



## Financing Sustainability through Faith: The Role of Green Sukuk in Islamic Environmental Ethics

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### ABSTRACT

One of the most important moral issues affecting the Muslim world is environmental degradation, which requires an examination of the Islamic teachings' emphasis on human responsibility to the natural world. This article examines how Green Sukuk combines contemporary sustainability principles with Islamic environmental ethics to function as a faith-based financial tool for advancing sustainable development. The study uses a qualitative, library-based analysis to look at the framework of maqasid al-shari'ah, specifically the preservation of life, wealth, and the environment, as well as Quranic ideas like khalifah (stewardship), amanah (trust), and mizan (balance). Findings indicate that by coordinating economic activity with moral and ecological accountability, Green Sukuk not only encourages investments that are environmentally conscious but also operationalizes Islamic ethical principles. The study concludes that Green Sukuk is useful. Findings suggests that by coordinating economic activity with moral and ecological accountability. Green Sukuk not only encourages investments which are environmentally conscious but also operationalizes Islamic ethical principles. The study concludes that Green Sukuk is a workable example of using faith to finance sustainability, completing the gap between Islamic finance and environmental ethics and providing a means of achieving both ecological and spiritual well-being.

## **INTRODUCTION**

Climate change, deforestation, and the decreasing supply of natural resources are all signs of an unprecedented environmental crisis that the world is currently facing. These issues compromise not just ecological stability but also moral responsibility and the health of humans. Since the Qur'an repeatedly encourages humanity to act as khalifah (stewards) of the Earth, entrusted (amanah) to maintain its balance (mizan) and avoid corruption (fasad) environmental degradation is considered from an Islamic ethical perspective as a major ethical concern. Therefore, Islamic environmental ethics place a strong emphasis on the idea that preserving the environment is a spiritual responsibility and a fundamental aspect of faith. Faith-based finance especially sukuk provides a creative way to address environmental issues within this moral environment by using tools based on moral and Sharia-compliant principles. Sukuk in contrast to traditional bonds combine social and environmental responsibility with financial returns to guarantee that investment activities advance public welfare (maslahah). This relationship has been reinforced by the rise of Green Sukuk which clearly connects Islamic finance with sustainability goals. As an example of how Islamic finance can act as an inspiration for environmental protection, nations like Indonesia and Malaysia have led the way in issuing Green Sukuk to fund climate- resilient projects, sustainable infrastructure, and renewable energy. These developments suggest the increasing understanding that Islamic economic principles can provide practical alternatives for the problems associated with global sustainability. Thus, this study addresses the following question: How does Green Sukuk support sustainable development and represent Islamic environmental ethics?

## **LITERATURE REVIEW**

### **Theoretical and Ethical Foundation**

Islamic environmental ethics are based on the core belief that Allah created the universe and all its elements in perfect balance and harmony. To maintain this divine order and make sure that natural resources are used responsibly, humanity has been given the duty to act as khalifah (steward) on Earth. Stewardship is both an honor and a moral obligation as the Qur'an emphasizes when it states, "It is He who has appointed you as vicegerents on the earth" (Qur'an 6:165). Since people are answerable to Allah for how they treat the environment and its resources, this stewardship is accompanied by amanah or trust. Another essential ethical principle is the concept of mizan, or balance. "And the sky He raised and He set the balance that you may not cheat in the balance," states Allah (Qur'an 55:7-8). This verse emphasizes that human greed or carelessness cannot upset the ecological balance, which is divinely established. Likewise, whenever corruption or environmental damage arises, islah (reformation) encourages believers to bring peace back. "Do not cause corruption on the earth after it has been set in order" (Qur'an 7:56). When taken in this context, these ideas demonstrate that preserving nature is a fundamental aspect of worshiping and obeying God, not just a side charitable endeavor. The preservation of life (hifz al-nafs), property (hifz al-mal), and the environment,

as part of the wider protection of creation, are all closely connected to environmental ethics within the context of maqasid al-shari'ah (the higher objectives of Islamic law). Muslims are guided to stay away from wastefulness (israf) and misuse by the ethical precepts of justice (adl) and moderation (wasatiyyah), which promote a sustainable relationship with the Earth. Contemporary scholars such as Yusuf al-Qaradawi, Seyyed Hossein Nasr, and Fazlun Khalid have expanded these classical foundations to address modern ecological crises. Nasr argues that the root of environmental degradation lies in the loss of a sacred worldview that once defined the relationship between humanity and nature, urging a revival of spiritual ecology rooted in the Qur'an. Similarly, al-Qaradawi emphasizes that environmental stewardship fulfills the maqasid by protecting both human and ecological well-being. These perspectives reaffirm that Islamic ethics provide a comprehensive framework for sustainability, uniting faith, morality, and environmental responsibility.

