

## GREEN SUKUK AND SHARĪ‘AH COMPLIANCE: STRENGTHENING THE LEGAL VERIFICATION FRAMEWORK FOR SUSTAINABLE PROJECTS IN INDONESIA

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**Abstract:** Indonesia’s green sukuk has been widely promoted as an innovation in sustainable Islamic finance. However, behind this development remain structural problems related to regulatory fragmentation, verification gaps, and the risk of greenwashing that threaten legal certainty, accountability, and investor confidence. Amid growing international debates on sustainable finance regulation, Islamic financial governance, and sharia-based environmental accountability, there is still no legal framework that operationally integrates maqāṣid al-sharī‘ah principles with measurable sustainability verification mechanisms. This study examines three main issues, namely the conceptualization of green sukuk within sharia business law, the weaknesses of environmental sharia verification mechanisms in Indonesia, and the formulation of an ideal legal framework capable of ensuring measurable dual compliance between environmental sustainability and sharia principles. The research employs a normative juridical method using conceptual and comparative approaches through the analysis of the Sovereign Sukuk Law, Financial Services Authority Regulation Number 18 of 2015, DSN-MUI Fatwa Number 122 of 2018, the Indonesian Green Sukuk Framework, and comparative practices in Malaysia and the United Kingdom. The findings demonstrate that the current legal framework only establishes formal conformity between green sukuk and sharia principles without operationalizing maqāṣid al-sharī‘ah as technical evaluative indicators. The system also maintains a separation between sharia audits and environmental audits and lacks a national institution responsible for coordinating environmental sharia verification, thereby creating opportunities for greenwashing practices. In response, this study proposes the establishment of the National Green Sharia Audit Board and the National Standard for Green Sukuk Sharia Verification as mechanisms for translating maqāṣid al-sharī‘ah into substantive dual compliance indicators. The study contributes to the development of Islamic financial law by shifting the paradigm from formal normative compliance toward substantive and functional compliance within sustainable Islamic finance governance.

**Keywords:** Green Sukuk, Sharia Compliance, Maqāṣid al-Sharī‘ah, Sustainable Finance Regulation.

**Abstrak:** Green sukuk Indonesia telah banyak dipromosikan sebagai inovasi dalam keuangan Islam berkelanjutan. Namun, di balik perkembangan tersebut masih terdapat berbagai persoalan struktural berupa fragmentasi regulasi, kesenjangan verifikasi, dan risiko greenwashing yang mengancam kepastian hukum, akuntabilitas, serta kepercayaan investor. Di tengah berkembangnya perdebatan internasional mengenai regulasi keuangan berkelanjutan, tata kelola keuangan Islam, dan akuntabilitas lingkungan berbasis syariah, hingga kini belum terdapat kerangka hukum yang secara operasional mengintegrasikan prinsip maqāṣid al-sharī‘ah dengan mekanisme verifikasi keberlanjutan yang terukur. Penelitian ini mengkaji tiga persoalan utama, yaitu konseptualisasi green sukuk dalam perspektif hukum bisnis syariah,



kelemahan mekanisme verifikasi syariah lingkungan di Indonesia, serta perumusan kerangka hukum ideal yang mampu menjamin dual compliance antara keberlanjutan lingkungan dan prinsip syariah secara terukur. Penelitian menggunakan metode yuridis normatif dengan pendekatan konseptual dan perbandingan melalui analisis terhadap Undang-Undang SBSN, Peraturan Otoritas Jasa Keuangan Nomor 18 Tahun 2015, Fatwa DSN-MUI Nomor 122 Tahun 2018, Green Sukuk Framework Indonesia, serta praktik di Malaysia dan Inggris. Hasil penelitian menunjukkan bahwa kerangka hukum yang berlaku saat ini hanya membentuk keselarasan formal antara green sukuk dan prinsip syariah tanpa mengoperasionalkan maqāsid al-sharī'ah sebagai indikator evaluatif teknis. Sistem yang ada juga masih mempertahankan pemisahan antara audit syariah dan audit lingkungan serta belum memiliki lembaga nasional yang bertugas mengoordinasikan verifikasi syariah lingkungan, sehingga membuka ruang bagi praktik greenwashing. Sebagai respons, penelitian ini mengusulkan pembentukan Dewan Audit Syariah Hijau Nasional dan Standar Nasional Verifikasi Syariah Green Sukuk sebagai mekanisme penerjemahan maqāsid al-sharī'ah ke dalam indikator dual compliance yang substantif. Penelitian ini berkontribusi pada pengembangan hukum keuangan Islam dengan menggeser paradigma kepatuhan normatif formal menuju kepatuhan substantif dan fungsional dalam tata kelola keuangan Islam berkelanjutan.

**Kata Kunci:** Green Sukuk, Kepatuhan Syariah, Maqāsid al-Sharī'ah, Regulasi Keuangan Berkelanjutan.

## INTRODUCTION

Climate change and the global environmental crisis are no longer just read as ecological problems, but as legal and financial governance issues that create new tensions between sustainability claims and available verification mechanisms.<sup>1</sup> Amid the global push towards sustainable development and post-COP28 commitments and the implementation of the 2030 Sustainable Development Goals (SDGs), green financial instruments including green bonds and green sukuk are being used as the main medium to divert investment flows to low-carbon projects.<sup>2</sup> However, behind this optimistic narrative, there are concerns about weak certification standards, regulatory fragmentation, and the risk of greenwashing that has implications for the credibility of green instruments and investor protection. Thus, green finance cannot be understood solely as financial innovation, but as an arena of normative contestation that demands the integration of legal frameworks, governance, and sustainability ethics.<sup>3</sup>

Within the framework of the SDGs 2030, green finance is often positioned as the most practical approach to synergize economic, social, and environmental goals simultaneously. Studies show that green investments contribute to economic resilience, more effective environmental decentralization, and accelerated transition to clean energy in various jurisdictions.<sup>4</sup> However, the literature generally assumes that the legal and governance

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<sup>1</sup> Florian Marcel Nuta et al., "Green Finance's Role for Sustainable Development in the Context of COP Targets," *Sustainable Energy Technologies and Assessments* 82 (October 2025): 104501, <https://doi.org/10.1016/j.seta.2025.104501>.

<sup>2</sup> Kai Quan Zhang et al., "Green Finance, Innovation and the Energy-Environment-Climate Nexus," *Frontiers in Environmental Science* 10 (May 2022): 879681, <https://doi.org/10.3389/fenvs.2022.879681>.

<sup>3</sup> Mukul Bhatnagar et al., "A Wave of Green Start-Ups in India—The Study of Green Finance as a Support System for Sustainable Entrepreneurship," *Green Finance* 4, no. 2 (2022): 253–73, <https://doi.org/10.3934/GF.2022012>.

<sup>4</sup> Yasir Habib et al., "Green Finance and Environmental Decentralization Drive OECD Low Carbon Transitions," *Scientific Reports* 15, no. 1 (2025): 28140, <https://doi.org/10.1038/s41598-025-11967-y>.

frameworks underpinning green instruments are adequate, so critical questions about the legal consequences of weak verification, minimalist compliance standards, and the distribution of responsibilities among regulatory actors remain unanswered. From a legal point of view, the fragility of the verification mechanism has the potential to create legal uncertainty, erode investor confidence, and obscure the accountability of the state and market participants in the use of funds that are claimed to be sustainable.

Indonesia occupies an important position in the global green finance architecture as the world's first sovereign green sukuk issuer since 2018.<sup>5</sup> The integration of sharia values with environmental sustainability goals in these schemes is often presented as a model of success that harmonizes between sharia compliance and the climate agenda. However, behind these achievements, there are structural problems that have not been resolved, especially related to legal certainty, transparency of project verification, and clarity of applicable sharia compliance standards. Green sukuk operates in two complex legal domains, capital market law and sharia business law, so any regulatory loophole in either domain can have direct implications for the credibility of sharia claims as well as the "greenness" of the financed project.<sup>6</sup> Thus, the main issue is not only the availability of the instrument, but also the quality and coherence of the verification framework that underpins it.

