doi.org/10.1186/s40854-021-00331-4>.

⁴⁰The Implementation Of Sukuk In Indonesia Still Relies On Law No. 19 Of 2008 Concerning State Sharia Securities (State Sukuk). The Law Only Regulates Sukuk In General. The Legal Basis Of Sukuk In Indonesia Does Not Yet Have A Special Clause For The Implementation Of Green Sukuk. So That The Assumption Of The Legal Basis Of Sukuk Available In Indonesia Does Not Have An Imperative Commitment In The Implementation Of Green Investment. Moreover, The Green Sukuk Issuance Policy In Indonesia Is Only Accommodated By Institutional And Ministerial Regulations. The Policy Model Represents That The Implementation Of Sukuk Is Still Alternative And Not Mandatory. It All Depends On

principle for Indonesia⁴¹ proportionally in supporting full commitment to the implementation of green sukuk, which has implications for realizing a circular economy. This legal position is important as an official guideline in overcoming the problems of financial institutions in Indonesia that need to understand the guidelines for implementing green sukuk through the principle of sustainable financing.⁴² Although these problems are not only experienced by Indonesia, several developing countries are also experiencing the same problem, especially the crisis in determining proportional green standards for implementing green sukuk.⁴³

This condition encourages Indonesia to need the right formal legal to support green economy projects for a more dignified future of human life. The concept of sustainable financing as the basis for the formal legal construction of green sukuk creates legal principles with a green bond perspective that can support the implementation of Green Sukuk in the energy, forestry, agriculture, waste, industrial production, and product use sectors.⁴⁴ The Sharia paradigm will complement the legal construction in increasing the certainty of green sukuk investment by Islamic corridors in full support of mobilizing capital for the benefit of sustainable development⁴⁵ such as energy efficiency, natural disaster risk reduction, sustainable transportation, waste management, tourism,

The Activity Of Investors To Get Involved In The Green Sukuk Realm. Meanwhile, In The Current Era, The Investment Implementation Model Must Be Based On The Green Concept In Responding To Global Challenges In Realizing Sustainable Development, "Second Opinion on the Republic of Indonesia's Green Bond and Green Sukuk Framework," Cicero, 2018, https://static1.squarespace.com/static/61c034b19223544de2255a77/t/62346ed0c27a3c42f1b85c65/1647603410113/P2S2_UNDP_2nd%2BOpinion%2Bon%2BGreen%2BBond%2Band%2BGreen%2BSukuk%2BFramework.pdf.

⁴¹Legal Principles Are Ideal Basic Legal Principles For Regulating Social Relations Through A Hierarchical Unity Of Systematic Rules, Anatolii Matviichuk et al., "Human Principles of Law as a Universal Normative Framework," *Cuestiones Políticas* 40, no. 75 (2022): 221–31, <https://doi.org/10.46398/cuestpol.4075.14>.

⁴²Abidah B Setyowati, "Governing Sustainable Finance: Insights from Indonesia," *Climate Policy* 23, no. 1 (January 2, 2023): 108–21, <https://doi.org/10.1080/14693062.2020.1858741>.

⁴³Fatih Güçlü, *The Rise of Environmental Consciousness in Islamic Finance: Green Sukuk* (Peter Lang, 2019), https://researchgate.net/publication/336878751_The_Rise_of_Environmental_Consciousness_in_Islamic_Finance_Green_Sukuk.

⁴⁴Michael Doran and James Tanner, "Green Bonds' Growing Pains," *International Financial Law Review* 22 (2019), <https://heinonline.org/HOL/LandingPage?handle=hein.journals/intfinr38&div=205&id=&page=>.

⁴⁵Lina Nugraha Rani et al., "Analysis of Sukuk Research in Indonesia Bibliometric Approach," *Al-Muzara'ah*, 2022, 43–56, <https://doi.org/10.29244/Jam.Specialissue2022.43-56>.

environmentally sound building construction, and sustainable agriculture,⁴⁶ as well as green sukuk investment issued by the Government of Indonesia, illustrated in figure 1:

