



# Developing a Conceptual Shari'ah Framework of Green Sukuk for Bangladesh: Its Implications on Social Welfare by Realizing SDGs

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## Abstract

As a Shari'ah-compliant Islamic bond, Sukuk has attracted much interest from all over the world, particularly in Muslim countries like Bangladesh. Previous studies have confirmed that compared to interest-based bonds, Sukuk based on profit-sharing contracts is much more beneficial for investors. Specifically, in a Muslim-majority country like Bangladesh, Sukuk can attract much more interest because the existing capital market of this country severely lack Shari'ah-compliant instruments. The goal of this study is to introduce a Shari'ah-based conceptual framework of Green Sukuk that will be specifically applicable in Bangladesh considering the socio-economic conditions of the common people and the existing legal and regulatory framework of the country. In achieving this objective, a systematic literature review approach is adopted in this study. While creating the Shari'ah framework of Sukuk, importance has been given to *Maqasid-al-Shari'ah* and the sustainable development goals (SDGs). Emphasis has also been given on ensuring poverty alleviation and the social and economic welfare of people by highlighting the notion of *hifz-al-maal* (preservation of wealth) and *hifz-al-deen* (preservation of faith). It is expected that the new Green Sukuk model, once implemented in Bangladesh, will contribute towards achieving the SDGs, which require an unprecedented number of resources to be mobilized.

*Keywords: Sukuk, Green Sukuk, Islamic Bond, Bangladesh, SDGs*

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## 1. Introduction

To ensure sustainable growth, the world today must overcome many obstacles, particularly in the areas of the environment, society, and economy. Food and water safety, climate change, poverty, unemployment, and corruption are some of the biggest problems the world is currently confronting. According to a 2017 World Economic Forum survey on the top 10 global concerns, climate change is the most urgent problem facing humanity now (Wahab and Naim, 2019). As found through the survey, 48.8% of respondents listed climate change as their main concern, and 78.1% stated they would be willing to alter their lifestyle in order to protect the environment (Wahab and Naim, 2019).

In line with this, a variety of initiatives are taken by different governments all over the world to tackle the issues related to climate change in line with achieving the Sustainable Development Goals (SDGs), and the implementation of an Islamic financial instrument called 'Green Sukuk' can be a major step towards achieving these goals. In particular, the issuance of Sukuk or Islamic bonds can open opportunities to achieve sustainable development goals by ensuring sustainable financing in different green projects, particularly in Muslim-majority countries like Bangladesh.

To finance environmentally friendly, climate-resilient, and sustainable growth, Green Sukuk are now being issued regularly in different countries. The market's organic growth, investors' growing interest in moral and ethical investing, the stringent capital requirements for infrastructure project financing, and the growing trend toward adopting Green Sukuk have all influenced this development.

Furthermore, Sukuk provide more diversified financing options for both public and private sector organisations. Sukuk, an Islamic financial instrument, is one of the few funding and investing possibilities for those who rigorously adhere to Shari'ah laws. Therefore, creating Sukuk is a technique to mobilise savings and financing

for a demographic sector that would not otherwise be addressed by traditional financial instruments. But for many, Sukuk offer a way to access new investor pools, such as individuals or institutional investors in the domestically and internationally operating Islamic financial markets. It has also been observed that Muslim and non-Muslim nations, both developed and developing, have shown a strong interest in Sukuk financing. This interest was sparked by the lesson that both Asian and non-Asian nations had learned: that a developed capital market is necessary for an economy to be able to withstand the financial crisis (Aman et al., 2022).

## 2. Literature Review

As stated in the Qur'an, Islam has prioritised establishing social justice and fairness (2:188). Additionally, as emphasised in numerous verses of the Qur'an, Islamic doctrine unquestionably inculcates ethical, equitable, and sustainable business practices (e.g., 49:9; 6:165). Islamic finance is thought to be exceptionally capable of advancing financial stability, promoting inclusive finance, contributing to environmental and social programmes, reducing the vulnerability of the poor, and supporting infrastructure by upholding this divine concept of sustainability and equity along with the Islamic laws on financial transactions (*fiqh al muamalat*) (Noordin et al., 2018).

