

## RETAIL GREEN SUKUK IN INDONESIA: TOWARD A MAQASHID APPROACH

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**ABSTRACT** - Recent global trends include an increase in demand for sustainable development goals (SDGs) and green sukuk programs. The initiative has gained prominence due to the severe effects of climate change, global warming, and other environmental issues. With its green bond and green sukuk framework, Indonesia has endeavored to mitigate this effect. In response, the Indonesian government has issued Sukuk Tabungan (ST), which is designed to finance green projects. This article will examine the structure and performance of the Sukuk *al-Wakalah* contract, as well as the *Maqashid* method used to determine the *mashlahah* and priority level of Sukuk Tabungan, using the library research method and descriptive analysis. The study's findings indicate that Sukuk Tabungan could contribute to the achievement of the Sustainable Development Goals (SDGs) because it is designed in accordance with *maqashid*, which avoids Sharia-compliant practices in order to perform *mashlahah*. Even though it has a lower coupon rate and is of a smaller size than Sukuk Ritel, it has a high likelihood of being issued because its proceeds will be used exclusively to finance green projects in order to accelerate the Sustainable Development Goals. In addition, the objective of sukuk *al Wakalah* issuance appears to fall within the imperative level or *dharuriyat* of the *Maqashid* framework due to its five targeted projects, in accordance with the Islamic legal maxims "harm is to be eliminated" and "avoidance of harm takes precedence over the attainment of benefit," which should be the primary reason for the issuance of this Sukuk.

**Keywords:** Sukuk Tabungan, Sukuk *al wakalah*, *Maqashid*, Green economy

**ABSTRAK** – *Sukuk Hijau Ritel di Indonesia: Sebuah Tinjauan Maqashid.* Kebutuhan akan keberlangsungan tujuan pembangunan berkelanjutan (SDGs) dan sukuk hijau kian menjadi tren dunia belakangan ini. Inisiasi tersebut muncul ke permukaan sebagai respon terhadap dampak buruk perubahan iklim, pemanasan global dan isu lingkungan lainnya. Indonesia dengan kerangka program obligasi dan sukuk hijau (green bond dan green sukuk) mencoba mengatasi dampak buruk akibat isu tersebut. Sebagai tindak lanjut, Pemerintah Indonesia meluncurkan green sukuk, atau Sukuk Tabungan (ST) yang ditujukan untuk membiayai proyek hijau (green project). Dengan menggunakan studi literatur kepustakaan sebagai metode secara deskriptif analisis, artikel ini berupaya mendiskusikan lebih jauh struktur dan performa dari sukuk *al wakalah*, serta pendekatan *Maqashid* yang digunakan untuk menentukan kemaslahatan dan tingkat prioritas dari pembiayaan Sukuk Tabungan. Temuan penelitian menyimpulkan bahwa, Sukuk Tabungan harus menghindari dari praktik yang tidak sesuai dengan prinsip Syariah. Meskipun memiliki kupon yang lebih kecil dan jumlah yang lebih sedikit dari Sukuk Ritel, Sukuk Tabungan punya potensi yang besar untuk dikembangkan karena dana sukuk tersebut ditujukan secara khusus untuk membiayai proyek hijau demi mempercepat SDGs. Tujuan peluncuran sukuk *al wakalah* dapat disimpulkan terdapat pada level yang sangat penting atau *dharuriyat*, berdasarkan kerangka *Maqashid*, dikarenakan tujuan pembiayaannya pada lima target area, sejalan dengan kaedah fiqh yaitu "kemudharatan harus dihilangkan" dan "mencegah kemudharatan lebih utama ketimbang mencapai kemaslahatan".

**Kata Kunci:** Sukuk Tabungan, Sukuk *al wakalah*, *Maqashid*, Ekonomi Hijau

## INTRODUCTION

The demand for sukuk is steadily increasing year after year, with a market share of approximately 24.2 percent of total Islamic financial services asset by 2018 (IFSB, 2018). The current global issuance of sukuk market amounted to \$123.15 billion in 2018, a modest increase of approximately 5% over the previous year, which generated only \$116.7 billion. However, the increase in volume was primarily due to sovereign sukuk issuances from Asia, the Gulf Cooperation Council, Africa, and other jurisdictions. Malaysia, on the other hand, continues to dominate the sukuk market share, followed by Indonesia, Saudi Arabia, the United Arab Emirates, and Turkey (IIFM, 2019).

Recently, Indonesia has made a strong commitment to preventing the impact of climate change through various commitments to embrace climate change adaptation and mitigation priorities through its green bond and green sukuk framework. This is similar to the growing trend of green sukuk and sustainable development around the world. Massive investments in green projects are being made in response to climate change, global warming, and other environmental concerns. According to Mat Rahim and Mohamad (2018), the Islamic Development Bank (IDB) expressed concern about issuing green sukuk among its member countries during the United Nations Global Warming Conference (COP 21) in Paris. Recently, the IDB has funded a \$180 million clean energy pilot project, and in 2018, it announced its intention to double the renewable energy fund from \$80 billion to \$150 billion from 2016 to 2030. The project's impact can be seen in the reduction of carbon dioxide (CO<sub>2</sub>) emissions.