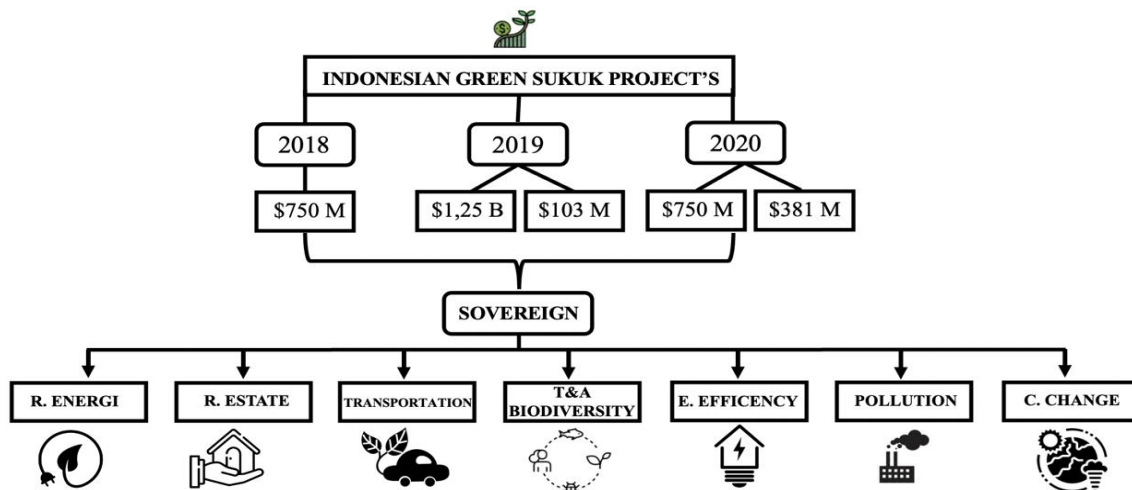


Figure 1. Indonesian Project Investment on Green Sukuk⁴⁷

Supporting a proportional set of rules is very influential in increasing legal certainty for investors to implementing green sukuk with high accountability. Legal construction with green finance-minded blockchain technology accommodation can create business legality and make accommodating investors easier.⁴⁸ Legal certainty greatly affects investor interest because investors can have legal protection in carrying out corporate responsibilities in the business that prioritizes survival on earth.⁴⁹ This legal support is influential in creating a sustainable green sukuk investor climate that can guide the company to move by prioritizing accountability. The principle of accountability in business with a green orientation is very influential in increasing environmental commitment through compliance with legal, social, and political norms.⁵⁰ These legal products can increase transparency in implementing green finance business by integrating

⁴⁶Ivan Rahmat Santoso, "Green Sukuk and Sustainable Economic Development Goals Mitigation of Climate Change in Indonesia," *Global Journal Al-Thaqafah* 10, no. 1 (2020): 1–9, <https://doi.org/10.7187/GJAT072020-3>.

⁴⁷Image processed by the author based on the research of Syahrul Munir et al., "Green Sukuk: Indonesian Youth Investment Prospects for Environmental Sustainability," in *Economics Business and Organization Research*, 2020, 140–47, <https://dergipark.org.tr/en/pub/ebor/issue/58610/847037>.

⁴⁸Sherin Kunhibava et al., "Sukūk on Blockchain: A Legal, Regulatory and Shari'ah Review," *ISRA International Journal of Islamic Finance* 13, no. 1 (January 1, 2021): 118–35, <https://doi.org/10.1108/IJIF-06-2020-0120>.

⁴⁹ane Pollard and Michael Samers, "Islamic Banking and Finance: Postcolonial Political Economy and the Decentring of Economic Geography," *Transactions of He Institute of British Geographers* 32, no. 3 (2007): 313–330, <https://doi.org/10.1111/j.1475-5661.2007.00255.x>.

⁵⁰Nina Bandelj, Frederick F. Wherry, and Viviana A. Zelizer, *Money Talks: Explaining How Money Really Works* (Princeton University Press, 2017).

various technologies with accounting theory to avoid uncertainty and difficulties in ambiguous business practices in alleviating climate change.⁵¹ A legal product model based on this paradigm is a legal principle in supporting the implementation of green sukuk that can realize sustainable development goals (SDG's).⁵² The legal support affects the realization of sustainable development through a green Islamic finance platform to manage various projects with priority principles of environmental security or reducing the risk of climate change, such as global warming.⁵³