Islamic finance ultimate goals include eradicating poverty, achieving social justice, and enhancing the wellbeing of every member of society. Islamic financial theory places a strong emphasis on the idea of *'Adl* (justice) and *Ihsan* (fairness) in the financial system, which refers to caring for the disadvantaged groups in society who lack access to economic resources or are shut out of the market for financial resources (Hai et al., 2021). While *Maqasid al-Shari'ah* emphasises eradicating poverty through the idea of upholding life and *Deen* (faith), the United Nations (UN) has recently stressed this issue in their incredibly well-known Sustainable Development Goals (SDGs) (Hai et al., 2021). SDG:1 - No Poverty, is a goal to end poverty in all its forms by giving the poor access to resources that will help them become more productive, like credit, education, and training. The Islamic concept of social justice will likely be broadly recognised by various international agencies that have a propensity to direct their financial resources toward achieving social and environmental goals. As a result, efforts have been made to incorporate Islamic values into Sukuk (Noordin et al., 2018).

Sukuk has been hailed as the most important innovation in the Islamic capital market since it first appeared in the early 2000s (Umar and Aliu, 2019). Sukuk is frequently referred to as the counterpart of a traditional bond because it made it possible to raise long-term capital for projects that adhere to Shari'ah law (Umar & Aliu, 2019). Sukuk is defined by the Accounting and Auditing Organization Islamic Finance Institutions (AAOIFI) as: "Investment Sukuk are certificates of equal value representing undivided shares in ownership of tangible assets, usufructs and services or (in the ownership of) the assets of particular projects or special investment activity, however, this is true after receipt of the value of the Sukuk, the closing of subscription and the employment of funds received for the purpose for which the Sukuk were issued" (Umar and Aliu, 2019, p. 4). Sukuk is also defined by the Islamic Financial Services Board (IFSB) in its Capital Adequacy Standard (IFSB 2) as "certificates that represent the holder's proportionate ownership in an undivided part of an underlying asset where the holder assumes all rights and obligations to such asset" (Echchabi et al., 2018, p. 61).

Sukuk returns are frequently correlated with the profits and cash flow generated by the assets acquired or developed using Sukuk proceeds. According to Shari'ah principles, the majority of Sukuk issued to date have been asset-backed (e.g., infrastructure projects) and have been rated and analysed by investors based on the credit of the originator (Abubakar and Handayani, 2020). Furthermore, as argued by Bhuiyan et al. (2020), Sukuk differs substantially from the conventional bonds regarding the risks associated with investment. The right to claim debt for borrowed money is represented by the return to bondholders or investors in the case of conventional bonds, whereas the right to receive payments from a trade transaction and to claim ownership of a business venture or a specific asset is represented by the return to Sukuk holders. Additionally, unlike bonds, which are based on the antiquated form of a loan enforced with interest, Sukuk is a novel financial instrument with a flexible structure based on Islamic financial contracts (Bhuiyan et al., 2020).

Green Sukuk are bonds that adhere to Shari'ah rules since 100% of the exclusive proceeds are used to finance or refinance environmentally friendly initiatives that support biodiversity preservation, climate change adaptation, and mitigation. Thus, there are two requirements for the issuance of Green Sukuk: (1) It must be issued in accordance with Shari'ah and sustainable financial principles; and (2) the projects related to

infrastructure that are funded must adhere to the principles of sustainable development and integrate the social, environmental, and governance aspects (green infrastructure) (Abubakar and Handayani, 2020).

Investors, financial institutions, and regulators are interested in different legitimacy (authenticity or legality) determinants of Sukuk, such as rating, pricing, Shari'ah documentation, Shari'ah auditing, and Shari'ah risk (Ahmed et al., 2019). Even if there are other variables that might affect the validity of Sukuk, these determinants are of a general character and can be discovered in Sukuk reports that IFIs, investors, and regulators can examine. However, the Chairman of AAOIFI highlighted that the majority of Sukuk products on the market were not entirely Shari'ah compliant, necessitating an immediate assessment in 2007 (Ahmed et al., 2019). In response, the Muslim Council of Britain established the Islamic Finance Transparency Standard in 2008 in collaboration with the Utrujj Foundation and the Islamic Finance Council (Ahmed et al., 2019). It was a consultative document with three goals: to increase consumer protection, to improve consumer awareness of Islamic retail products, and to lessen customer scepticism about products that don't adhere to Shari'ah. The IFSB published a document in December 2009 called "Guiding Principles on Shari'ah Governance Systems for Institutions delivering Islamic Financial Services" in an effort to allay consumer concerns regarding the non-compliance of Shari'ah-compliant products like Sukuk (Ahmed et al., 2019). Additionally, shortly after that in 2010, the Bank Negara Malaysia (BNM) released its own document on the matter, known as the Shari'ah Governance Framework (Ahmed et al., 2019).