Recent empirical findings show that green finance and environmental decentralization have a significant positive impact on sustainable development and climate change mitigation, including through increased investment in renewable energy technologies and green innovation.<sup>7</sup> Green finance functions as a catalyst that connects the dimensions of technology, economics, and public policy, resulting in a double effect in the form of economic efficiency and environmental conservation. However, the global literature on green bonds and green sukuk still tends to focus on economic and macroenvironmental impacts, while critical testing of legal designs, verification standards, and accountability mechanisms, particularly in the context of Islamic finance, is relatively limited. This gap becomes a problematic space when sustainability and sharia compliance claims are placed in a single product without an adequate normative evaluation framework.

In the context of Islamic finance, a number of studies have shown that green sukuk is in principle in line with maqāṣid al-shari'ah, especially in the aspects of protecting religion, soul, intellect, property, and the environment. Some studies interpret maqāṣid as a normative foundation that justifies support for environmentally friendly projects, while others use it as an evaluative framework for existing regulations. Nevertheless, important debates remain open about how maqāṣid should be operationalized: whether as a normative evaluation standard of

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<sup>5</sup> djppr.kemenkeu.go.id, "DJPPR | Green Sukuk Sebagai Bentuk Komitmen Indonesia Untuk Perubahan Iklim," accessed March 8, 2026, <https://djppr.kemenkeu.go.id/greensukuksebagai bentuk komitmen indonesia untuk perubahan iklim>.

<sup>6</sup> Khairunnisa Musari, "Green Sukuk, Islamic Green Financing: A Lesson Learned From Indonesia," in *Advances in Finance, Accounting, and Economics*, ed. Odunayo Magret Olarewaju and Idris Olayiwola Ganiyu (IGI Global, 2021), <https://doi.org/10.4018/978-1-7998-7967-1.ch001>.

<sup>7</sup> Muhammad Asif Khan et al., "Does Green Finance Really Deliver What Is Expected? An Empirical Perspective," *Borsa Istanbul Review* 22, no. 3 (2022): 586–93, <https://doi.org/10.1016/j.bir.2021.07.006>.

positive regulation, as a method of legal interpretation of ambiguous norms, or as a governance principle that guides the design of verification and oversight mechanisms. Without the clarity of this theoretical position, the integration of maqāṣid in the discourse of sustainable finance risks stopping at the rhetoric of legitimacy, rather than becoming a critical instrument for assessing existing legal structures.

The national literature on green sukuk in Indonesia generally confirms that the existing regulatory framework ranging from the State Sharia Securities Law (SBSN Law), the Financial Services Authority (POJK) regulations, to the DSN-MUI Fatwa has provided a sufficient legal basis for the issuance and management of green sukuk. These studies confirm the formal alignment between green sukuk and maqāṣid al-shari'ah, especially in terms of contract compliance and support for environmental projects. However, this dominant focus on regulatory mapping and normative conformity affirmation has not been accompanied by an in-depth analysis of how sustainability verification standards are designed, how sharia authorities and financial regulators share a role in ensuring the validity of "green" claims, and the extent to which such verification frameworks are able to prevent greenwashing practices. At this point, the difference between the global research gap that is more related to ESG integration and Islamic financial governance, and the national research gap that concerns the separation between the sharia discourse and the sustainability verification mechanism.

From the perspective of sharia governance in Indonesia, the Ministry of Finance, OJK, and DSN-MUI play a strategic role in shaping a sharia-based green financial ecosystem. The Ministry of Finance regulates fiscal policy and the framework for the issuance of green sukuk as a financing instrument for green projects, OJK is responsible for the regulation and supervision of the financial services sector,<sup>8</sup> while DSN-MUI provides fatwas as a source of sharia legitimacy which is then adopted into positive regulations.<sup>9</sup> Conceptually, this layered relationship between fatwas and regulations reflects the efforts to synchronize religious norms and positive legal norms in Indonesian Islamic finance. However, studies have also highlighted the limitations of sharia verification standards, a formalistic focus on contracts, and weak transparency and sanctions in green finance regulations, which cumulatively pose a risk of uncertainty and public distrust of green sukuk claims.

The phenomenon of greenwashing occupies a crucial position in this problem.<sup>10</sup> Unstringent regulations defining "green" criteria, unstandardized independent assessment mechanisms, and the dominance of weak administrative sanctions open up space for

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<sup>8</sup> Siti Hafsyah Idris et al., "Green Financing and Climate Change: Challenges and Regulatory Mechanisms in Malaysia and Indonesia," *Clean Technologies and Environmental Policy* 26, no. 12 (2024): 4471–82, <https://doi.org/10.1007/s10098-024-02829-8>.

<sup>9</sup> Muhammad Ilyas Marwal et al., "Responsive Law of the National Sharia Council of the Indonesian Ulama Council's Fatwa on Permissibility of Electronic Money," *El-Ushrah: Jurnal Hukum Keluarga* 8, no. 1 (2025): 1–25, <https://doi.org/10.22373/j7qh3j69>.

<sup>10</sup> Nafis Dwi Kartiko et al., "The Urgency of Green Banking Regulations in Indonesia in the Implementation of Sustainable Development," *Administrative and Environmental Law Review* 5, no. 2 (2024): 135–54, <https://doi.org/10.25041/aclr.v5i2.3604>.

substantially unsustainable projects to continue to obtain green labels.<sup>11</sup> In the perspective of sharia business law, greenwashing is not just an administrative violation, but also a violation of the principles of trust and justice ('adl), and is contrary to maqāṣid al-shari'ah which places environmental protection (ḥifẓ al-bi'ah) as part of the collective responsibility towards the earth as a divine mandate. Weak environmental accountability in terms of reporting transparency, sanctions strictness, and long-term monitoring mechanisms ultimately reduces green sukuk to a symbolic instrument that loses its normative power as a means of realizing ecological justice.<sup>12</sup>

Departing from this complexity, this research positions itself in an academic gap that specifically concerns the relationship between sharia compliance and environmental sustainability in the legal design of green sukuk in Indonesia. The research questions are formulated not simply in the form of a general evaluation, but in response to three main structural deficiencies. First, how the concept of green sukuk is understood in the perspective of sharia business law and the principle of sustainability when maqāṣid al-shari'ah is used explicitly as a normative evaluative framework. Second, how the configuration and weaknesses of the legal mechanism for verification and sharia compliance in the green sukuk environment in Indonesia today, by highlighting the insynchronization between the SBSN Law, POJK, and DSN-MUI fatwa. Third, how to design an ideal legal framework that is able to integrate sharia and environmental verification standards in a measurable manner to ensure legal certainty, prevent greenwashing, and strengthen investor confidence.

In line with that, this study aims to: (1) critically describe the concept of green sukuk in sharia business law by placing maqāṣid al-syarī'ah including ḥifẓ al-bi'ah as a normative evaluative framework; (2) systematically analyze the legal structure and verification mechanism of green sukuk in Indonesia, including the relationship between capital market regulation and the sharia governance regime; and (3) formulate an ideal legal model that integrates environmental sharia verification standards in an accountable and sustainability-oriented governance design. Theoretically, this study fills a research gap in the literature on Islamic finance and sustainable finance which has tended to emphasize economic aspects, risks, and market performance, but lacks elaboration on the legal and environmental accountability dimensions in the perspective of maqāṣid.

The main novelty of this research lies in the analytical integration between maqāṣid al-syarī'ah and the legal framework of green sukuk in Indonesia through three argumentative contributions. First, this study offers a reinterpretation of maqāṣid that explicitly includes environmental protection (ḥifẓ al-bi'ah) as a normative basis for sustainability, so that green sukuk is not only read as an instrument of green financing, but as a mechanism for enforcing legal moral obligations in responding to ecological crises. Second, this study identifies and criticizes regulatory gaps in the SBSN Law, POJK 18/2015 (along with the latest regulatory

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<sup>11</sup> Nur Sania Dasopang, "Sharia Banking Supervision in Indonesia: Legal Mechanisms and Implications," *Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi Dan Keagamaan* 12, no. 1 (2025): 227, <https://doi.org/10.29300/mzn.v12i1.6937>.