Through the green regulation established by the Indonesia Financial Services Authority (OJK) and the framework developed by Kemenkeu (2018), there are projects that are likely to be financed or refinanced via green sukuk and must meet the following criteria. They must include renewable energy, energy efficiency, resilience to climate change for highly vulnerable regions and sectors/disaster risk reduction, sustainable transport, waste to energy and waste management, sustainable management of natural resources, green tourism, green building, and sustainable agriculture.

A prominent Muslim scholar, Umer Chapra, has proposed the theory of development. As evidenced by his work, he emphasized that the concept of development must adhere to *Maqahasisid* Shariah in order to achieve development with the goal of fostering prosperity in the world and afterlife



(Chapra, 2007). In accordance with the spirit of *Maqashid* Shariah, the sustainable development of the green economy would not only bring benefits to human beings, but would also have a greater impact on every living thing on earth. *Maqashid* are also concerned with preserving the environment and are obligated to leave a better legacy for the next generation or the successor to civilization. By adopting *Maqashid* as a framework for determining economic development, it would be simple to measure *maslahah* and *mafsadah* in addition to comprehending the various levels of *Maqashid*, either priorities or categories.

Turning from this point, the main objectives of this paper are:

1. To theoretically assess and evaluate Sukuk Tabungan or green sukuk based on its structure and performance to finance green projects in Indonesia.
2. To discuss its *maslahah* and level of priorities by using *Maqashid* framework.

This article aims to provide a more comprehensive discussion of green sukuk by analyzing it using the *maqashid* framework, with Sukuk Tabungan serving as a case study. Considering that *maqashid* could be used as the criterion for determining whether something is harmful and must be eradicated or beneficial and must be achieved, the significance of this study has increased recently. Recent years have seen an increase in the number of academics focusing on the study of *maqashid*, as it is believed to be the way out of economic programs that are incompatible with achieving *mashlahah* and avoiding harm. This article will contribute to a broad discussion on how to develop Sukuk Tabungan based on Indonesia's experience with *maqashid* sharia and its efforts as a response to climate change, global warming, and other environmental issues. As a literature review, the second section will cover previous studies on sovereign sukuk in Indonesia. The third section of this paper describes the methodology employed. In the meantime, the fourth section will provide the paper's discussion, which is the primary section of this research. And the final section will conclude with a conclusion and recommendation.

## LITERATURE REVIEW

Sukmana (2020) has done an in-depth evaluation of Indonesia retail sukuk (*sukuk ritel*). The focus of the discussion is on the performance of *sukuk ritel*, beginning with its objectives and moving on to issuances, sales, structure,



benefits, and possibilities, as well as problems. Competitive rates, the possibility to be purchased by anyone, and risk-free funding are some of the unique qualities of *Sukuk ritel*, according to the report. Furthermore, the primary success elements are owing to Indonesia's economic growth and vast population.

Meanwhile Siswanto (2018) through his research has examined the performance of green sukuk's price after the issuance date. The concern raised due to during the offering period, most green sukuk was oversubscribed, which may implicate after the issuance. The study concludes that since it was oversubscribed during offering period, it does not necessarily correlate to the performance after issuance period of green sukuk. Interestingly, the climate change issues may be ignored by investors as they exclusively seek based on profit motive.

On the other hand, Santoso (2020) investigates role of green sukuk as a mean for sustainable economic development in Indonesia to improve the mitigation of climate change. The author argues that several renewable energy sectors are likely to be financed by sukuk proceeds to support SDGs such as energy efficiency, green buildings, sustainable transportation and so forth. Farhand et al., (2020) also analyzes the implications of sukuk with the *Wakalah* structure in financing the waste industry center. The paper intends to create a financing model for procurement of waste processing technology through the sukuk *al wakalah*. The authors reveal that SSBN *wakalah* can improve the effectiveness and efficiency of the waste processing industry, not only in terms of the economy, but also in terms of the environment and social aspects.

### **The Development of Sukuk in Indonesia**

Indonesian Government has been issued several types of sukuk which vary from Islamic Fixed Rate (IFR), Retail Sukuk (SR or sukri), Hajj Fund Sukuk (SDHI), Islamic T-Bills (SPN-S), Project Based Sukuk (PBS) and Global Sukuk (SNI). *Sukuk ritel* (sukri), Sukuk Waqf or Cash Waqf Linked Sukuk (CWLS) and Sukuk Tabungan negara (ST) are among the sukuk which are available for retail investor. *Sukuk ritel* is one of the Sharia compliance investment instruments offered by the government of Indonesia for its citizen to support the national development. The overall aspects were assessed by National Sharia Board (DSN-MUI) and declared as Sharia compliance. The tenure for *Sukuk ritel* is three years with minimum amount start from IDR 1



million with fixed rate coupon. Besides, Indonesian Government has another type of sukuk, namely Cash Waqf Linked Sukuk *ritel* (CWLS *ritel*). The profit generated from this investment will be generated to *mutawalli* or trustee in supporting social programs as well as community economic empowerment, such as scholarship for underprivileged, building mosque (*masjid*), and provision of capital.