As soon as the Islamic Development Bank (IsDB) started to issue Green Sukuk, its strength became apparent. IsDB was the first multilateral development bank and the first euro-dominant bank to issue Green Sukuk (Keshminder et al., 2022). The package offered by Green Sukuk is praised for being suited for a range of investors, including both Green and conventional investors as well as those who adhere to Shari'ah. The year 2020 was anticipated to mark a new milestone for Green Sukuk in Malaysia thanks to growing awareness and different incentives. The Covid-19 epidemic, however, hindered the development of Green Sukuk. In comparison to the same period in 2019, Green Sukuk issuance fell by 44.4 percent in the first seven months of 2020. Globally, the Sukuk market shrank by 9.1 percent during the first half of 2020 compared to the same period in 2019 (Keshminder et al., 2022). Global Sukuk issuers are anticipated to increase their funding base as the market stabilises. Additional innovation is anticipated for green, sustainable, and hybrid Sukuk (Keshminder et al., 2022).

### **3. Methodology**

To accomplish the research goals, this study employs a systematic review methodology, following Nomran and Haron (2020). The pertinent qualitative data are gathered, processed, and interpreted using content analysis and library research techniques. The publications required for this study are chosen using a variety of research databases, including Mendeley, Scopus, Emerald Insight, and Google Scholar. All the source publications were peer-reviewed, published in a variety of indexed journals, or included in conference proceedings in the last five years (2018-2022). "Sukuk", "Green Sukuk", "Sukuk in Bangladesh", "Sukuk and SDGs", "Maqasid al-Shari'ah and Sukuk", and "Opportunities and Challenges in Green Sukuk" are among the keywords used to search the articles. A review of the titles and abstracts of the 111 potentially relevant papers that the initial search turned up led to the exclusion of 59 works from this investigation. After carefully reviewing the remaining 52 publications, 34 were found to be inadequately relevant and comprehensive. Ultimately, 21 publications that met all requirements were included in this study.

The following Table 1 presents a list of the 21 papers used as the source of information for this article.

Table 1: List of source papers

No.	Name of the Authors (Years of Publication)	Title of the Paper	Publication	Type of Study
1.	Abubakar & Handayani (2020)	Green Sukuk: sustainable financing instruments for infrastructure development in Indonesia.	Proceedings of 1st Borobudur International Symposium on Humanities, Economics and Social Sciences	Qualitative Analysis
2.	Ahmed et al. (2019)	A qualitative analysis on the determinants of legitimacy of Sukuk.	Journal of Islamic Accounting and Business Research	Qualitative Study
3.	Ahmed et al. (2018)	Sukuk documentation and legitimacy: the role of shariah supervisory board as a moderator.	Management	Mixed-Method Approach
4.	Al Madani et al. (2020)	The role of Sukuk in achieving sustainable development: evidence from the Islamic Development Bank.	Banks and Bank Systems	Quantitative Study
5.	Aman et al. (2022)	Factors affecting Sukuk market development: empirical evidence from Sukuk issuing economies.	International Journal of Islamic and Middle Eastern Finance and Management	Quantitative Study
6.	Bhuiyan et al. (2020)	Comparative analysis between global Sukuk and bond indices: value-at-risk approach.	Journal of Islamic Accounting and Business Research	Quantitative Study
7.	Echchabi et al. (2018)	The impact of Sukuk financing on economic growth: the case of GCC countries.	International Journal of Financial Services Management	Qualitative Study
8.	Fitrah & Soemitra, (2022)	Green Sukuk For Sustainable Development Goals in Indonesia: A Literature Study.	Jurnal Ilmiah Ekonomi Islam	Qualitative Study
9.	Hai et al. (2021)	An Innovative Sukuk-Waqf for Islamic Microfinance Institutions: Integrating Maqasid Al-Shariah, SDGs and Waqf.	Tazkia Islamic Finance and Business Review	Qualitative Study
10.	Hasan et al. (2019)	Sukuk risks—a structured review of theoretical research.	Journal of Islamic Accounting and Business Research	Qualitative Study
11.	Hassan et al. (2020)	Bond Market Development in Bangladesh: Capacity Building, Challenges and Policy Initiatives.	Academy of Strategic Management Journal	Qualitative Study
12.	Keshminder et al. (2022)	Green Sukuk—Malaysia surviving the bumpy road: performance, challenges and reconciled issuance framework.	Qualitative Research in Financial Markets	Qualitative Study
13.	Khan and Siddiqui (2018)	Islamic (Sukuk) vs. Conventional Financing: Analysis of Profitability.	International Journal of Experiential Learning & Case Studies	Quantitative Study