<sup>12</sup> Raeni Raeni et al., "Mobilising Islamic Funds for Climate Actions: From Transparency to Traceability," *Social and Environmental Accountability Journal* 42, nos. 1–2 (2022): 38–62, <https://doi.org/10.1080/0969160X.2022.2066553>.

developments), and DSN-MUI Fatwa 122/2018 through a three-layer analytical framework of normative compliance analysis, maqāṣid conformity, and the effectiveness of verification mechanisms that have not been explicitly used in previous studies. Third, this study proposes a new legal model in the form of the integration of environmental sharia verification standards through the establishment of the National Green Sharia Audit Council (DASHN), the alignment of maqāṣid with the taxonomy of sustainable finance, and the preparation of the National Standard for Sharia Verification of Green Sukuk (SNSGS). This model is projected as a normative thesis that green sukuk can only be considered legal both sharia and sustainability if the legal framework is able to ensure transparency, accountability, and systemic greenwashing prevention. Thus, this research seeks to enrich the international discourse on Islamic financial governance and sustainable financial regulation through a proposed legal framework that brings together maqāṣid, national regulations, and environmental verification mechanisms in a coherent and normatively testable governance design.

## LITERATURE REVIEW

The development of studies on sustainability in the context of finance and development in Indonesia shows that most of the research still focuses on the level of technical implementation and policy performance, rather than on the normative design and legal governance of green financial instruments. Research by Sari, Maidina, Sumarno, and Ngeljaratan (2024) on the implementation of the Indonesia Green Building Rating System, for example, places sustainability issues at the level of building design and construction by examining how green building assessment standards are implemented in projects in Jakarta and North Penajam Paser. This study shows that the success of the implementation of green standards is largely determined by the technical capacity of the designers and the quality of coordination between stakeholders, so that the main problems identified are technocratic and managerial, rather than normative-regulative.<sup>13</sup> The limitations of the study lie in the absence of discussion of how green assessment standards are linked to a binding legal framework, as well as how environmental obligations are supported by clear accountability and sanctions mechanisms in the national legal system. This research fills this void by shifting the focus from the project and design level to the level of the legal framework, by positioning environmental protection (ḥifẓ al-bi'ah) as the normative basis in maqāṣid al-syarī'ah, and proposing a model of sharia verification governance of the green sukuk environment that functions as an instrument of enforcing legal moral obligations, not just a voluntary technical standard.

In the cluster of Islamic finance and sustainable finance studies, Endri, Hania, and Ma'ruf's (2022) research on "Corporate Green Sukuk Issuance for Sustainable Financing in Indonesia" analyzes the potential and challenges of corporate green sukuk issuance by highlighting sectors that are eligible for funding, especially renewable energy, as well as practical obstacles in the form of low market literacy and the need for policy incentives. The approach

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<sup>13</sup> Dany Perwita Sari et al., "The Application of Indonesia Green Building Rating System for Sustainable Buildings," 2024, 050003, <https://doi.org/10.1063/5.0184511>.

used is descriptive-analytical on market readiness and the role of the government in encouraging the issuance of corporate green sukuk, so that the main focus is on the market dimension and economic policies.<sup>14</sup> Although the study acknowledges the importance of a supporting regulatory framework, its analysis has not touched on the specifics of green sukuk legal design problems, does not elaborate on the integration of environmental sharia verification standards, and does not place maqāṣid al-shari'ah as an evaluative parameter for the existing regulatory structure. Thus, this study contributes to the understanding of market development factors and processes, but has not provided adequate answers to the question of how legal governance and verification mechanisms should be designed to prevent greenwashing and ensure the integrity of sharia. This research expands the horizon of the study by moving the center of analysis from market potential and policy incentives to criticism of regulatory gaps in the SBSN Law, POJK 18/2015, and Fatwa DSN-MUI 122/2018 through a three-layer analytical framework (normative compliance, maqāṣid conformity, and verification effectiveness), thus offering a legal model that systemically addresses the risks of greenwashing and strengthens the legitimacy of sharia green sukuk.

While Endri and colleagues' research emphasizes the market dimension, Santoso's (2020) study in "Green Sukuk and Sustainable Economic Development Goals: Mitigating Climate Change in Indonesia" focuses on the impact dimension, by placing green sukuk as a strategic instrument for financing environmentally friendly projects and achieving sustainable economic development goals. This study examines how green sukuk is used as a financing mechanism for renewable energy projects, sustainable transportation, and waste management, and concludes that the country's green sukuk in general has met sharia principles and green investment criteria set in the sustainable development policy framework. Thus, Santoso provides a positive picture of the performance of green sukuk in supporting the SDGs and climate change mitigation, but still moves in the paradigm of policy effectiveness and environmental economic outcomes.<sup>15</sup> The analysis has not critically examined the adequacy of the legal framework and verification mechanisms that support sharia and sustainability claims, and has not operationalized the dimensions of maqāṣid, especially ḥifẓ al-bi'ah as an evaluative tool for governance design and reporting. This research builds on Santoso's findings by shifting the focus from the "role" of green sukuk to the SDGs towards a normative assessment of the legal structure that governs green sukuk, while proposing a new institutional model (DASHN and SNSGS) designed to ensure that sharia and green claims do not stop at formal compliance, but are maintained through measurable verification and accountability mechanisms.

Unlike the three studies above, which are mainly engaged in the framework of factors, processes, and impacts, the study of Supriyadi, Fidhayanti, and Ramadhita (2023) in "Green Sukuk in Indonesia: Unraveling Legal Frameworks for Sustainable Islamic Bonds" explicitly

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<sup>14</sup> Endri Endri et al., "Corporate Green Sukuk Issuance for Sustainable Financing in Indonesia," *Environmental Economics* 13, no. 1 (2022): 38–49, [https://doi.org/10.21511/ee.13\(1\).2022.04](https://doi.org/10.21511/ee.13(1).2022.04).

<sup>15</sup> I. R. Santoso, "Green Sukuk and Sustainable Economic Development Goals: Mitigating Climate Change in Indonesia," *Global Journal Al-Thaqafah* 10, no. 1 (2020): 18–26, Scopus, <https://www.scopus.com/inward/record.uri?eid=2-s2.0-85090048415&partnerID=40&md5=a0cdb387b889bde89226d18ecad9bd82>.

makes the legal framework of green sukuk the main object of study. This study uses normative and conceptual juridical approaches to show that the sustainable financing paradigm is relevant as a foundation for the formation of green sukuk regulations, and emphasizes the importance of strengthening regulations so that green sukuk can function as a policy mechanism to encourage environmentally friendly investment. Thus, Supriyadi and colleagues are moving one step further than market-based and policy-based studies by linking green sukuk to a broader legal framework.<sup>16</sup> However, their focus is still on the conceptual relevance of the sustainable financing paradigm and has not developed an evaluative framework based on *maqāṣid al-shari'ah*; they have not systematically dissected the gap between the SBSN Law, POJK, and DSN-MUI fatwas, and have not proposed a concrete institutional model for the integration of sharia and environmental verification standards. This research continues and criticizes the direction of the study by shifting the normative basis from a mere sustainable financing paradigm to *maqāṣid al-syarī'ah* which integrates *ḥifẓ al-bi'ah*, and operationalizes it in a three-layer analytical framework and institutional design of DASHN-SNSGS as a normative proposal to improve the legal architecture of green sukuk in Indonesia.