Similarly, Sukuk Tabungan (ST) is another Sharia compliance instrument whereas the major characteristic of recent Sukuk Tabungan (ST) is its focus on the green based development. By this instrument, Indonesian Government aims to support five targeted sectors, namely clean and affordable energy; decent work and economic development for local citizens; industry, innovation and infrastructure; smart city and sustainable community; and climate action. With initiation of issuing green sukuk, the Government of Indonesia attempts to mitigate the severe impact of climate change (Kemenkeu, 2020).

For the latest issuance of Sukuk Tabungan, ST007, Indonesian Government estimated the total amount raised is up to IDR 2 billion, but right before the end of offering period it exceeds at around IDR 5.2 billion and might be larger when the official data announced (Dirgantara, 2020). In addition, the potential of sukuk seems bright and substantial in the future due to prevailing interest rate around the world relatively low whereas sukuk offers greater revenue.

## Sukuk

It derives from Arabic word which mean to strike, and this represents proportional undivided ownership interest in asset. Sukuk are certificates of equal value used as a common share and right in tangible asset, usufruct and service or (in the ownership of) asset in a particular project or special investment activity. It is not a new instrument invented by modern scholars, but a remodeling of instruments by Muslim scholar during eighteenth century. According to AAOIFI (2017) there are several types of sukuk including sukuk of ownership of leased asset, ownership of usufruct, ownership of services, *Murabahah*, *Salam*, *Istisna*, *Mudharabah*, *Musharakah*, investmen agency and sharecropping (*Muzara'ah*) irrigation (*Musaqat*) and agricultural partnership (*Mugharasah*). Following AAOIFI, Indonesia National Sharia Board DSN-MUI (2020) recently has issued a resolution regarding sukuk. The area types of sukuk which stipulated must encompass vary, from *Mudharabah*, *Ijarah*,



*Wakalah, Musharakah, Murabahah, Salam, Istisna* and/or other kinds that are appropriate and not against Sharia principles.

In recent year, sukuk considered as one of the leading financial instruments in Islamic finance industry which have the second largest market share after Islamic banking. International sukuk issuance stood at USD 32.98 billion in 2018 which rapidly increased since 2008 that only had a total issuance at USD 2.21 billion. This mainly comprises sovereign sukuk, quasi-sovereign sukuk, corporate sukuk and financial institution sukuk. For domestic issuance, the amount increased quadrupled from USD 22.12 billion to USD 90.16 billion during 2008-2018 period. Indonesia contribute to this sector at around 6.60% of total value worth USD 16.60 billion whereas Malaysia led the sukuk issuance as the lager contributor with market share around 25.32% and amounted up to USD 63.65 billion (IIFM, 2019).

Until 2015, sukuk issuance was dominated by Malaysia with 64% of sukuk outstanding denominated in the Malaysian Ringgit (MYR). Then US dollar (USD) currency contributed as the second largest issuance of sukuk at 18%, followed by Saudi Riyal (SAR) at 5%, Indonesian Rupiah (IDR) at 3%, Qatari Riyal (QAR) at 3%, Singapore Dollar (SGD) at 2%, Bahraini Dinar (BHD), Emirati Dirham (AED), and Pakistan Rupee (PKR) that have the same proportion around 1%, and other currencies approximately 3%. Sukuk has some differences compare to that of bond as it should be Sharia compliance and must fulfill the basic requirement of all Islamic finance product and transaction which is free from *riba*, *gharar* (uncertainty), *risywah*, *maysir* (speculative) and *jahl* (Bacha & Mirakhor, 2018).

### **Wakalah Sukuk**

Based on IIFM (2019) report, in international sukuk market since 2015, the structure that is the most widely used by sukuk issuer is sukuk *al wakalah*. It reports that sukuk *al wakalah* made up around 50.77% share among sukuk issuance during 2010-2016 period, followed by sukuk *al Ijarah* that has share worth 30.86%, hybrid sukuk at around 6.12%, sukuk *al Murabahah* about 5.61%, sukuk *al Mudharabah* worth 3.42%, sukuk *al Musharakah* 2.20% and finally Islamic exchangeable sukuk which contribute around 1.02% among others.

*Al Wakalah* is an agreement between sukuk holder and the *wakil* (agent) where the *wakil* will act on behalf of the sukuk holder. This concept therefore



resembles to an agency agreement (Razak et al., 2019). Similarly, Sukuk *al wakalah* also involves the issuance of certificate. In this contract, the proceeds from sukuk issuance will be utilized to purchase Sharia compliance assets, or it might be invested in Sharia compliance businesses and projects. The *wakil* or agent manages the funds to generate profit from the investment or asset purchased in earlier stage. However, the proceeds from *wakalah* contract cannot be guaranteed and the *wakil* is eligible to accept the agency incentive from the amount excess of the agreed upon profit (Ali, 2019).

### **Green Sukuk or Green Bond**

The green bond firstly launched in June 2007 by European Investment Bank. In the following year, World Bank-International Bank issued the second green bond for the development and reconstruction (IBRD). This kind of bond gained its high demand since the investors not only seek for personal profit from this mechanism, but also due to its virtue, that support green activities as well as balance the ecosystem and preserve the environment (Siswantoro, 2018).