No.	Name of the Authors (Years of Publication)	Title of the Paper	Publication	Type of Study
14.	Noordin et al. (2018)	Complying with the requirements for issuance of SRI Sukuk: the case of Khazanah's Sukuk Ihsan.	Journal of Islamic Accounting and Business Research	Qualitative Study
15.	Rahim & Mohamad (2018)	Green Sukuk for financing renewable project.	Turkish Journal of Islamic Economics	Qualitative Study
16.	Rahman (2021)	The Inevitability and Relevancy of Sukuk in Developing Country: A Case of Bangladesh.	Saudi Journal of Humanities and Social Science	Qualitative Study
17.	Umar & Aliyu (2019)	Sukuk: A veritable tool for effective waqf fund management in Nigeria.	Iqtishadia	Qualitative Study
18.	Wahab & Naim, (2019)	Malaysian initiatives to support sustainable and responsible investment (SRI) especially through Sukuk approach.	Journal of Emerging Economies & Islamic Research	Qualitative Study
19.	Rahman (2021)	The Inevitability and Relevancy of Sukuk in Developing Country: A Case of Bangladesh.	Saudi Journal of Humanities and Social Science	Qualitative Study
20.	Umar & Aliyu (2019)	Sukuk: A veritable tool for effective waqf fund management in Nigeria.	Iqtishadia	Qualitative Study
21.	Wahab & Naim (2019)	Malaysian initiatives to support sustainable and responsible investment (SRI) especially through Sukuk approach.	Journal of Emerging Economies & Islamic Research	Qualitative Study

#### 4. Results and Discussion

##### *Importance of Sukuk for social welfare*

Regarding the Islamic capital market, Sukuk, sometimes referred to as fixed-income Islamic bonds, is a useful tool for meeting the demands of potential social institutions to raise the necessary cash to finance their social development projects in ways that are allowed under Shari'ah. Additionally, by giving people the chance to join in larger investment markets, retail Sukuk can be seen as one of the most effective tools for promoting financial inclusion. Noordin et al. (2018) also made the argument that it is obviously necessary to raise money by issuing Islamic bonds in order to finance microfinance activities in the community. This would support the expansion of financial inclusion by Islamic microfinance organisations, who today face funding limitations, regulatory limits, and operational limitations (Noordin et al., 2018).

Again, in the short term, liquidity management is a crucial component of the Islamic Capital Market (ICM) because it is one of the criteria for guaranteeing the long-term survival of Islamic financial institutions (IFIs) in the financial market environment. Therefore, it is critically necessary to produce novel Shari'ah-compliant ICM products to recognise the existence of a dynamic and effective ICM. Sukuk, which are the ICM's Islamic debt instruments, are crucial for raising resources and regulating liquidity as well (Ahmed et al., 2019).