The legislative council must take steps to reform the SBSN Law with a Sustainable Financing perspective so that there is a proportional green sukuk legal basis as part of realizing the SDG's goals in Indonesia. Research by A.J. Yesuf & Assaouli shows that the design of Sharia green finance rules relevant to SDG's financing must have a business transformation that is not only guided by Social Responsibility Investment (SRI).⁵⁴ The financial transformation must also have a business manifestation with the Sustainable Financing paradigm to create a finance business concerned with the Environment, Social, and Governance (ESG).⁵⁵ The accommodation of this paradigm into legal legitimacy is one of the important factors for the issuance of green sukuk in Malaysia that is competitive and environmentally sustainable.⁵⁶ Integrating business aspects with the environmental and social in legal instruments is a combination of moral and material in implementing the green economy.⁵⁷ Then, it is equipped with aspects of "governance"

⁵¹Paolo Quattrone, "Seeking Transparency Makes One Blind: How to Rethink Disclosure, Account for Nature and Make Corporations Sustainable," *Accounting, Auditing & Accountability Journal* 35, no. 2 (January 1, 2022): 547–66, <https://doi.org/10.1108/AAAJ-04-2021-5233>.

⁵²Jeffrey D. Sachs et al., *Handbook of Green Finance: Energy Security and Sustainable Development*, 2019.

⁵³Dervi, "A Bibliometric Review of Green Financing: Implication for Islamic Finance."

⁵⁴Abdurahman J. Yesuf and Dalal Aassouli, "Exploring Synergies and Performance Evaluation Between Islamic Funds and Socially Responsible Investment (Sris) in Light of the Sustainable Development Goals (Sdgs)," *Heliyon* 6, no. 8 (2020): 45–62, <https://doi.org/10.1016/J.Heliyon.2020.E04562>.

⁵⁵Satish Kumar et al., "Past, Present, and Future of Sustainable Finance: Insights from Big Data Analytics Through Machine Learning of Scholarly Research," *Annals of Operations Research*, 2022, <https://doi.org/10.1007/s10479-021-04410-8>.

⁵⁶Keshminder, Abdullah, and Mardi, "Green Sukuk - Malaysia Surviving the Bumpy Road: Performance, Challenges and Reconciled Issuance Framework."

⁵⁷Said Sami Al Hallaq, Mohamad M Ajlouni, and Ahmed Shakir Al-Douri, "The Role of Stock Market in Influencing Firms' Investments in Jordan," *International Journal of Ethics and Systems* 35, no. 1 (January 1, 2019): 90–118, <https://doi.org/10.1108/IJOES-08-2018-0122>.

that play a role in realizing a professional Islamic company committed to improving social and environmental sustainability performance.⁵⁸

The sustainable financing paradigm in the regulatory apparatus will complement the imperative guidelines in implementing green sukuk in Indonesia to contribute to the success of sustainable development. These 3 (three) components become the spirit of sustainable financing in realizing a competitive business climate with a transition paradigm to a low-carbon economy.⁵⁹ The Sustainable Financing paradigm is an instrument to reform traditional financing that is less relevant to implementing sustainable development goals because it needs to consider 3 (three) dimensions of future business, including environmental, social, and government (ESG) issues.⁶⁰ However, the most important thing to realize is that the concept, according to Setyowati, requires a set of regulations to optimize Sustainable Financing towards a low-carbon economy by providing facilities, incentives, and concrete guidelines for the economic transition.⁶¹ So the state apparatus must respond because, according to Durrani research et al., they are one of the actors in the successful implementation of sustainable financing governance.⁶² The urgency of the sustainable financing paradigm based on the implementation of green sukuk in Indonesia is presented in the figure 2.

⁵⁸Syed Marwan Mujahid Syed Azman and Engku Rabiah Adawiah Engku Ali, "Islamic Social Finance and the Imperative for Social Impact Measurement," *Al-Shajarah: Journal Of The International Institute Of Islamic Thought And Civilization (Istac)*, 2019, <https://journals.iium.edu.my/shajarah/index.php/shaj/article/view/896>.

⁵⁹Dalia Štreimikienė, Asta Mikalauskienė, and Greta Burbaitė, "The Role of Sustainable Finance in Achieving Sustainable Development Goals," *Economics & Sociology* 16, no. 1 (2023): 271–98, https://www.economics-sociology.eu/?955,en_the-role-of-sustainable-finance-in-achieving-sustainable-development-goals.