Apart from this, green sukuk launched a decade later after the issuance of green bond. It was initiated by Tadau Energy Sdn. Bhd. (Tadau Energy) amounted up to 250 million denominated in the Malaysian Ringgit (MYR) where the proceeds is directed to finance a large-scale solar photovoltaic power plant. This development has created the new debut for the capital market instrument as *green sukuk* combining green finance and Islamic finance (World Bank, 2020). However, the initiative has started since 2014 when the government of Malaysia, through Securities Commission (SC) set up Socially Responsible Investment (SRI) sukuk framework in August. This SRI sukuk framework aims primarily to facilitate the SRI financing, and the framework highlights the utilization of proceeds, eligible projects, disclosure of requirements, the appointment of independent parties and reporting requirements. Ultimately, the SRI framework is a platform to accelerate Malaysia's value proposition to be the Islamic finance and sustainable investment hub (J. Keshminder et al., 2019).

The issuance of green bond by 2019 globally accounted for USD271 billion that has increased from previous year at USD182 billion whereas for green sukuk, including domestic currency sukuk, reached USD6.1 billion by 2020. Green sukuk issuance has grown around USD2.6 billion from 2019 which stood at USD3.5 billion. The global bond was predominantly driven by European market which had proportion around 45% of global issuance. This was followed



by Asia-Pacific and North American markets around 25% and 23% respectively (Ibrahim, 2018). The total of 51 jurisdictions had green bond issuance where 8 of these jurisdictions were freshly new. For sukuk market, twelve of unique issuers are located in Indonesia, Malaysia, the United Arab Emirates, and one multilateral development bank had already deployed green sukuk to raise fund approximately USD6.1 billion in four different currencies, namely EUR, IDR, MYR, and USD by July 2020 (World Bank, 2020).

However, green sukuk market is relatively new and required support from all related parties to enhance that market. Some identified challenges which green sukuk have to deal with are shoddy green taxonomy, time-consuming and higher cost, higher risk profile, issues in identification the green asset and less compelling benefit (J. S. Keshminder et al., 2022). Rahman et al., (2020) reveal similar finding that major challenges for the development of SRI sukuk are investment risk, lack of performance of measurement standard, higher transaction cost, risk of return, shortage of sufficient sukuk, investors' confidence and lack of awareness.

### **Maqashid Sharia**

*Maqashid* is the plural form of the word *maqshad* in Arabic which means purpose, objective or principle. As a whole, it is the goal or principle in law or Sharia. *Maqashid* Sharia is defined as an alternative to create a condition of *mashlahah* (common good). *Maslahah* has many definitions but has more or less the same understanding of the goodness, which is the goal of Sharia (Kamali, 2008).

In very simply, *Maqashid* could be understood as a comprehensive concept that explicates the ideals or purposes of sharia related to human life. On the other word, *Maqashid al-Shari'ah* could be considered as the grand framework that provides guidelines and directions that ensure the realization of *mashlahah* (benefit) and the prevention of *mafsadah* (harm) in human life (Ibrahim et al., 2021).

Ahmad & Mobin, (2015) emphasize the main objective of Sharia lies in the principles of removing agony, hardship and difficulties of society. This in line with qur'anic verses that Allah does not want to impose any hardship on his servant. The *ayat* says "Allah does not want to impose any hardship on you, but wants to make you pure, and to bestow upon you the full measure of His blessings, so that you might have cause to be grateful" (5:6). Another *ayat* says,





“Allah does not require of any soul more than what it can afford” (2:286) which means Allah will not impose any hardship to his servant beyond his capability.

Al-Syatibhi (d. 790 AH/ 1388 AD) formulated the *Maqashid Shariah* into five cores in order to gain the *mashlahah* which known as *daruriyat* (the essentials), namely; *Hifdzun ad-din* (maintaining religion), *Hifdzun an-nafs* (keeping the soul), *Hifdzun Aql* (keeping the mind), *hifdzun Nasl* (maintaining the descendants) and *Hifdzun maal* (Safeguarding Property) (Al Raysuni, 2013). Furthermore, Auda (2008) explores the above concept from Al-Syatibi. He explains a) *Hifz al-din* the *Maqashid* theory as maintaining, protecting and respecting freedom of religion and belief, b) *hifz al-nasl* as protection of family and family institutions, c) *Hifz al-'aql* as multiplying scientific thinking and research patterns, d) *hifz al-nafs* is interpreted by maintaining human dignity and human rights, and the last *hifz al-mal* is defined by prioritizing social concerns, development and social welfare (Kamri, Ramlan, & Ibrahim, 2014).

## METHODOLOGY

This study employs a qualitative approach based on library research and descriptive analysis. According to Sugiyono (2007), qualitative methods are research conducted to discover, investigate, explain, and describe the quality or unusual characteristic of social influence that cannot be explained, measured, or illustrated using a quantitative approach. In addition, the methodology included a systematic review of retail sukuk and Sukuk Tabungan. To be effective, it is necessary to consider both published and unpublished research. In this study, an exploratory study was conducted using secondary resources. The data was gathered from books, research papers, conference papers, academic studies, case studies, press releases, and articles accessible in numerous public and private libraries and research e-databases. Frequently used electronic databases include EBSCOhost, Emerald Journals, and Wiley Online Journals. Various official documents published by the Indonesian Ministry of Finance also served as the primary source for this research. The study attempts to investigate previous research on sovereign green sukuk and fill in the gaps in the available literature. This study focuses on the structure and performance of green sukuk and employs the *Maqashid* framework to determine its *maslahah* and priority levels. The fatwa of the Indonesian National Sharia Board (DSN-MUI) is also required to justify the sharia compliance of green sukuk issuance.