## **METHODOLOGY**

### **Green Sukuk: Concept and Mechanism**

Shariah-compliant investment certificates are known as sukuk or Islamic bonds. Unlike conventional bonds, which involve interest-based returns. Sukuk are asset-backed and generate profit through lawful trade or investment activities. The latest innovation in Islamic finance is Green Sukuk, which expands this structure to support ecologically friendly initiatives. It aims to raise money for projects that minimize climate change, safeguard natural resources, and advance the development of renewable energy sources by integrating Shariah-compliant processes with the ideas of sustainable finance. Green Sukuk and conventional green bonds differ primarily in their structural and ethical fundamentals. Green bonds are based on interest-bearing debt, while Green Sukuk avoids riba (interest), gharar (excessive uncertainty), and maysir (speculation), even though both ways fund environmentally friendly projects. Rather, they are based on risk-sharing agreements like mudarabah (profit-sharing), ijarah (leasing), or musharakah (joint venture). This promotes a comprehensive approach to ecological responsibility by guaranteeing that environmental sustainability aligns with Islamic moral and economic justice. Green Sukuk issuance has been introduced by several nations to encourage sustainable growth. In 2018, Indonesia introduced the first sovereign Green Sukuk globally, generating capital for projects related to climate resilience, sustainable transportation, and renewable energy. The introduction of the Green Sukuk by Pakistan's Water and Power Development Authority (WAPDA) in 2021 for the funding of the Tarbela 5th Extension Hydropower Project is another example of how Islamic finance can directly promote clean energy and environmental conservation. By establishing a strong regulatory framework for green Islamic finance through its Securities Commission and promoting involvement from both the public and private sectors Malaysia has also played a significant role. By providing funding for sustainable infrastructure, waste management, reforestation and renewable energy, green sukuk projects have become crucial in solving global environmental issues.

They serve as an example of how faith-based financial products can support the Sustainable Development Goals (SDGs) of the UN while operationalizing Islamic ethical principles. Green Sukuk uses this mechanism to connect Islamic morality with workable economic solutions for a more sustainable and just future.

## **RESULT AND DISCUSSION**

### **Integration of Faith and Sustainability**

The idea of Green Sukuk is a significant integration of the global effort for sustainability with the values of the Islamic faith. Green Sukuk is a manifestation of the Islamic ethical vision that aims to strike a balance between environmental integrity and human prosperity. It is based on the principles of *adl* (justice), *khalifah* (stewardship), *darar* (avoidance of harm) and *maslahah 'ammah* (public welfare). Green Sukuk turns sustainability from a technical or financial issue into a moral and spiritual responsibility by integrating financial systems with ethical principles. First of all, Green Sukuk promotes *adl* (justice) by making sure that economic expansion doesn't come at the price of ecological or social well-being. Fairness is required by the Shariah regulations in both human interactions with nature and economic transactions. This justice-focused perspective ensures that projects funded by Green Sukuk support equitable and environmentally friendly growth and promotes honesty in the use of funds. Second the foundation of Green Sukuk's ethical justification is the *khalifah* (stewardship) principle. Green Sukuk demonstrates this stewardship by distributing funds to projects that protect the environment for coming generations such as sustainable agriculture, pollution prevention and renewable energy. Thirdly Islamic finance's commitment to environmental responsibility is strengthened by its prohibition on *darar* (harm). Green Sukuk stays clear of harmful industries or activities that cause pollution, resource depletion or climate degradation by supporting clean and sustainable projects. In this way avoiding harm becomes an ethical role that is both preventive and transformative in the Islamic financial system. Lastly Green Sukuk advances projects that improve the general well-being, which advances the goal of *maslahah 'ammah* (public welfare). Projects funded by this mechanism like clean water, renewable energy and sustainable infrastructure directly improve community well-being and support the goals of *maqasid al-shari'ah* which include protecting the environment, property and human life. Therefore, by combining financial gain and preservation of the environment together, Green Sukuk operationalizes Islamic ethics. It provides an example of how Islamic finance may serve as a connection between religious beliefs and international sustainability objectives, offering an ethical structure in which ecological preservation and moral responsibility integrate with economic growth. Green Sukuk essentially shows that environmental responsibility is not only in line with Islamic finance but also fundamental to its moral and spiritual foundations.