##### *Sukuk in different Muslim countries*

The Sukuk market exists in both developing and developed nations; however, developing nations like Malaysia, Indonesia, Saudi Arabia, etc., account for the largest portion of the worldwide market. These developing economies have been in a state of transition as they work to achieve modern economic growth; as a result, some of them, like Malaysia and Pakistan, have already joined the club of emerging economies, and others have been making efforts to do so. As a result, the financial climate and macroeconomic policies of these nations take on

a lot more significance considering the potential impact they may have on the growth of the Sukuk market (Aman et al., 2022, Haron and Ibrahim, 2012).

In Malaysia, the government has taken various initiatives to support SRI (Sustainable and Responsible Investment), which is characterised as an investment approach that places an emphasis on combining financial return with additional social and environmental advantages (Wahab and Naim, 2019). The Securities Commission Malaysia (SCM) published an announcement on August 28, 2014, revising its Sukuk guideline to include the new criteria for the issuance of SRI Sukuk (Wahab and Naim, 2019). As explained in this guideline, SRI Sukuk can be used for initiatives that aim to improve societal quality of life, reduce greenhouse gas emissions, conserve energy, encourage using renewable energy sources, and/or maintain and safeguard the environment and natural resources. The goals of introducing SRI Sukuk included facilitating increased participation in the Sukuk market and addressing the desire of retail and investor customers for access to a wider variety of investment products. The policy also serves as a sign of the growing awareness of the negative effects that business has on the environment and society, as well as the increased pressure on companies to uphold higher standards of ethics and governance (Wahab and Naim, 2019). The first SRI Sukuk issued in ringgits was also launched by Malaysia's Khazanah Nasional Berhad to collect money for its trust school's initiative (Noordin et al., 2018).

Application of Green Sukuk is also common in Malaysia, specifically for financing renewable energy. Tadau Energy Sdn. Bhd., for instance, uses the "Hybrid Sukuk" structure to finance solar photovoltaic (PV) projects. Additionally, BEWG (M) Sdn. Bhd. has released "Sukuk Wakalah" as the best option for water treatment projects. Sarawak Hydro Sdn. Bhd. also uses "Sukuk Murabahah" to finance the hydroelectric facility (BAKUN hydroelectric project) (Rahim and Mohamad, 2018).

Sukuk issuance can make a significant contribution to the growth of waqf assets. For instance, *Sukuk al Intifa* was created to develop Saudi Arabia's King Abdul Aziz Waqf property in Makkah. The Zam Zam Tower Complex was built on waqf property with the use of the Sukuk profits (Noordin et al., 2018). Additionally, the Singapore Islamic Religious Council's Musharakah Sukuk issued to develop its waqf properties was able to boost revenue from SGD 19,000 per year in 1995 to SGD 5.3 million per year in 2006 (Noordin et al., 2018).

#### *Use of Sukuk and Green Sukuk in Bangladesh*

According to Hassan et al. (2020), the Bangladeshi market for Sukuk is seen as a stable source of alternative funding for businesses, projects, banks, and financial organisations. The Islamic money market uses Sukuk as a method for providing banks and other financial institutions with liquidity management services. Sukuk are issued in Bangladesh for shorter periods of time to support local Islamic financial institutions. The Bangladesh Bank's 2004 Islamic Investment Bond Guidelines state that Islamic bonds mature after three and six months, respectively (Hassan et al., 2020). Through an open auction, Islamic bonds are issued based on a profit-sharing ratio. Bangladesh Bank (BB) introduced a weekly Sukuk programme in 2015 to further advance Islamic finance and give local lenders a new short-term liquidity management tool (Hassan et al., 2020).

With a set rental yield of 4.69 percent per year for a five-year tenor, Bangladesh Bank issued its first sukuk bond in 2020 (Rahman, 2021). In this Sukuk, there are three parties: the borrower, investors, and a middleman who will link the investors and the borrower. When it comes to communication, the borrower, and investors in a Sukuk will both use a third party, whereas in a conventional bond, the investors will speak with the borrower directly (Rahman, 2021).

The biggest obstacles to the development of corporate bonds in Bangladesh are the high interest rates, a lack of consumer awareness, the existence of limited companies, and shifting market conditions. On the other hand, the market for government bonds is experiencing some difficulties due to the interest rate, the inflation outlook, and a poor turnover. Although Islamic banking is well-known in Bangladesh, Sukuk is not widely recognised and popular in this country due to a lack of knowledge, shorter tenures, and the existence of limited businesses (Hassan et al., 2020).