## RESULT AND DISCUSSION

### Structure of Sukuk Tabungan Contract

In general, sukuk, which is the instrument for raising long-term funds has several key players. Among those are the originator or *mudharib*, where in Sukuk Tabungan it is the Government of Indonesia who take this place. The regulator is the next key player in the sukuk market followed by credit enhancer (Government or third party), trustee (to manage and administer SPV), manufacturer (of asset which is the object of financing), rating agency (to rate and monitor the sukuk), Investment Bank (for structure, sukuk, compliance, prospectus and to bring to the market), Sharia Advisor (at the investment bank and regulator level), and finally sukuk investors (Bacha & Mirakhor, 2018).

Special purpose vehicle (SPV) is *Perusahaan Penerbit SBSN*, a special legal entity established by Indonesian government to issue Sharia compliance sukuk. This regime refers to government regulation No.73/2012 as a new regulation from the previous law No.56/2018 on the special legal entity issuing national Sharia securities. Underlying asset of Sukuk Tabungan is land or building of national treasury, and it cannot be claimed, neither individually nor collectively, by sukuk holder. For the sukuk transaction purpose, it divided into several units with value IDR 1 million which is equivalent with share per unit of sukuk.

*Wakalah*, which is the underlying contract in this type of sukuk has specific flow. In the first place, SPV has to declare the acceptance as an agent (*wakalah* undertaking) of sukuk holder to receive and manage the fund in order to purchase the underlying asset of Sukuk Tabungan either national tangible asset or project. At the same time, government will be act as a *wakil* for supplying the asset with specific value and type. Then, *bai'* transaction will take place at the next stage in providing the procurement of goods to be used for *Ijarah* object. Subsequently, SPV and Indonesian Government will enter into setting up project undertaking to buy the project from government which resulting in the right of government to set up the project used for providing *Ijarah* object.

Then, government and SPV sign the *Ijarah* contract with clause a) *ujrah* derived from national tangible asset will be directed to sukuk holder as coupon, and b) *ujrah* based on project regarded as fee of maintenance *Ijarah* asset services (*wakalah* on *Ijarah* asset maintenance). Subsequently, the purchase undertaking of asset will be conducted where the SPV only sell the asset to



Indonesian government, either at the early redemption or at the end of *Ijarah* contract with agreed price between parties. The structure of *wakalah* contract in sukuk tabungan is shown in figure 1.

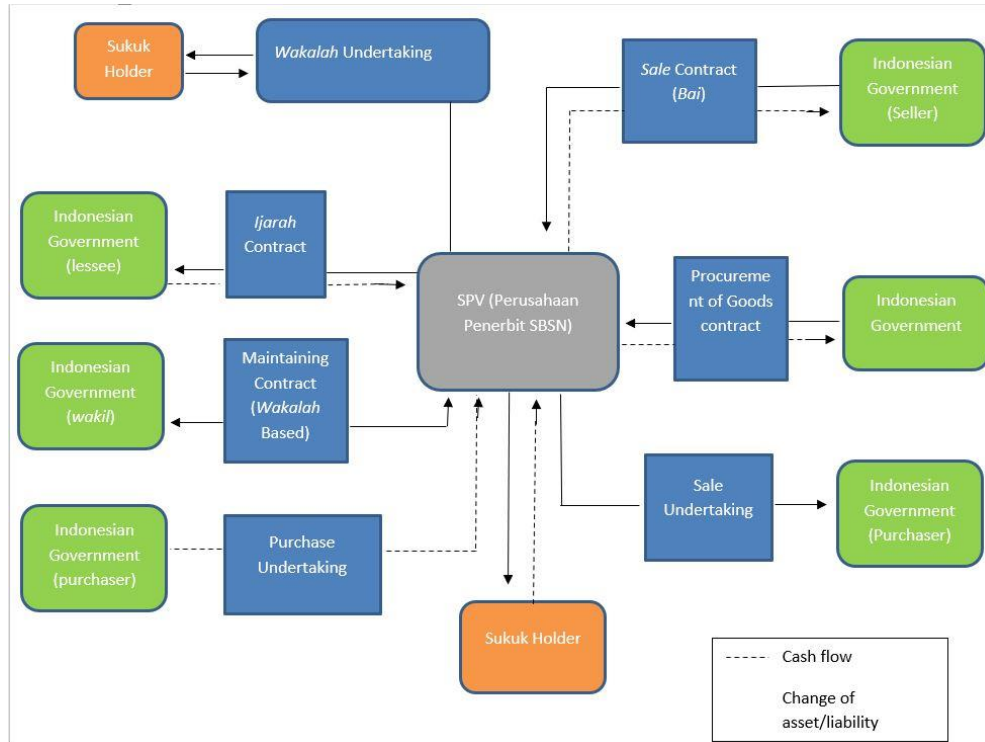


Figure 1. *Wakalah* structure of *Sukuk Tabungan*  
(Source: Ministry of Finance, 2020)