⁶⁰Scott Fullwiler, "Sustainable Finance-Building a More General Theory of Finance," *Binzagr Institute For Sustainable Prosperity* 105 (2015): 1–22, https://www.researchgate.net/publication/274779855_Sustainable_Finance--Building_a_More_General_Theory_of_Finance.

⁶¹Setyowati, "Governing Sustainable Finance: Insights from Indonesia."

⁶²Aziz Durrani, Masyitah Rosmin, and Ulrich Volz, "The Role of Central Banks in Scaling Up Sustainable Finance – What Do Monetary Authorities in the Asia-Pacific Region Think?," *Journal of Sustainable Finance & Investment* 10, no. 2 (April 2, 2020): 92–112, <https://doi.org/10.1080/20430795.2020.1715095>.

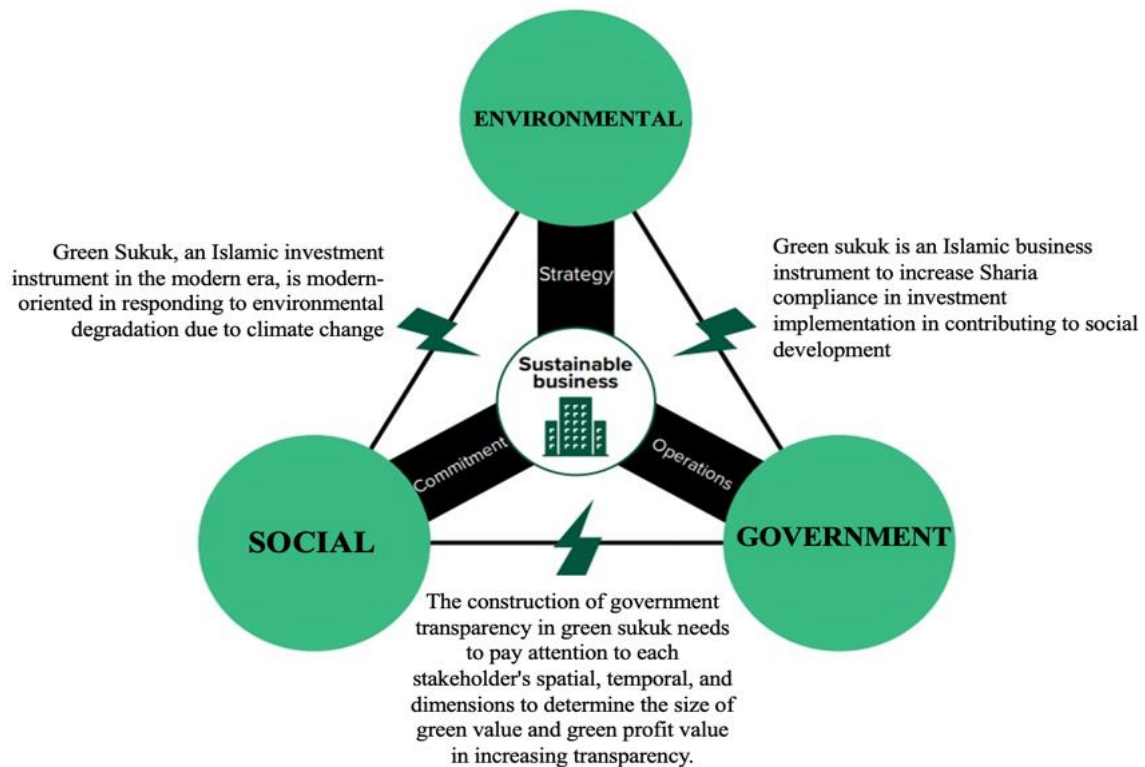


Figure 2. Personal processed data by Author about illustration urgency ESG on Sustainable Financing for Indonesian Green Sukuk (2023)

Based on figure 2, 3 (three) dimensions of sustainable financing have an important role to be internalized into legal aspects as the basis for implementing Green Sukuk in Indonesia. First, the Environmental aspect. Fundamentally, the green sukuk instrument is a compatibility of the legacy of the Islamic financial system with the adoption of green principles that can improve environmental performance through investment in the earth.⁶³ More specifically, Green Sukuk investment instruments are derived from the concepts of "wasatiyyah" (moderation) and "façade" (leaving chaos), which aim to maintain the natural state (*mizan*) of planet Earth by investing in environmentally friendly infrastructure development projects for social welfare.⁶⁴ Formal regulation of green sukuk is important in creating environmentally compliant corporate accounting⁶⁵ in protecting

⁶³Qaisar Ali et al., "Environmental Beliefs and the Adoption of Circular Economy Among Bank Managers: Do Gender, Age and Knowledge Act as the Moderators?," *Journal of Cleaner Production* 361 (2022): 132276, <https://doi.org/10.1016/j.jclepro.2022.132276>.