In a more empirical research trajectory, Balative, Hariyanto, Sholikhah, and Prayoga (2025) through "A Closer Look at Indonesia's Experience in Developing Green Sukuk" provide a detailed overview of Indonesia's experience in utilizing green sukuk as an instrument to finance sustainable projects. They analyzed the allocation of green sukuk funds to strategic programs such as renewable energy, green infrastructure, and carbon emission reduction, and concluded that green sukuk has made a significant contribution to Indonesia's sustainable development agenda. On the other hand, the study also identified significant operational challenges, including the need for a stronger regulatory framework, increased transparency, and a more accountable project verification mechanism.<sup>17</sup> However, Balative and colleagues' approach remains descriptive-experiential: the identification of regulatory weaknesses and verification has not been followed by a normative analysis based on *maqāṣid al-syarī'ah* or a directed examination of gaps in legal instruments such as the SBSN Law, POJK 18/2015, and Fatwa DSN-MUI 122/2018. As a result, the study stops at diagnosing challenges without offering a concrete legal governance design to address the risk of sharia-environmental non-compliance. This research fills this gap by integrating the reinterpretation of *maqāṣid al-syarī'ah* that places *ḥifẓ al-bi'ah* as a normative priority, applying it through a three-layer analytical framework to critique the existing regulatory framework, and designing the DASHN and SNSGS legal models as systemic solutions to ensure transparency, accountability, and prevention of greenwashing in Indonesia's green sukuk ecosystem.

If viewed as a single trajectory, the previous studies show a gradual shift from a focus on technical implementation and policy performance to a greater focus on the legal framework

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<sup>16</sup> Aditya Prastian Supriyadi et al., "Green Sukuk in Indonesia: Unraveling Legal Frameworks for Sustainable Islamic Bonds," *El-Mashlahah* 13, no. 2 (2023): 151–80, <https://doi.org/10.23971/el-mashlahah.v13i2.7372>.

<sup>17</sup> Muhammad Iqbal Balative et al., "A Closer Look at Indonesia's Experience in Developing Green Sukuk," in *Islamic Finance and Sustainability*, 1st ed., by Farhad Taghizadeh-Hesary et al. (Routledge, 2025), <https://doi.org/10.4324/9781003518617-23>.

of green sukuk. However, collectively, these works still leave some key gaps that are the starting point of this research. First, there has been no research that explicitly integrates maqāṣid al-shari'ah with an emphasis on ḥifẓ al-bi'ah as a normative framework for evaluating the design of green sukuk regulations and their verification mechanisms; maqāṣid generally emerges as a theological justification or normative background, rather than as a structural test tool for regulation and governance. Second, although a number of studies have touched on regulatory weaknesses, transparency, and verification, no one has formulated an operational analytical framework that systematically distinguishes between regulatory normative compliance, maqāṣid compliance, and the effectiveness of verification mechanisms. Third, proposals for institutional improvement in the literature are still general and declarative, without a concrete institutional model that integrates environmental sharia verification standards in a single governance architecture.

This research responds to these gaps by proposing an analytical framework and normative model that directly answers the limitations of the previous literature. Through the integration of maqāṣid al-syarī'ah, especially ḥifẓ al-bi'ah as a normative basis, the use of a three-layer analytical framework to assess regulatory compliance, maqāṣid compliance, and verification effectiveness, as well as the design of the National Green Sharia Audit Board (DASHN) and the National Standard for Sharia Green Sukuk Verification (SNSGS), this research seeks to go beyond just a declaration of novelty. The proposed framework is positioned as a direct response to the failure of previous works in integrating sharia principles with sustainability verification mechanisms at the level of legal design and governance, as well as a conceptual-normative contribution to the international discourse on Islamic financial governance and sustainable financial regulation.

## METHOD

This research uses a normative juridical method (doctrinal legal research) with a conceptual and comparative approach directed to produce knowledge about the coherence, adequacy, and effectiveness of the legal structure that regulates green sukuk as a sharia-based sustainable financial instrument.<sup>18</sup> The normative approach was chosen because the main issue studied was not the empirical behavior of market participants, but the normative design of verification, governance, and institutions contained in laws and regulations, fatwas, and policy standards. Through this method, the research seeks to reconstruct, interpret, and evaluate the applicable legal rules, as well as propose a new institutional model that can normatively strengthen the integrity of sharia compliance and environmental sustainability in the green sukuk ecosystem.

The unit of analysis in this study is explicitly formulated to include three layers: first, the positive legal norms that govern green sukuk (Law, OJK Regulations, Green Sukuk Framework), second, regulatory instruments and fatwas that form the framework for sharia compliance governance (DSN-MUI Fatwa and its derivative regulations), and third, the

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<sup>18</sup> Mahmud Marzuki, *Penelitian Hukum: Edisi Revisi* (Prenada Media, 2017), 70.

conceptual framework of maqāṣid al-Syarī'ah which is used as an evaluative basis for the existing regulatory structure and verification mechanism. Thus, the analysis is not directed at individual cases or institutional behavior, but rather at internal consistency, hierarchical relationships, and gaps between norms, regulatory instruments, and normative principles of maqāṣid that are relevant to ḥifẓ al-māl and ḥifẓ al-bi'ah. The formulation of this unit of analysis maintains coherence between the research design, objectives, and conclusions oriented towards the formulation of the ideal legal model of green sukuk.

According to the character of normative legal research, the sources of legal materials are strictly classified into primary, secondary, and tertiary legal materials. Primary legal materials include laws and regulations and authoritative documents that are directly binding, namely the State Sharia Securities Law (SBSN Law), OJK Regulation No. 18/POJK.04/2015 and the latest related regulations, DSN-MUI Fatwa No. 122/2018, and the Green Sukuk Framework 2022 issued by the Indonesian government. Secondary legal materials include scientific literature and analytical documents that provide interpretation and criticism of primary materials, including journal articles on green finance and green sukuk, reports of international institutions such as UNDP, the World Bank, and the Islamic Development Bank, as well as normative studies on maqāṣid al-syarī'ah in sustainable finance. The tertiary legal material consists of legal dictionaries, encyclopedias, and other supporting documents that help explain technical terms and provide conceptual context for analysis.

The data collection technique is carried out through a systematic literature study. The process includes the initial identification of all regulations and fatwas that explicitly regulate green sukuk and green finance in Indonesia, followed by a search of scientific literature through a database of reputable national and international journals to find studies relevant to the themes of verification, sharia governance, maqāṣid, and the risk of greenwashing. The legal materials obtained were then selected based on the criteria of relevance (direct relevance to green sukuk, maqāṣid al-syarī'ah, and sustainable finance), authority (legal standing or scientific reputation), and novelty (priority on current regulations and research). After that, all materials are systematized by grouping norms and literature into categories: Islamic capital market regulation, sharia fatwa and governance, international green finance standards, and the study of maqāṣid and environmental law.

Data analysis was carried out in a qualitative evaluative manner by combining normative, conceptual, and comparative juridical approaches. First, the interpretation of primary legal materials is carried out to formulate the structure of legal rights and obligations, verification mechanisms, and institutional design regulated in the SBSN Law, POJK, DSN-MUI Fatwa, and Green Sukuk Framework, using grammatical, systematic, and teleological interpretations in accordance with doctrinal law research standards. Second, a conceptual analysis is carried out by associating these norms with the principles of maqāṣid al-sharī'ah, especially ḥifẓ al-māl and ḥifẓ al-bi'ah, in order to assess the extent to which existing regulations are in line with or deviating from the normative objectives of sharia in the context of sustainable finance. Third, a comparative approach is applied by examining Malaysian and UK practices as

comparators in terms of auditing and verification models of green financial instruments, thereby allowing for the identification of institutional design alternatives and stronger verification standards.