### **Challenges and Prospects**

While Green Sukuk offers a revolutionary model that combines sustainable finance and Islamic ethics, several major challenges to its growth

prevent wider acceptance and impact. A major challenge is Muslim investors' ignorance of the idea and advantages of Green Sukuk. How environmental initiatives support moral financial growth and are consistent with *maqasid al-shari'ah* is still unknown to many investors. This lack of understanding frequently limits access to these tools and limits their capacity to raise significant amounts of faith-based funding for sustainability projects. The absence of institutional and regulatory structures governing Green Sukuk in many Muslim-majority and non-Muslim nations presents a second difficulty. A suitable international standard is still missing despite the introduction of regulatory guidelines and sovereign issuances by trailblazing countries like Indonesia and Malaysia. For both issuers and investors, the lack of standardized Shariah and environmental certification procedures breeds uncertainty. Furthermore, cross-border sukuk issuance and investment can occasionally be complicated by the disparity in Shariah interpretations among financial authorities. The possibility of greenwashing, the practice of identifying financial products as "Green" without having a significant environmental impact, is another major challenge. In the absence of comprehensive auditing and open reporting guidelines, certain issuers might abuse the "Green" label solely for marketing or reputational reasons. Such actions not only betray investor confidence but also run counter to the core Islamic finance ethical precepts of *adl* (justice) and *amanah* (trust). The future of Green Sukuk is still very bright despite these challenges. Through their successful sovereign Green Sukuk issuances which fund climate resilience, sustainable transportation and renewable energy projects the governments of Malaysia and Indonesia have shown increasing support. These programs have increased investor trust and established a standard for other Muslim and non-Muslim nations seeking to integrate Islamic financial instruments with sustainability objectives. Meanwhile the Majelis Ulama Indonesia (MUI) has a lot of potential to further the cause of environmental finance that aligns with Sharia law. By means of fatwas, educational initiatives and partnerships with financial authorities, MUI can advance the moral justification and spiritual significance of investing in instruments that prioritize sustainability. Environmental awareness can be further ingrained in Islamic discourse by incorporating environmental issues into the creation of fatwas and environmental *dawah*. This will help to create a culture in which preserving the environment is seen as a religious duty. Even though Green Sukuk has issues with credibility, awareness and regulations, the increasing institutional and governmental support points to a promising future. Green Sukuk is a revolutionary instrument to accomplish both environmental preservation and socioeconomic justice within the framework of Islamic faith, as Islamic ethics continue to serve as the moral compass of sustainable finance.

## CONCLUSIONS AND RECOMMENDATIONS

Green Sukuk is a prime example of faith-based finance, which transcends the financial realm and represents a moral and spiritual philosophy based on Islamic ethics. This financial tool's integration of sustainability and faith reflects Islam's all-encompassing approach to development, which balances social

responsibility, environmental preservation, and economic growth. Green Sukuk ensures that the creation of wealth helps to preserve life and the environment by bringing financial mechanisms into line with the principles of maqasid al-shari'ah. This defends humanity's moral obligation as khalifah (stewards) of the earth. Islam's ethical and ecological worldview is practically seen through Green Sukuk. It integrates the goals of ethical investing, environmental preservation, and financial stability into a single framework for sustainable development. This faith-based strategy dispels the myth that finance is only focused on making money, showing that Islamic finance can also promote social justice and ecological balance. Strategic policy cooperation is necessary to increase the impact of Green Sukuk. To create strong regulations, openness procedures, and public awareness campaigns, organizations like the Majelis Ulama Indonesia (MUI), the Otoritas Jasa Keuangan (OJK), and Islamic banking networks should collaborate. By fostering ethical environmental finance as a national and regional priority, such collaboration can establish Indonesia and other countries with most Muslims as pioneers in faith-based sustainability projects. To sum up, Green Sukuk serves as an example of how Islamic values can direct people toward a morally and environmentally sound economic system. In addition to addressing the issues of climate change, Islamic finance revitalizes the spiritual principles of justice, balance, and stewardship that are central to Islamic environmental ethics by funding sustainability through faith.

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