⁶⁴Habib Ahmed et al., "On the Sustainable Development Goals and the Role of Islamic Finance," *World Bank Policy Research Working Paper*, 2015, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2606839.

⁶⁵Ian Thomson, Suzana Grubnic, and Georgios Georgakopoulos, "Exploring Accounting-Sustainability Hybridisation in the UK Public Sector," *Accounting, Organizations and Society* 39, no. 6 (2014): 453–76, <https://doi.org/10.1016/j.aos.2014.02.003>.

biodiversity,⁶⁶ creating business morale,⁶⁷ increasing AMDAL (*Analisis Dampak Lingkungan* or Environmental impact assessment) transparency,⁶⁸ and corporate compliance to respond to climate change.⁶⁹ The support of sustainable financing rules can improve the performance of Green Sukuk in responding to climate change problems that increase the risk of hydrometeorological disasters, which cause 80% of disasters, such as floods in 105 cities in Java, the cause of shellfish in Nusa Tenggara, the increase in infectious diseases, and poverty line alleviation.⁷⁰ As Rahman research et al. shows, the performance of green sukuk contributes to overcoming environmental problems by mobilizing budgets for environmentally friendly projects in regions, such as the Middle East & North Africa (MENA), vulnerable to climate change.⁷¹

Second, the social aspect of the sustainable financing principle for realizing green sukuk. In addition to economic and environmental principles, the character traits of green sukuk investment also need to prioritize the principle of social development in investment based on applicable Islamic corridors to avoid the practice of usury, uncertainty (*gharar*), and gambling (*maysir*).⁷² Social aspects are influential in accommodating Sharia compliance to link accountability mechanisms in mobilizing finance with green goals through Islamic corridors.⁷³ The orientation of social development needs to be a priority

⁶⁶Madlen Sobkowiak, Thomas Cuckston, and Ian Thomson, "Framing Sustainable Development Challenges: Accounting for SDG-15 in the UK," *Accounting, Auditing & Accountability Journal* 33, no. 7 (January 1, 2020): 1671–1703, <https://doi.org/10.1108/AAAJ-01-2019-3810>.

⁶⁷Delphine Gibassier and Stefan Schaltegger, "Carbon Management Accounting and Reporting in Practice," ed. Professor Carol Adams Andrea B Coulson Mr Michael N. Nugent ,Prof. Kathryn Hayes, Dr, *Sustainability Accounting, Management and Policy Journal* 6, no. 3 (January 1, 2015): 340–65, <https://doi.org/10.1108/SAMPJ-02-2015-0014>.

⁶⁸Diane-Laure Arjaliès et al., "The Motivations and Practices of Impact Assessment in Socially Responsible Investing: The French Case and Its Implications for the Accounting and Impact Investing Communities," *Social and Environmental Accountability Journal* 43, no. 1 (January 2, 2023): 1–29, <https://doi.org/10.1080/0969160X.2022.2032239>.

⁶⁹Delphine Gibassier, Michelle Rodrigue, and Diane-Laure Arjaliès, "Integrated Reporting Is Like God: No One Has Met Him, but Everybody Talks about Him"," *Accounting, Auditing & Accountability Journal* 31, no. 5 (January 1, 2018): 1349–80, <https://doi.org/10.1108/AAAJ-07-2016-2631>.

⁷⁰Qaisar Ali et al., "An Empirical Study of the Effects of Green Sukuk Spur on Economic Growth, Social Development, and Financial Performance in Indonesia," *Environment, Development and Sustainability*, 2023, <https://doi.org/10.1007/s10668-023-03520-6>.

⁷¹Mahfuzur Rahman et al., "A Bibliometric Analysis of Socially Responsible Investment Sukuk Literature," *Asian Journal of Sustainability and Social Responsibility* 5, no. 1 (2020): 7, <https://doi.org/10.1186/s41180-020-00035-2>.