The entire analysis process was operationalized through a three-layer analytical framework prepared specifically for this study. The first layer, the Regulatory Normative Compliance Analysis, assesses the conformity between national regulations (UU SBSN, POJK, Green Sukuk Framework) and sharia principles (Fatwa DSN-MUI), with operational indicators in the form of clarity of financing objects, clarity of contract structures, transparency of reporting, and sharia supervision mechanisms. The second layer, the Conformity Analysis of Maqāṣid al-shari'ah, measures the fulfillment of sharia objectives, especially *hifz al-māl* and *hifz al-bi'ah*, through indicators of alignment of environmental benefits with the principle of *maslahah*, fairness in the distribution of social benefits, as well as accountability and trust in fund management. The third layer, Analysis of the Effectiveness of the Verification Mechanism, assesses how sharia verification and sustainability are carried out by external reviewers, DSN-MUI, and international institutions, with indicators of assessment objectivity, auditor independence, greenwashing risk, and standard consistency between sharia and ESG.

Through the stages of interpretation, comparison, and evaluation in the three-layer framework, this research does not stop at the description of the content of the regulation, but draws analytical conclusions regarding the effectiveness, consistency, and adequacy of the existing legal framework to ensure the integrity of green sukuk. The findings regarding regulatory weaknesses and governance fragmentation were then used as a normative basis for formulating an ideal legal model that included the establishment of the National Green Sharia Audit Board (DASHN), the integration of *maqāṣid al-syarī'ah* in the sustainable finance taxonomy, and the preparation of the National Standard for Sharia Green Sukuk Verification (SNSGS). Thus, this research method provides a clear epistemological basis for the claims of novelty and normative recommendations put forward in the article.

## RESULTS AND DISCUSSION

The results of the study show that the legal framework for Green Sukuk in Indonesia has provided a regulatory basis through the SBSN Law No. 19/2008<sup>19</sup>, POJK 18/2015<sup>20</sup>, and DSN-MUI Fatwa No. 122/2018<sup>21</sup>, but has not fully operationalized the integration between sharia compliance, environmental sustainability, and legal accountability in one complete verification system. Through the application of a three-layer analysis framework, it was found that: (1) at the normative compliance layer, regulations already contain provisions related to financing objects, transparency, and reporting mechanisms, but do not yet have a technical assessment instrument that assesses sharia and environmental impacts simultaneously; (2) at

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<sup>19</sup> Muhammad Syauqi Bin-Armiya, "PSEUDO-ENVIRONMENTAL VALUES VERSUS ETHICAL SPIRITUALITY: A STUDY ON INDONESIAN GREEN SUKUK," *PETITA: JOURNAL OF LEGAL AND SHARLA STUDIES* 8, no. 2 (2023): 110–30, <https://doi.org/10.22373/petita.v8i2.225>.

<sup>20</sup> Supriyadi et al., "Green Sukuk in Indonesia."

<sup>21</sup> Iqbal Balative et al., "A Closer Look at Indonesia's Experience in Developing Green Sukuk."

the level of conformity of maqāṣid al-syarī'ah, the principles of hifẓ al-māl and hifẓ al-bi'ah have been conceptually reflected in the DSN-MUI fatwa, but have not been translated into the operational matrix of audit and masalah benchmarks; and (3) at the verification effectiveness level, the audit mechanism is still fragmented, because environmental audits are carried out by international institutions (CICERO, Vigeo Eiris, Sustainalytics), while sharia audits are carried out only through contract reviews by DPS without maqāṣid-based sustainability assessments.

In addition, the results of the study show that no national institution has the unified authority to conduct sharia-environmental verification simultaneously. The verification process runs with the following flows: (1) project proposal submission (2). Administrative review by the Ministry of Finance (3). Second Party Opinion (SPO) environmental auditor (4). Review of sharia contracts by DPS (5). Issuance of sukuk certificates (5). Monitoring and impact reporting.<sup>22</sup> However, this mechanism does not provide a national standard for evaluative sharia-environmental audits, so the risk of greenwashing and weak investor accountability are still open. The research also found that the existence of maqāṣid al-syarī'ah is still placed as a normative foundation, not as a technical indicator of evaluation that can be measured and verified.

Comparative findings show that Malaysia already has the Sharia Advisory Council (SAC) and the Sustainable and Responsible Investment (SRI) Sukuk Framework,<sup>23</sup> while the UK uses the Green Bond Principles (GBP) and Climate Bond Standards (CBS) which have been operationalised through the Environmental Taxonomy and SPO mandatory systems.<sup>24</sup> The two countries have established an impact-based evaluation matrix that integrates legal, sustainability audits, and governance aspects. Meanwhile, Indonesia does not yet have institutional integration, national standards for sharia-environmental verification, and a maqāṣid-based evaluative matrix.

**Tabel 1. Komparatif**

Country	Model Audit	Legal Basis	Maqāṣid Integration	Status Audit Lingkungan
<b>Indonesia</b>	Separate DPS & ESG Auditor	UU SBSN, POJK, Fatwa DSN-MUI	Normative only	Eksogen (SPO Global)
<b>Malaysia</b>	Shariah Advisory Council (SAC)	SC Guidelines	Normative & technical (partial)	Nasional (Green Taxonomy)

<sup>22</sup> Ivan Rahmat Santoso, "Green Sukuk and Sustainable Economic Development Goals: Mitigating Climate Change in Indonesia," *Global Journal Al-Thaqafah* 10, no. 1 (2020): 18–26.

<sup>23</sup> Nuarrual Hilal Md. Dahlan et al., "The Shariah Advisory Council in the Malaysian Islamic Financial Institutions: Features and Legal Issues," *Journal for Global Business Advancement* 9, no. 3 (2016): 284–98, <https://doi.org/10.1504/JGBA.2016.076718>.

<sup>24</sup> Kariyawasam Galoluwage Madurika Nanayakkara and Sisira Colombage, "Does Compliance with Green Bond Principles Bring Any Benefit to Make G20's 'Green Economy Plan' a Reality?," *Accounting and Finance* 61, no. 3 (2021): 4257–85, <https://doi.org/10.1111/acfi.12732>.

<b>Inggris</b>	FCA + Green Bond Principles	IFI Standards	Irrelevant	Very strong (ESG SDR)
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From this comparison, it can be seen that Indonesia has strong conceptual capital based on maqāṣid al-shari'ah, but lags behind in building technical audit instruments and national verification methodologies based on sharia-environment. This condition emphasizes the urgency of the establishment of DASHN and the implementation of SNSGS to build Indonesia's competitive advantage in the global market of Islamic Green Finance.

### **Strengthening Sharia and Environmental Compliance through a Three-Layer Analysis Framework**

The results of the study show that the verification mechanism for Green Sukuk in Indonesia is still partial, because sharia audits and environmental audits operate separately without any methodological integration.<sup>25</sup> This condition creates a verification gap that has the potential to weaken accountability, considering that Green Sukuk philosophically, regulatively, and operationally is actually an instrument of dual compliance: sharia compliance and sustainability.<sup>26</sup> To answer this gap, this study developed a Green Sukuk Compliance Three-Tier Analysis Framework, which consists of legal, sharia, and environmental sustainability compliance layers. The three-layer analysis framework (Three Layers Compliance Framework) in this study is not only used as a conceptual tool, but is operationally applied to evaluate the effectiveness of sharia-based Green Sukuk verification and sustainability. The three layers of analysis (1) Legal Compliance, (2) Sharia Compliance, and (3) Environmental Sustainability Compliance are translated into evaluative indicators, measurable criteria, and analytical matrices that are a reference in the assessment of the legal structure and verification mechanism of Green Sukuk in Indonesia.