Ali (2019) explains that according to AAOIFI, the purchase price of *wakalah* assets cannot be a pre-agreed-upon fixed amount, but should instead be based on the asset's market value at the time the originator exercises its right under the purchase undertaking. If the originator is required to purchase a *wakalah* asset for a fixed price, the sukuk holder will be exempt from any risk associated with the *wakalah* asset and will be guaranteed a profit. The customs regime on such restrictions requires the originator to serve as a guarantor for the outstanding sukuk amount. The guarantor is obligated to cover any losses between the proceeds from the *wakalah* asset and the amount due to the sukuk holder, whether they occur during the liquidation of the *wakalah* asset or during periodic payments. Bacha & Mirakhori (2018) concur with AAOIFI that the purchase price of asset-backed-sukuk may be determined by the prevailing market price or an exercise deemed in-the-money. The holders of the sukuk reserve the right to sell the underlying asset to a third party if the issuer is unable

to repurchase it at maturity. However, the purchase price of asset-based sukuk may be subject to redemption or outstanding value.

In repurchase asset after the maturity of contract, the issue might raise whether the price of asset is based on predetermined price or at market price. Razak et al., (2019) assert that at the end of rental, the SPV and obligor will carry out their option under purchase undertaking to require the obligor to purchase based on the exercise price equal to the dissolution amount payable to the sukuk holder.

### **Sukuk Tabungan Performance**

Indonesian government has issued up to 7 series of Sukuk Tabungan (ST001 to ST007). This sukuk has different character compared to *Sukuk ritel* where the differences lay on the structure, tenure, tradability, and coupon rate. The former uses *wakalah* as the sukuk contract with 2 years tenure, non-tradeable and floating with floor coupon rate. Besides, for *Sukuk ritel*, *ijarah* is applied as the initial contract of this sukuk with mostly 3 years tenure, fixed coupon rate, and it can be traded at secondary market among domestic investors. Since the sixth issuance, Government of Indonesia has declared that Sukuk Tabungan will be directed to finance green project and simultaneously put this sukuk within green sukuk category. The proceeds generated from ST006 onwards exclusively directed to finance or re-finance green project development according to UNDP. This is intended to contribute to mitigation and adaptation of severe impact of climate change, and preserving biodiversity (Kemenkeu, 2018).

Besides, two global sovereigns green sukuk has already issued by Indonesian Government which firstly launched at 2018 amounted up to \$1.25 billion and \$750 million for the second issuance with tenure 5 years. This sukuk offered 3.75% and 3.90% coupon rate respectively and placed Indonesia as the first issuer of green sukuk in the world (Indonesian Ministry of Finance, 2018). Indonesia sovereign green sukuk was the first green sukuk to be launched among sovereign sukuk. It continues to show its leadership in the public sector including the first retail green sukuk.

In its following issuance, retail sovereign green sukuk, Sukuk Tabungan 006 and Sukuk Tabungan 007, was also have gained huge attention due to their nature that is “green” and used to support accelerating sustainable development goals (SDGs). The underlying contract used on such sukuk is *wakalah* based with tenure 2 years. The price for a unit is equivalent to IDR 1 million as



minimum unit per purchase whether the maximum amount is at IDR 3 billion or 3,000 unit. In ST006, sukuk holders will receive coupon based on floating with floor at 6.75%. Similarly, the coupon for ST007 is also based on floating with floor at 5.50 % and will follow the Indonesian central bank rate. This derived from prevailing rate at 4.00% plus fixed spread at 150 bps (1.50%) (Kemenkeu, 2020). The profit is to be distributed per month for 2 years with early redemption facility where only 50% per total investment could be withdrawal prior to maturity.

In general, Sukuk Tabungan offer smaller coupon rate and have lesser sales compared to that of *Sukuk ritel* which had slightly higher rate and greater sales. The size of sukuk also, in addition, differ considerably between these 2 types of sukuk. Majority of Sukuk Tabungan sales is below 5 trillion except for ST007 that able to generate more than 5 trillion. Adversely, most of *Sukuk ritel* sales are above 10 trillion which indicates that *Sukuk ritel* has attracted more investor than Sukuk Tabungan.

Tabel.1 shows the comparison between Sukuk Tabungan and *Sukuk ritel* from the first issuance of its products. According to Sukmana (2020), there are four objectives of sovereign retail sukuk issuance. Firstly, it aims to create portfolio diversification for financing instruments in order to support the national budget deficit. The second objective is to increase in size the domestic investor base. Thirdly is to boost the Islamic finance development in Indonesia and, finally is to strengthen the Indonesian capital market by transforming the society from a savings-oriented one into an investment-oriented one.