⁷²Nunung Nurul Hidayah, Alan Lowe, and Margaret Woods, "Accounting and Pseudo Spirituality in Islamic Financial Institutions," *Critical Perspectives on Accounting* 61 (2019): 22–37, <https://doi.org/10.1016/j.cpa.2018.09.002>.

⁷³Moghul and Safar-Aly, "Green Sukuk: The Introduction of Islam's Environmental Ethics to Contemporary Islamic Finance."

as an effort to evaluate the realization of green investment, which has experienced obstacles in providing the expected benefits for community development.⁷⁴ As in Fitrah and Soemitra's research, the interest of green sukuk investors tends to increase but needs to be balanced with the commitment of state and regional instruments, which impacts the lack of consistency in issuance.⁷⁵ This problem is a factor in green sukuk that could be more optimal to contribute to social alleviation due to climate change because investment is only profit-oriented and not substantial.⁷⁶ Internalization of social aspects into green sukuk rules can increase the commitment to alleviating economic problems, encouraging the achievement of social goals, and mitigating humanitarian crises in developing countries.⁷⁷ The realization of green sukuk can optimally attract investors so that investment realization affects economic growth to recover from the economic crisis and overcome socio-economic problems.⁷⁸ As Ntsama et al. research, green investment instruments have played a role in contributing to social development, especially for countries that have income scales at the middle-low level.⁷⁹ The dynamics of Islamic investment instruments have developed and can adapt to global social challenges from the aspect of SDGs.⁸⁰

Third, the Government aspect. Green investment commitments need to be escalated into legal, moral guidelines to promote the value of transparency. The urgency of the

⁷⁴Aaron Z Pitluck, "Islamic Banking and Finance: Alternative or Façade?," ed. Karin Knorr Cetina and Alex Preda, *The Oxford Handbook of the Sociology of Finance* (Oxford University Press, November 1, 2012), <https://doi.org/10.1093/oxfordhb/9780199590162.013.0023>.

⁷⁵Ramdansyah Fitrah and Andri Soemitra, "Green Sukuk For Sustainable Development Goals in Indonesia: A Literature Study," *Jurnal Ilmiah Ekonomi Islam* 8, no. 1 (2022): 231–40, <https://doi.org/10.29040/Jiei.V8i1.4591>.

⁷⁶Dodik Siswanto and Henry V Surya, "Indonesian Green Sukuk (Islamic Bond) of Climate Change: A Revisited Analysis," *IOP Conference Series: Earth and Environmental Science* 716, no. 1 (2021): 12044, <https://doi.org/10.1088/1755-1315/716/1/012044>.

⁷⁷Mohammed Ayoub Ledhem and Mohammed Mekidiche, "Islamic Securities (Şukūk) and Economic Growth: New Empirical Investigation from Southeast Asia Using Non-Parametric Analysis of MCMC Panel Quantile Regression," *Islamic Economic Studies* 29, no. 2 (2021): 119–138, <https://doi.org/10.1108/IES-06-2021-0020>.

⁷⁸Nader Naifar, "Sukuk Returns Dynamics Under Bullish and Bearish Market Conditions: Do COVID-19 Related News and Government Measures Matter?," *Applied Economics Letters* 30, no. 7 (April 16, 2023): 875–83, <https://doi.org/10.1080/13504851.2022.2027860>.

⁷⁹Ursule Yvanna Otek Ntsama et al., "Green Bonds Issuance: Insights in Low- and Middle-Income Countries," *International Journal of Corporate Social Responsibility* 6, no. 1 (2021): 2, <https://doi.org/10.1186/s40991-020-00056-0>.

⁸⁰M. Kabir Hassan, Mehmet Saraç, and Ashraf Khan, *Islamic Finance and Sustainable Development: A Sustainable Economic Framework for Muslim and Non-Muslim Countries* (Palgrave Macmillan Cham, 2021), <https://link.springer.com/book/10.1007/978-3-030-76016-8>.