At the legal compliance layer, the analysis focused on the suitability of Green Sukuk with positive regulations, including SBSN Law No. 19/2008, POJK No. 18/2015, and Green Bond & Green Sukuk Framework 2022. Derivative indicators include: clarity of institutional authority, investor protection standards, public reporting mechanisms, and transparency in the use of proceeds. In the Sharia Compliance layer, the analysis not only assesses the fulfillment of DSN-MUI fatwa No.122/2018, but also tests the compatibility of the Green Sukuk structure with the principles of Maqashid al-Shariah. In the Environmental Sustainability Compliance layer, the analysis includes the conformity of Green Sukuk with global standards such as SDGs, Green Bond Principles, ISO 14064 (carbon measurement), and ESG indicators. The indicators include carbon emissions, ecological impact, green project governance, and social return on

<sup>25</sup> Mohammad Mahbubi Ali et al., "Green Sukuk: Leveraging Islamic Finance for Ecological Sustainability," in *Islamic Green Finance: Towards Ethical and Environmentally Responsible Investing*, ed. Edib Smolo and Muhammad Omer Rafique (Taylor and Francis, 2025), <https://doi.org/10.4324/9781003540403-13>.

<sup>26</sup> Khairunnisa Musari, "Towards the Perpetual Sustainable Sukuk Through Islamic Blended Finance: Lesson From Green Sukuk and Blue Sukuk in Indonesia," in *Practice, Progress, and Proficiency in Sustainability*, ed. Patricia Ordóñez De Pablos et al. (IGI Global, 2025), <https://doi.org/10.4018/979-8-3693-7893-9.ch015>.

investment (SROI). This study integrates the three layers of compliance into one operational system through SNSGS (National Standard for Sharia Verification of Green Sukuk). SNSGS functions as a national technical standard that transforms legal norms and fatwas into verification criteria and measurable audit indicators, especially in the context of dual compliance (sharia & sustainability). Using SNSGS, auditors and DASHN can evaluate whether the Green Sukuk project is correct

The functional structure of DASHN and SNSGS proposed in this study explains the interconnection between law, institutional, and operational mechanisms in strengthening green sukuk accountability. In the first layer, the legal framework (UU SBSN, POJK, and Fatwa DSN-MUI) forms a regulatory foundation that harmonizes sharia principles and environmental sustainability. In the second layer, DASHN functions as a national green sharia audit institution with a mandate to verify, provide dual-compliance opinions, and project certification. SNSGS serves as an operational standard that provides benchmarks, indicators, and sharia-environmental verification methodologies. In the third layer, the implementation mechanism involves issuers, auditors, investors, and external reviewers who carry out certification, impact assessment, and preparation of impact reporting. This model shows that the integration of DASHN and SNSGS is a strategic step to strengthen the transparency, accountability, and competitiveness of Indonesia's green sukuk at the global level. To operationalize these dimensions, this study produced an integrated evaluation matrix as shown below:

**Table 2. Three-Layer Analysis Framework**

Compliance Dimension	Benchmarks (indicators)	Verification Instruments
<b>Legal</b>	Issuance validity, asset type, transparency	SBSN LAW, POJK, financial statements
<b>Sharia</b>	Halal project, contract structure, maqasid	DSN-MUI Fatwa, Sharia Audit
<b>Milieu</b>	Environmental impact, energy efficiency, circular economy	SPO, ESG metrics, SNSGS

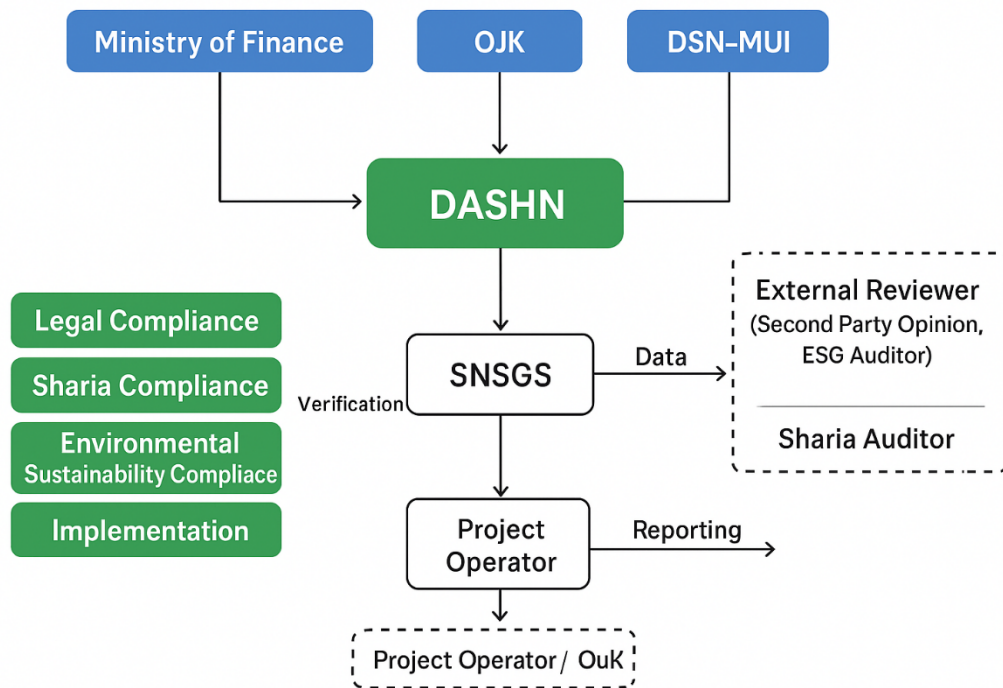
This matrix shows that the concept of Green Sukuk compliance is no longer limited to the administrative legality or validity of the contract, but must be measured based on ecological and social benefits (*al-maslahah al-bi'iyah* and *al-maslahah al-ijtima'iyah*). Thus, the sharia compliance model shifts from normative-formalistic to substantive-functional, namely ensuring real impacts on environmental sustainability and public benefits.

### **The Need for an Integrated Institutional Model: The Strategic Role of DASHN**

The results of the discussion found that the absence of a national audit body that is able to integrate sharia and environmental assessments is the main root of the fragmentation

of Green Sukuk verification in Indonesia.<sup>27</sup> Therefore, this study proposes the establishment of the National Green Sharia Audit Board (DASHN) as an integrated audit and coordination institution. Institutionally, the National Green Sharia Audit Council (DASHN) is proposed as a central institution that functions to bridge the sharia authority (DSN-MUI), the national financial regulator (OJK), and the fiscal authority (Ministry of Finance) in the process of verifying sharia compliance and environmental sustainability in Green Sukuk. DASHN not only acts as a sharia auditor, but also as an integrated verifier that ensures that sukuk structures, financing mechanisms, and project impacts are in accordance with maqashid al-sharia principles while meeting sustainability standards such as SDGs and Environmental, Social, and Governance (ESG). DASHN's strategic position is under the coordination of DSN-MUI and OJK, so that the entire audit and certification process carried out has sharia legitimacy and formal regulatory power. DSN-MUI remains the authority for establishing fatwas and normative sharia principles, but technical implementation, field audits, and compliance monitoring are carried out by DASHN to reduce the gap between normative sharia principles and technical practices in the field.

**Figure 1. DASHN's Institutional Position**



DASHN has three main functions. First, as an independent verification body, DASHN conducts sharia-environmental audits using SNSGS standards before Green Sukuk certification is issued. Second, as a coordinating institution, DASHN connects DSN-MUI fatwas, capital market regulations from the OJK, and project implementation from the Ministry of Finance

<sup>27</sup> Siti Saffa and Syed Marwan, “Green Sukuk: Issues, Challenges and the Way Forward,” in *Islamic Green Finance: A Research Companion* (Taylor and Francis, 2024), <https://doi.org/10.4324/9781032672946-23>.

and corporate issuers. Third, as an educational institution, DASHN is a training and technical literacy center related to the dual compliance mechanism based on maqasid and sustainability. With this central role, DASHN functions as an *institutional hub* that unites legal, sharia, and environmental functions in one credible, transparent, and globally recognized national audit mechanism.