The investor philosophies, infrastructure, and economic circumstances of the nation have a considerably greater impact on the acceptance of Sukuk. Bangladesh's capital market, which lacks Shari'ah-compliant instruments and has many investors with Islamic backgrounds, is desperately in need of Sukuk to address and satisfy the comfortability of investments. Unfortunately, from the standpoint of law, regulation, and human capital, the system is not entirely prepared to tolerate such an inception (Rahman, 2021).

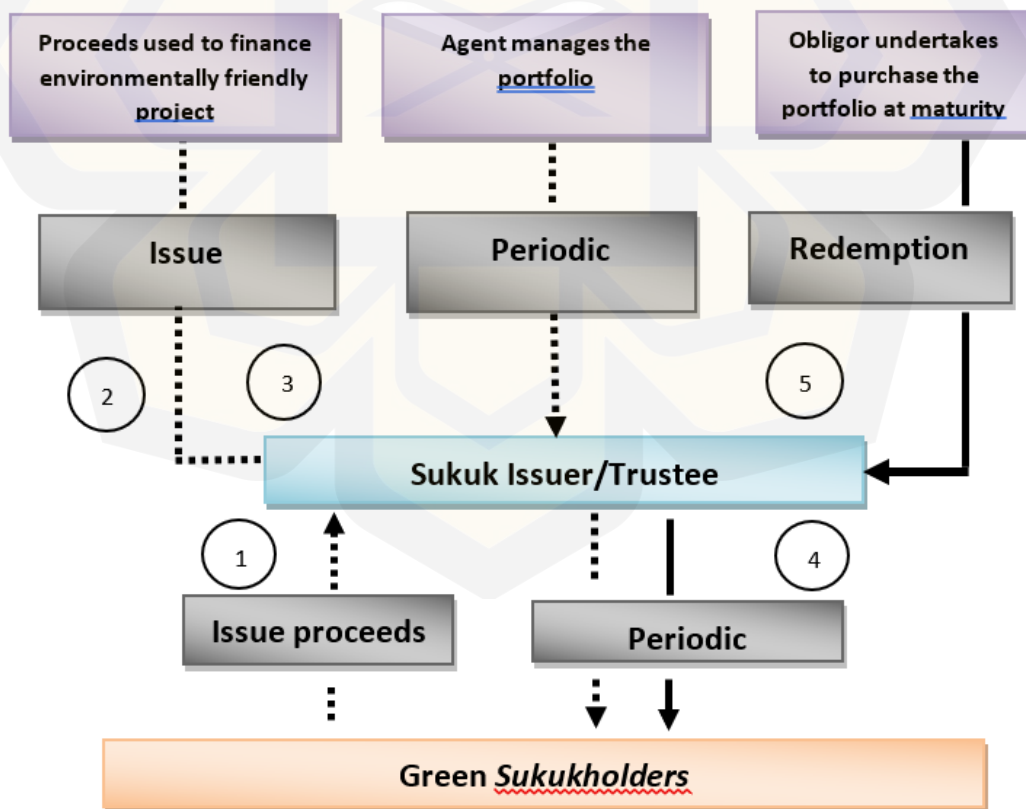
The Green Sukuk is created to satisfy the requirements for Shari'ah-compliant financial products while also being capable of aiding in the funding of important initiatives like those involving renewable energy and climate change. The implementation of a green economy, green technologies, and green energy is evidence that Bangladesh is committed to protecting the environment. It has been noted that Bangladesh is able to produce a variety of renewable energy sources, including biomass, hydropower, biogas, and bioenergy. In a nutshell, Green Sukuk provides a financing option for environmentally friendly and sustainable endeavours in Bangladesh.