Table 1. Official Report on Result of Sukuk Sales, Various Issues

		Sales (trillion)	Coupon Rate	Tenor	Structure	Tradi bility	guar antee
<b>Sukuk Tabungan</b>	ST001	IDR 2.58	6.19% (fixed rate)	2 Years	<i>Wakalah</i>	No	Yes
	ST002	IDR 4.94	8.30% (floating with floor)	2 Years	<i>Wakalah</i>	No	Yes
	ST003	IDR 3.1	8.15% (floating with floor)	2 Years	<i>Wakalah</i>	No	Yes
	ST004	IDR 2.63	7.95% (floating with floor)	2 Years	<i>Wakalah</i>	No	Yes
	ST005	IDR 1.96	7.40% (floating with floor)	2 Years	<i>Wakalah</i>	No	Yes
	ST006	IDR 1.46	6.75% (floating with floor)	2 Years	<i>Wakalah</i>	No	Yes
	ST007	IDR 5.4	5.50% (floating with floor)	2 Years	<i>Wakalah</i>	No	Yes



<b>Sukuk ritel</b>	SR001	IDR 5.56	12.00% (fixed rate)	3 Years	Ijara Sale and Lease Back	Yes	Yes
	SR002	IDR 8.03	8.70% (fixed rate)	3 Years	Ijara Sale and Lease Back	Yes	Yes
	SR003	IDR 7.34	8.15% (fixed rate)	3 Years	Ijara Sale and Lease Back	Yes	Yes
	SR004	IDR 13.6	6.25% (fixed rate)	3.5 Years	Ijara Asset to be Leased	Yes	Yes
	SR005	IDR 14.96	6.00% (fixed rate)	3 Years	Ijara Asset to be Leased	Yes	Yes
	SR006	IDR 19.32	8.75% (fixed rate)	3 Years	Ijara Asset to be Leased	Yes	Yes
	SR007	IDR 21.96	8.25% (fixed rate)	3 Years	Ijara Asset to be Leased	Yes	Yes
	SR008	IDR 31.5	8.30% (fixed rate)	3 Years	Ijara Asset to be Leased	Yes	Yes
	SR009	IDR 14.3	6.90% (fixed rate)	3 Years	Ijara Asset to be Leased	Yes	Yes
	SR010	IDR 8.4	5.90% (fixed rate)	3 Years	Ijara Asset to be Leased	Yes	Yes
	SR011	IDR 21.1	8.05% (fixed rate)	3 Years	Ijara Asset to be Leased	Yes	Yes
	SR012	IDR 12.1	6.30% (fixed rate)	3 Years	Ijara Asset to be Leased	Yes	Yes
	SR013	IDR 25.67	6.05% (fixed rate)	3 Years	Ijara Asset to be Leased	Yes	Yes
	SR014	IDR 16.7	5.47% (fixed rate)	3 Years	Ijara Asset to be Leased	Yes	Yes

(Source: Ministry of Finance, 2020)

In the initial period issuance of retail green sukuk, government of Indonesia raised up to IDR 1.46 trillion (USD 104.4 million) where most purchaser of this sukuk is led by millennials that have share around 51.07%, followed by baby boomer and Gen X at 48.66%, and the remaining 0.27% of share contributed by Gen Z. However, for the next issuance of retail sovereign green sukuk, the size increases almost fourfold at IDR 5.4 trillion (USD 385.7 million) and was dominated by baby boomer and Gen X (52.61%), then millennials (44.51%) and Gen Z (0.34%). This increased could be due to the awareness of domestic investor to put their fund into green sector as sukuk is a sharia compliance instrument for investing, provides greater impact to the society wellbeing, and at the same time generates competitive profit. Yesuf & Aassouli (2020) have shown that embedding ESG into Islamic investment funds do not adversely affect the returns. In addition, according to the test conducted by Roslen et al., (2021) the median yield for green sukuk performs better and yields significantly higher for long term investment than those for non-green sukuk. The distribution of investors based on age group shown in Table.2.



Table 2. Green Sukuk Report

<i>Distribution of Investors by Age Group</i>	Millennials	Baby Boomer & Gen X	Gen Z
ST006	51.07%	48.66%	0.27%
ST007	44.51%	52.61%	0.34%

(Source: Ministry of Finance 2021)

### Maqashid Sharia Approach

When discussing *Maqashid* Sharia, it is undeniable to get away from Islamic legal maxim (*qawaidh al fiqhiyah*). Legal Maxim is the fundamental principle for attainment of *Maqashid* Sharia. Many scholars equate the way Legal Maxim works with *Maqhasid* Sharia. However, specifically, these two approaches to Islamic law are different. The science of legal maxims is different from the science of *ushl al-fiqh* (methodology in Islamic jurisprudence) in that the maxims are based on the *fiqh* itself. A maxim is defined as a general rule which applies to all of related particulars, and it is reflective of a close reading of the *fiqh*. It, in this sense, is different from what is known as a controller (parameter) which is somewhat limited in scope and controls the particulars of a single theme of *fiqh*. Legal maxim itself is defined as laws related to the principles of law built by Shariah and the objectives referred to in their Shariah. There are five rules of Islamic Legal maxim: Matter determined by intention; Hardship begets facility; Certainty not dispelled by Doubt; Injury must be removed; Custom is Authority (Saiti & Abdullah, 2016).

To align with, Laldin et al., (2013) state that Sharia considers harm associated in human relation as a manifestation of injustice and must be removed which also acknowledges as *munkar* or objectionable. This fall into maxim “harm is to be eliminated”. In addition, this maxim has several corollaries which are “harm is not to be removed by harm”, “averting harm takes precedence over achieving benefit”, “private harm is to be borne in order to ward off public harm”, and “the greater harm is to be removed by lesser harm”. In order to be applicable, the harm must fall into following criteria:

1. The harm should be confirmed and certain.
2. The harm must be excessive.
3. The harm must be unjustified or unlawful.
4. The harm must interrupt a valid *maslahah*.