### **Operationalization of SNSGS as the National Standard for Sharia Verification of Green Sukuk**

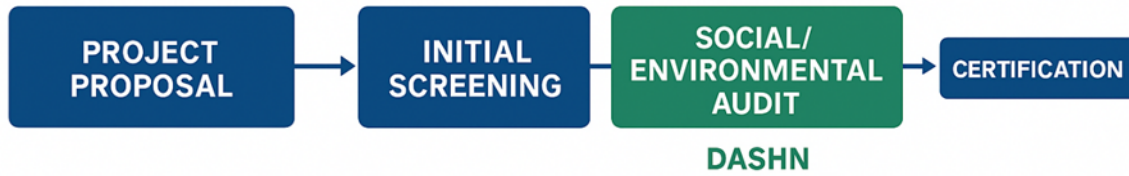
SNSGS (National Standard for Sharia Verification of Green Sukuk) was developed as a technical tool to support the implementation of dual compliance based on maqasid and sustainability. Not functioning as an institution, SNSGS is an operational standard used by DASHN, sharia auditors, and ESG auditors to conduct objective, numerical, and accountable evaluations.

The Green Sukuk verification process starts from the stage of submitting a project proposal by the issuing entity, which can be in the form of the Ministry of Finance (in the case of State Suku) or private corporations and state-owned enterprises (in the case of Corporate Sukuk). The proposal must contain legal documents, a financing structure (sharia contract), the type of project to be funded, and a projected environmental and social impact, including an environmental management plan and social benefits in accordance with sustainability principles. After the proposal is submitted, DASHN conducts an initial screening stage to ensure basic compliance with the principles of Legal Compliance (UU SBSN, POJK, capital market regulations), Sharia Compliance (Fatwa DSN-MUI No.122/2018, sharia contract), and Environmental Compliance (SDGs, Green Bond Principles, ESG). At this stage, projects that are not in accordance with basic sharia principles or do not fall into the category of green projects will be immediately rejected or asked for revision.

Proposals that pass the initial screening then enter the integrated environmental sharia audit stage, which is the core of the verification process. At this stage, DASHN acts as the main coordinator, working with the Sharia Auditor (Sharia Supervisory Board), ESG/Environmental Auditor, and External Reviewer (Second Party Opinion). They use SNSGS (National Standard for Sharia Verification of Green Sukuk) as a technical instrument to conduct quantitative and qualitative assessments.

SNSGS provides three evaluation measurement tools, namely: (1) Sustainable Impact Score (SIS) to assess environmental and social impacts measurably. (2) Shariah–Environmental Alignment Index (SEAI) to measure the alignment of sharia contracts with ecological and social benefits. (3) Islamic Integrity Sustainability Matrix (IIS Matrix) maqasid al-syariah (al-māl, al-nafs, al-bi'ah) and ESG assessment matrix simultaneously. The results of the calculation of the instrument are the basis for determining whether the project is worthy of Sharia-Environmental Certification. If the score meets the threshold of SNSGS standards, then DASHN issues a Sharia-Environmental Certificate, which is an official certificate that the project meets sharia compliance as well as environmental sustainability.

**Figure 2. Verification Mechanism**



The next stage is project implementation and post-funding monitoring. In this phase, DASHN and auditors conduct periodic monitoring, sustainability reporting, and post-financing evaluation, to ensure that Green Sukuk funds are truly used in accordance with the contract, no irregularities, and the environmental-social benefits are achieved. After monitoring, DASHN compiles an Investor Disclosure Report which contains information on sustainability impacts, maqasid achievements, and transparency in the use of funds. This report is submitted to investors, national regulators (OJK, Ministry of Finance), and global markets (ESG Market) as a form of international accountability and transparency.

**Institutional Comparative Analysis and Verification Standards: Indonesia's Position After the Implementation of DASHN and SNSGS**

If Indonesia implements DASHN and SNSGS as institutional models and national audit standards, its position in the global green sukuk ecosystem will experience a significant increase compared to Malaysia and the United Kingdom. Malaysia already has an *SRI Sukuk Framework* that integrates sharia and sustainability aspects,<sup>28</sup> but does not yet have a dedicated national verification body that runs integrated sharia-environmental audits. The UK is known for excelling in environmental audits and market transparency through *the Sustainable Disclosure Regulation (SDR)*,<sup>29</sup> but it lacks sharia and maqasid dimensions because its financial system is secular.

The DASHN and SNSGS models are Indonesia's strategic differentiators, because they are able to present an integrated, maqāsid-based, and nationally standardized sharia-environmental audit, while being in line with global standards such as ESG, GBP, and SDGs. Thus, Indonesia not only catches up, but has the potential to lead in the development of Islamic Sustainable Finance that is authentic, measurable, and sharia-compliant.

**Tabel 3. Perbandingan Indonesia (Dengan DASHN & SNSGS), Malaysia, dan Inggris**

Comparative Aspects	Indonesia (With DASHN & SNSGS)	Malaysia	Inggris

<sup>28</sup> Roslina Mohamad Shafi and Edib Smolo, “Roles of Islamic Capital Market in Developing Sustainable Bonds and Sukuk Framework in Malaysia,” in *Islamic Green Finance: Towards Ethical and Environmentally Responsible Investing*, ed. Edib Smolo and Muhammad Omer Rafique (Taylor and Francis, 2025), <https://doi.org/10.4324/9781003540403-18>.

<sup>29</sup> R. P. Bulyga et al., “A Model of ESG-Transparency Index in Corporate Reporting,” *Vestnik MGIMO-Universiteta* 16, no. 3 (2023): 56–80, <https://doi.org/10.24833/2071-8160-2023-3-90-56-80>.

<b>Legal Basis</b>	UU SBSN, POJK, Fatwa DSN-MUI, SNSGS	SC Guidelines, SRI Sukuk Framework, SCMR	FCA Regulation, SDR, Green Finance Strategy
<b>Verification Standards</b>	SNSGS: Sharia–Environmental Integrated Audit	SRI Sukuk Principles (partial integration)	SDR, ESG Metrics (non-sharia)
<b>National Audit Institutions</b>	DASHN (integrated audit body: syariah & sustainability)	DPS + ESG auditor (separated)	ESG auditor only
<b>Position of Maqasid al-Shariah</b>	Operasional, dikonversi menjadi tolok ukur SIS, SEAI, IIS	Normative, only as a justification for fatwa	Irrelevant
<b>Sharia-Environmental Impact Measurement</b>	Sharia–Environmental Alignment Index (SEAI), IIS, SIS	None (ESG only)	ESG metrics only
<b>Post-Financing Audit</b>	Mandatory monitoring & masalah impact reporting	Limited disclosure	Comprehensive yet secular
<b>The Potential to Become a Global Model</b>	High: the most complete and distinctive Shariah–ESG integration	medium	High (environmental), low (sharia)

The implementation of DASHN and SNSGS provides strategic advantages that neither Malaysia nor the UK have. Malaysia has indeed integrated the sharia framework with sustainability through the *SRI Sukuk Framework*, but the maqāṣid dimension is still normative and not translated into performative indicators and sharia sustainability measures. In addition, Malaysia does not yet have a dedicated national audit body that integrates sharia and the environment in a single authority. The audit system is still separate between DPS (sharia) and ESG auditors.

The UK has the best environmental audit system through *SDR*, *Green Taxonomy*, and *third-party disclosure*,<sup>30</sup> but it has no foundation in Islamic finance and does not apply maqāṣid or masalah principles. The UK model excels in transparency, ESG, and market-based verification,<sup>31</sup> but cannot be used for sharia instruments authentically.

This is where Indonesia's position becomes distinctive and potential. By operationalizing maqāṣid into technical matrices such as the Sharia–Environmental Alignment

<sup>30</sup> Kentaka Aruga et al., “Developing Novel Technique for Investigating Guidelines and Frameworks: A Text Mining Comparison between International and Japanese Green Bonds,” *Journal of Risk and Financial Management* 15, no. 9 (2022), <https://doi.org/10.3390/jrfm15090382>.

<sup>31</sup> Ahmed Saber Moussa et al., “Green Governance: How ESG Initiatives Drive Financial Performance in UK Firms?,” *Sustainability (Switzerland)* 16, no. 24 (2024), <https://doi.org/10.3390/su162410894>.