*A conceptual framework for Green Sukuk suitable in Bangladesh*

The issuing of Green Sukuk as an alternative funding tool for green projects can be made possible by the Sustainable Development Goals, supporting the Bangladeshi government's commitment to tackling climate change. A new investor market is emerging in tandem with the general public's growing understanding of the notion of sustainable development. Investors will only put their money into "green" securities. To comply with the issuance of generally accepted principles, Bangladesh can create Green Sukuk to assist the development of green infrastructure using the World Bank's Green Bond model. Energy and waste management, climate change adaptation for disaster-prone areas, renewable energy, sustainable transportation, green buildings, green tourism, sustainable agriculture, sustainable natural resource management, and the use of clean technology for power generation are the nine green sectors that are eligible for funding or refinancing through Green Sukuk.

The conceptual framework for the implementation of Green Sukuk in Bangladesh is shown in Figure 1. Any project that aims to protect the environment should be funded, so Sukuk issuers must raise the necessary money. In this instance, it is the Sukuk issuer's duty to provide the Green Sukuk holder with returns. While the obligation holders must make a purchase commitment for the asset by the maturity date (Rahim and Mohamad, 2018).

Figure 1: Conceptual framework of Green Sukuk



Source: Rahim and Mohamad (2018)

### *Opportunities and challenges in implementing Green Sukuk in Bangladesh*

A Green Sukuk issuance confronts several difficulties because it is a relatively new form of financing. First, the Task Force in ministries and institutions has little awareness of Green Sukuk and is unaware that the Ministry of Finance is a Sovereign Sukuk issuer. In the project planning phase, this turns into the difficulty that will be employed as underlying assets. The success of the Green Sukuk from the stage of planning, issuance, and reporting activities will be strongly supported by the Task Force members' grasp of the Green Sukuk business process. To address this issue, the goal of the issuance must be made explicit, and regulations must be put in place regarding qualifying green projects, revenues management, funds use, and reporting.

Second, to agree on the metrics used in reporting and evaluating the impact of project development, the Task Force and the Ministry of Finance must thus coordinate more closely. To satisfy the required standards, the government might take into account the function of impartial reviewers in the monitoring and reporting process. Accurate information can be provided through reporting, allowing for the making of wise investment decisions.

Bangladesh's Green Sukuk is still having trouble since the stakeholders don't know what a Green Sukuk is or how to go about making sure the project complies with the standards for green infrastructure. To strengthen the issue of Green Sukuk and the implementation of green infrastructure projects, clear regulations are still required. Furthermore, as argued by [Rahman \(2021\)](#), an important barrier to the development of the Islamic capital market in Bangladesh is the lack of suitable short- and long-term financing and investment tools. In addition, there is a lack of clarity in the institutional and legal framework. The market lacks qualified human capital, which brings us to our final point. As a result, using Islamic finance tools like Sukuk could be the best option for Bangladesh to handle its liquidity problem while simultaneously enhancing the effectiveness and efficiency of its capital market.

According to [Keshminder et al. \(2022\)](#), poor green taxonomy, a lack of compelling financial benefits, the difficulty of finding green assets, and exposure to higher-risk profiles are some of the difficulties faced in the market for Green Sukuk. Furthermore, the Green Sukuk market is still developing and still has many obstacles to overcome. Due to a lack of data, it is challenging to evaluate the functioning of the Green Sukuk market and pinpoint the problems hindering its expansion. As a result, there is not enough data in the market to say that green bonds, including Green Sukuk, provide the issuer with a higher financial return.

Green Sukuk issuance is different from issuing regular Sukuk since it carries a higher standard of governance and disclosure. The issuer is required to use a second opinion provider to conduct a "greenness" assessment. To qualify the project as green, the issuer must provide all information, including its broad aims, policies, strategies, and procedures. Before granting the green certification, difficult tasks such as environmental research, social effect research, reporting, and inquiries must be completed. The issuers claim that this procedure is expensive, time-consuming, and interferes with their project planning ([Keshminder et al., 2022](#)). Due to the varying definitions and criteria, investors find it difficult to invest in certain home markets as the demand for Green bonds and Sukuk grows on a worldwide scale, specifically in Bangladesh. As the portfolio must go through the re-labelling and re-certification procedure to be labelled green in another market, the challenge might potentially increase transaction costs.