By the above-mentioned criteria, the severe impact of climate change, global warming and other environmental issue is including on the harm criteria which must be prevented.

On the other hand, to prevent such harm, Indonesian government set up five targeted sectors for Sukuk Tabungan 007 financing (clean and affordable energy; decent work and economic development for local citizens; industry, innovation and infrastructure; smart city and sustainable community; and climate action) which will be used to avert harm. This purpose is in line with the above Islamic legal maxim that averting harm takes precedence over achieving benefit, and fall into *dharuriyat* category.

Santoso (2020) has identified that there are various sectors that are potentially to be financed by green sukuk proceed particularly in the renewable energy area. This ranging from: A) sustainable management of natural resources; B) energy efficiency, the effort used to minimize the amount of energy needed in using equipment's or even energy-related systems; C) green tourism, a prototype of ecotourism that concentrates on sustainable tourism which tries to prevent the damage on tourist sites and cultural heritage; D) green building that are environmentally responsible and could reduce the use of resources required such as design, construction, operation, maintenance, renovation, and demolition; E) sustainable transportation; F) sustainable agriculture, refers to agricultural movement adopting the ecology principles as well as the integrated system between organisms and their environment; G) waste management and waste energy which tries to concentrate on the utilization of solar energy, wind energy, and biogas energy as an alternative for renewable energy, and H) resilience to climate change, which must fulfill two requirements that are the environmental awareness mandate and Sharia compliant goal for SGD (sustainable development goal).

Based on the research by Hariyani et al., (2020), deploying green sukuk as source of investment to finance sustainable waste management in Indonesia could bring benefits in finance diversification, reduce waste, and promote employment. There also opportunities that likely to be achieved by using such way including alternative energy, enlarge sukuk liquidity and greater role of Islamic finance.

Moreover, the achievement of green economy would be considered in association with all five cores based on *Maqashid* formulation (Fauzia, 2016).





For *hifdzun ad-din* (maintaining religion) area, the religion would not be able to exist if its follower did not preserve soul, mind, descendant and wealth which means this is consequences from other cores. In *hifdzun an-nafs* (keeping the soul), the relation is considered in the Sharia order to produce and distribute the basic need before tahsiniyah or beautification. This refers to the saving of non-renewable energy resources. Furthermore, *hifdzun 'aql* (keeping the mind) could be translated into encouraging human being mindset about the *mashlahah* to replace the utility concept. For *hifdzun nasl* (maintaining the descendants), the relation could be in preserving the environment by upgrading family soft skill to be the agent of waste treatment and establishing garbage bank. Finally, in *hifdzun maal* (safeguarding property) this could be taken into consideration by investing such wealth into socially responsible investment.

Mergaliyev et al., (2021) revealed that the consequences of *maqashid* and Islamic moral economy are based on Islamic ontology. Despite the ontological difference between *maqashid* and the prevailing conventional practice such as SDGs (Sustainable Development Goals), ESG (Environmental, Social, Governance), SRI (Socially Responsible Investment), making reference to those practice should be reached because the consequences produced by SDGs, ESG and SRI are in line with *maqashid* objectives.

Turning from this point, Sukuk Tabungan Indonesia which is purposed as green sukuk in order to finance green projects as a respond of climate change, global warming and other environmental issues, has a great chance to be developed, as long as it is applied within *maqashid* approach and framework. Among others are to achieve *mashlahah* (benefit) and avoiding harm trough programs or policies that, at least, purposed to protect the environment (*hifdz al-biy'ah*).

## CONCLUSIONS

In response to the severe effects of climate change, global warming, and other environmental issues, the issuance of green sukuk has recently become a global phenomenon. With its green bond and green sukuk framework, Indonesia has attempted to mitigate this impact. As a result, the Indonesian government has issued green sukuk, known as Sukuk Tabungan (ST), which are intended to finance green projects.

The low-risk investment instrument Sukuk Tabungan issued by the Indonesian government is a *wakalah*-based contract. Sukuk Tabungan must refrain from practices that violate Sharia law. Even though it offers a lower coupon rate and



is of a smaller size than *Sukuk ritel*, it has a great chance of being developed as its proceeds will be used exclusively to finance green projects to accelerate the SDGs. On the other hand, *Sukuk Tabungan*, which is intended to finance five specific projects, is vitally important based on the *maqashid* approach, which is also consistent with the Islamic legal maxims "harm must be eliminated" and "avoidance of harm takes precedence over attainment of benefit." This objective appears to fall within the priority level or *dharuriyat* of the *maqashid* framework.

Moreover, the relevant government authorities, such as the National Sharia Board (DSN-MUI), the Financial Services Authority (OJK), and the Central Bank of Indonesia, are expected to promote green sukuk because it can be one of the instruments to boost economic growth and contribute to the green development in Indonesia, and because it is a sharia-compliant investment.

This study examines only retail green sukuk (*Sukuk Tabungan*) issued by the Indonesian government for the general public. Further research could examine additional types of sukuk, such as global sukuk, Islamic Fix Rate (IFR), Islamic Government T-bill (SPNS), Foreign Exchange Sukuk *Valas*, etc., and compare their performance to that of Indonesian Government's conventional sovereign bond.

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