Index (SEAI), Sustainable Impact Score (SIS), and Islamic Sustainability Index (IIS), Indonesia can create the most comprehensive, measurable, and globally replicable sharia-based audit model. The establishment of DASHN as an integrated verification center further strengthens Indonesia's position as the main candidate for the Global Islamic Green Finance Hub.

### **Conceptual Implications: Towards Islamic Sustainable Finance**

The implementation of the DASHN and SNSGS models has layered conceptual and practical implications for the evolution of Green Sukuk instruments and Indonesia's position in the global Islamic financial ecosystem. In summary, these impacts can be grouped into four domains: (a) the transformation of the function of the instrument, (b) the reconstruction of the concept of sharia compliance, (c) the operationalization of maqāṣid as a technical indicator, and (d) the geopolitical-financial implications and replication of the model. Each domain has direct consequences on audit methodologies, institutional governance, and market mechanisms.

First, the transformation of the instrument's function: with DASHN and SNSGS, Green Sukuk is no longer just a tool for mobilizing funds that meet the requirements of the contract; it is a mechanism to achieve *ecological and social public goods*. This means that the assessment of sukuk success has shifted from just a financial indicator (coupon rate, absorption of funds) to an impact indicator (emission reduction, ecosystem maintenance, distribution of social benefits). This shift requires adapting evaluation metrics, such as adding a *Sustainable Impact Score (SIS)* that combines environmental measures and community welfare so that policymakers, investors, and auditors have concrete outcome benchmarks, not rhetorical claims.

Second, the reconstruction of sharia compliance: this model forces a shift from normative-formal compliance (whether the contract is in accordance with fatwa) to substantive compliance (whether the project realizes maqāṣid). The consequences are twofold: (1) fatwa authorities and sharia auditors must extend their competence to outcome assessments (socio-ecological impacts), and (2) sharia audit standards must adopt scientific verification methodologies (life-cycle assessment, baseline counterfactuals, measurable impacts). Epistemologically, this changes the position of sharia from a "legality verifier" to a "merit verifier", a change that increases moral legitimacy as well as technical risks if audit capacity is not prepared.

Third, the operationalization of maqāṣid as a technical indicator: integrating maqāṣid al-shariah into SNSGS is not just an ethical declaration, but can be realized through a matrix of quantitative indicators e.g. SEAI (Shariah–Environmental Alignment Index) which assesses the convergence between project outcomes and maqāṣid goals. The implementation of this kind of indicator requires interoperability between environmental data (emissions, energy use, water quality), social data (access to services, distribution of benefits), and sharia parameters (contract compliance, transparency of fund management). If successful, this makes maqāṣid measurable and minimizes symbolic claims that often obscure the integrity of the product.

Fourth, geopolitical-financial implications and model replication: if DASHN-SNSGS proves effective, Indonesia will gain a comparative advantage in offering sharia-authentic and environmentally credible Green Sukuk instruments. The impact: increased demand for global

investors looking for dual-compliant products, standard export opportunities (SNSGS) to countries with large Muslim communities, as well as increased bargaining power in international climate finance collaborations. However, there is a risk: international arbitration pressure on the harmonization of standards (a technical diplomacy strategy is needed for SNSGS to be compatible with global ESG without sacrificing maqāsid).

Operationally, the above implications can be broken down into real policy indicators and implementation steps ranging from strengthening audit capacity, developing impact databases, to designing fiscal incentives for projects that reach the SIS/SEAI threshold.

**Table 4. Summary of Implications, Operational Indicators, and Policy Recommendations**

<b>Conceptual Implications</b>	<b>Rationale (Alasan)</b>	<b>Operational Indicators (Examples)</b>	<b>Policy Recommendations</b>
Transformation of the instrument's function (from financial → impact)	Green Sukuk must prove ecological and social benefits, not just contract compliance	SIS (Sustainable Impact Score); % CO <sub>2</sub> reduction; Number of Social Beneficiaries	Integrate impact KPIs into sukuk issuance documents; Mandatory Impact Reporting Periodically
Reconstruction of sharia compliance (normative → substantive)	Sharia compliance must include the realization of maqāsid, not just the formality of the contract	SEAI (Shariah–Environmental Alignment Index); Maqāsid-Based Post-Implementation Audit	Need for sharia auditor training, DASHN certification for environmental-sharia auditors
Operationalization of maqāsid (technical indicators)	Maqāsid becomes the scientific basis for sharia sustainability evaluation	IIS (Islamic Sustainability Index), matriks Maqasid–ESG	Develop SNSGS standard operating procedures (SOPs) that map maqāsid to ESG metrics
Strengthening market legitimacy & standard diplomacy	Unique products attract global investors and offer standard soft power	The volume of green sukuk issuance resembles the benchmark; adoption of SNSGS by other countries	Promote SNSGS in international forums, bilateral technical agreements for harmonization
Capacity risk & harmonization	Changes in audit functions demand technical capacity and international conformity	Number of DASHN certified auditors; global SNSGS–ESG convergence rate	National capacity building programs; SNSGS–global taxonomy alignment mechanism

This analysis confirms that the conceptual implications of DASHN–SNSGS are not only normative but require technical, institutional, and cultural changes in operations. The success of the model depends on three simultaneous elements: (1) technical capacity (auditors, data, methodology), (2) institutional legitimacy (recognition of DSN-MUI, OJK, Ministry of Finance), and (3) international linkage (SNSGS's compatibility with global ESG standards). Without these three elements, there is a risk of ineffectiveness such as an increase in compliance burden without an increase in real impact that actually damages the credibility of sharia and the Green Sukuk market. On the contrary, when implemented with mature governance, DASHN–SNSGS has the potential to be a conceptual breakthrough that consolidates maqāṣid into a modern financial verification framework and places Indonesia as a pioneer of Islamic Sustainable Finance.

## **CONCLUSION**

This study concludes that Green Sukuk in Indonesia already has a strong legal foundation through the SBSN Law, POJK 18/2015, and DSN-MUI Fatwa No. 122/2018, but the framework has not been able to operationally integrate sharia compliance, environmental sustainability, and legal accountability in one integrated verification system. The implementation of verification is still fragmented between sharia auditors and environmental auditors, thus creating a verification gap and opening up the potential for greenwashing and weak investor accountability. Through a three-layer analysis framework (legal, sharia, and sustainability compliance), this study offers an ideal model in the form of the establishment of the National Green Sharia Audit Council (DASHN) and the preparation of the National Standard for Sharia Green Sukuk Verification (SNSGS) as an integrated audit standard based on maqāṣid and sustainability. This model is considered to be able to increase the integrity, transparency, and competitiveness of Indonesian Green Sukuk in the global market with dual compliance characteristics that are not only legal-formal, but also substantive-functional and measurable.

Although it offers significant conceptual and technical contributions, this study has limitations because it is still normative and based on document analysis without an empirical implementation test on a case study of one of the country's or corporation's Green Sukuk projects. In addition, the measurement of evaluative tools such as SIS, SEAI, and IIS is still a theoretical concept and has not been tested in audit practice. Therefore, further research is recommended to conduct empirical testing of the DASHN–SNSGS model through a pilot project, the development of quantitative data-based measurement instruments, and an analysis of the impact of implementation on global investor interest and project sustainability performance. Future research also needs to explore the integration of SNSGS with international ESG standards and global taxonomy so that this model is not only nationally feasible but can be replicated and recognized internationally.

## CREDIT AUTHOR STATEMENT

**Nisa Afifah:** Conceptualization, Methodology, Writing . **Gicella Sonbay:** Data curation, Writing- Original draft preparation. **Defrianus Nong Deris:** Visualization, Investigation. **Bimaryudho Dhimas Kurnia Armadha:** Supervision. **Mujiburrohman:** Editing, Validation. **Muhamad Abdul Kholik:** Writing- Reviewing and Editing,

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