In contrast to Sukuk and Green Sukuk, conventional bonds are structured as loans. These would be considered by the devoted Muslim investors, together with the profitability and the lowest possible risk. The genuine risk connected with the Sukuk must be addressed to make it a viable alternative to traditional bonds. Doing so will encourage more investors to invest in this Islamic financing option and help Sukuk to expand ([Hasan et al., 2019](#)). Another influential factor can be the expected rate of profitability. As found by [Khan and Siddiqui \(2018\)](#), due to a few factors, including religious precepts, Shari'ah-compliant instruments, and interest-free financing (*riba*), Islamic financials or Sukuk can be a very profitable source for a business.

### *Maqasid al-Shari'ah, SDGs, and Green Sukuk*

As highlighted by [Hai et al. \(2021\)](#), the underlying paradigm of *Maqasid al-Shari'ah* is strongly matched with the SDGs' concept and organizational structure. The SDGs and *Maqasid al-Shari'ah* share the goal of eradicating all forms of starving, whether it be through a healthy lifestyle, nutrition, equality, decent education, social standing, or the chance to thrive. In a similar vein, both *Maqasid* and the SDGs place a high priority on preserving the sustainability of resources through the preservation of the energy, environment, water, marine,



ocean, and as well as promoting economic growth, urban protection, the industrial revolution, and cooperation between all parties (Hai et al., 2021).

The preservation and protection of wealth, the movement of wealth, transparency in finance and wealth, the development and investment of wealth, the prevention of harm in wealth management and distribution, and ensuring justice in the movement of wealth are some of the goals of *Maqasid Al-Shari'ah* regarding financial transactions. The results of Al Madani et al. (2020) reveal a direct correlation between the distribution of wealth among parties and adherence to *Maqasid Al-Shari'ah*, indicating that the Sukuk or Green Sukuk instrument favourably supports the elements of *hifz al-mal* (safeguarding wealth). This suggests that everyone would profit from the investments made in Sukuk, including people, organisations, society, and the entire nation, to promote sustainable development and human well-being. Furthermore, Sukuk is a crucial method of large-scale Islamic financing for issuers, including governments, corporations, small-medium businesses (SMEs), and international organisations. It can also contribute to wealth circulation, development, and fair distribution (Al Madani et al., 2020).

Investors in Sukuk have an inherent entitlement to details about how their investments are used, the make-up of the underlying assets, and other information that would be unnecessary in traditional investments (Ahmed et al., 2019). It is predicted that there won't be any differences in the disclosure standards regarding the legitimacy of Islamic financial instruments like Sukuk because Islamic-based financial institutions have completed their operations in accordance with Shari'ah principles and regulations. Transparency in disclosures is crucial to ensuring the legitimacy and degree of Sukuk compliance with Shari'ah principle, allowing investors to make an informed investment decision (Ahmed et al., 2018).

Again, as explained by Fitrah and Soemitra (2022), the green economy must get significant support, particularly for projects involving renewable energy. This issue therefore motivates stakeholders to develop financial tools that concentrate on funding initiatives that adhere to the SDGs. Green Sukuk, an avant-garde method of eco-friendly financing, is one of the financial instruments created. Investors' growing understanding of the value of environmental preservation points to the potential for Green Sukuk issuance. The promise of the Green Sukuk is evidenced by the involvement of powerful organisations like the government and the UN in its creation. Green Sukuk can be used to save energy, protect the environment and natural resources, encourage the use of renewable energy sources, and lessen the influence of greenhouse gas emissions to fulfil the SDGs (Fitrah and Soemitra, 2022).

## Conclusion

Green Sukuk is an instrument that has gained a lot of attention recently for financing climate change and promoting sustainable development. But since it is so new, this tool faces a unique set of problems that must be identified right away for the government to step in and accelerate its development. In addition, the government's and policymakers' roles are crucial in promoting Green Sukuk. Sound monetary and fiscal policy are also necessary for the development of the Green Sukuk market in Bangladesh.

The regulators, government, central bank, and institutions in Bangladesh will gain from applying the study's results to put the best solutions into practise to address the problems affecting the Green Sukuk market and quicken market growth. The results will aid in raising industry participants' awareness of the Sukuk issuing process and aid in the discovery of green resources in this nation that are not restricted to renewable energy sources. Finally, this research can significantly contribute to the literature on Islamic finance, especially in the relatively unexplored area of Green Sukuk.

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