transparency principle is to realize the optimization of the commitment of environmentally oriented companies to implement low-carbon development projects in various sectors.⁸¹ Optimization of transparency needs to be improved to respond to the evaluation record of green investment implementation that is not optimal to realize the objectives of the platform due to lack of transparency in the distribution of funds,⁸² which results in unclear projections of low-carbon projects,⁸³ promotion of projects that contradict the SDG's,⁸⁴ and lack of response to negative impacts of business practices.⁸⁵ If the principle of transparency is improved, it will have implications for increasing the success of SDG projects for climate change control.⁸⁶ The problem of records from the evaluation of green investment will be overcome to avoid corporate fraud that can hamper program objectives.⁸⁷ So, green investment management must have transparency in determining green value and profit by considering the spatial, temporal, and every stakeholder involved.⁸⁸ As A. Mustafa's research et al., the element of transparency in sustainable finance is another drag to attract green investors, and the element of minimal risk investment.⁸⁹ The successful internalization of transparency has an urgency to imperative legal guidelines in realizing corporate practices committed to environmental sustainability towards sustainable development.

⁸¹Rishikesh Ram Bhandary, Kelly Sims Gallagher, and Fang Zhang, "Climate Finance Policy in Practice: A Review of the Evidence," *Climate Policy* 21, no. 4 (April 21, 2021): 529–45, <https://doi.org/10.1080/14693062.2020.1871313>.

⁸²Jan Bebbington et al., *Routledge Handbook of Environmental Accounting* (Routledge, 2021).

⁸³Afshin Mehrpouya and Marie-Laure Salles-Djelic, "Seeing Like the Market; Exploring the Mutual Rise of Transparency and Accounting in Transnational Economic and Market Governance," *Accounting, Organizations and Society* 76 (2019): 12–31, <https://doi.org/10.1016/j.aos.2019.01.003>.

⁸⁴Hao Zhang, "Regulating Green Bond in China: Definition Divergence and Implications for Policy Making," *Journal of Sustainable Finance & Investment* 10, no. 2 (April 2, 2020): 141–56, <https://doi.org/10.1080/20430795.2019.1706310>.

⁸⁵Stephen Park, "Investors as Regulators: Green Bonds and the Governance Challenges of the Sustainable Finance Revolution," *Stanford Journal of International Law* 54, no. 1 (2018).

⁸⁶Ioan Fazey et al., "Ten Essentials for Action-Oriented and Second Order Energy Transitions, Transformations and Climate Change Research," *Energy Research & Social Science* 40 (2018): 54–70, <https://doi.org/10.1016/j.erss.2017.11.026>.

⁸⁷Michael Power, "Infrastructures of Traceability," in *Thinking Infrastructures*, ed. Martin Kornberger et al., vol. 62, Research in the Sociology of Organizations (Emerald Publishing Limited, 2019), 115–30, <https://doi.org/10.1108/S0733-558X20190000062007>.

⁸⁸Gavin Bridge et al., "Pluralizing and Problematizing Carbon Finance," *Progress in Human Geography* 44, no. 4 (June 17, 2019): 724–42, <https://doi.org/10.1177/0309132519856260>.

⁸⁹Mustafa Adil, Henk Jan Hoogendoorn, and Zul Hakim Jumat, "Sukuk Innovation: Powering Sustainable Finance BT - Islamic Finance, FinTech, and the Road to Sustainability: Reframing the Approach in the Post-Pandemic Era," ed. Zul Hakim Jumat, Saqib Hafiz Khateeb, and Syed Nazim Ali (Cham: Springer International Publishing, 2023), 145–58, https://doi.org/10.1007/978-3-031-13302-2_7.

Conclusion

As a Sharia investment instrument, Green Sukuk is a business platform relevant to sustainable business development to face climate change problems. The platform is very supportive of encouraging the acceleration of green investment in realizing ecosystem responsibility based on Sharia principles to respond to global politics to maintain the survival of the *ummah* sustainability. The interaction between sustainable finance and the financial system can significantly contribute to sustainable economic growth by incorporating environmental, social, and governance (ESG) considerations into investment choices. Green Sukuk, which is guided by Sharia principles and similar to green bonds, has the potential to have a positive impact on sustainable development by attracting a wider investor base and directing funds to projects that are beneficial to the environment and society. The results of this study reveal that the concept of Sustainable Financing is very relevant as a source of regulatory construction to fill the void of green sukuk law in Indonesia. 3 (three) ESG dimensions in Sustainable Financing can be an indicator to strengthen regulations on implementing green sukuk that can contribute to sustainable development in Indonesia. Green sukuk rules with sustainable financing dimensions can realize investment realization to increase environmental resilience, alleviate social problems, and realize business transparency to support the smooth running of green projects in Indonesia.

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