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Original Article

Green *Sukuk* and the Political Economy of Sustainability: Rethinking Islamic Finance beyond Market Logics

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Abstract

This study critically examines whether green *sukuk* represent a genuine transformation in Islamic finance or primarily reproduce the market-oriented logics of contemporary sustainable finance. It develops an integrated analytical framework combining political economy, financialization, assetization, and *Maqasid al-Shariah* to evaluate green *sukuk* beyond their legal structure and financial performance. Employing a qualitative conceptual methodology, the study draws on a critical literature review, documentary analysis of international sustainability and Islamic finance standards, and theory-driven interpretive analysis. The findings indicate that while green *sukuk* have expanded the participation of Islamic finance in climate-related investment and sustainable development, their institutional evolution remains largely embedded within global market-based sustainability governance. Consequently, environmental legitimacy is often assessed through financial and regulatory frameworks rather than broader ethical objectives. From a *Maqasid al-Shariah* perspective, the study argues that the distinctiveness of Islamic sustainable finance should be evaluated according to its contribution to justice, public welfare, environmental stewardship, and intergenerational responsibility, rather than contractual compliance alone. The paper contributes to the literature by proposing a *Maqasid*-oriented paradigm for evaluating green *sukuk* beyond market-oriented performance criteria. This perspective provides a broader conceptual foundation for future research, policy development, and governance reforms aimed at strengthening the ethical contribution of Islamic finance to sustainable development.

Keywords: Assetization, Green *Sukuk*, *Maqasid al-Shariah*, Political Economy, Sustainable Finance.

1. Introduction

In recent years, sustainable finance has become a central arena through which global responses to climate change and environmental degradation are conceptualized, governed, and operationalized (OECD, 2017; Olsen et al., 2023). As environmental risks intensify and public budgets remain constrained, financial markets have been increasingly positioned as pivotal intermediaries for mobilizing capital toward sustainability transitions. Within this evolving architecture, instruments such as green bonds and more recently, green *sukuk* have been promoted as key vehicles for directing investment into renewable energy, low-carbon infrastructure, and climate adaptation projects (Bachelet et al., 2019; Flammer, 2021; Larcker & Watts, 2020; Tang & Zhang, 2020; Tolliver et al., 2019). These instruments are not merely technical innovations; they form part of broader efforts to align financial systems with global sustainability agendas, including the Paris Agreement and the Sustainable Development Goals.

Green *sukuk*, in particular, are frequently framed as a distinctive contribution of Islamic finance, combining Sharia-compliant structures with environmental objectives (Ahmed et al., 2015; Alam et al., 2013). Unlike conventional bonds, *sukuk* are asset-based or asset-backed and structured to comply with prohibitions on interest (*riba*) and excessive uncertainty (*gharar*). The emergence of green *sukuk* extends this ethical-financial architecture into the environmental domain, positioning them as instruments that integrate Islamic principles with climate-conscious investment. This dual positioning has elevated green *sukuk* as a promising tool for addressing environmental challenges, especially in Muslim-majority economies and across the Global South, where infrastructure financing needs intersect with heightened exposure to climate risks.

Yet the rapid expansion of sustainable finance has also generated a growing body of critical scholarship questioning its transformative potential. Rather than constituting a structural break with existing economic paradigms, sustainable finance is increasingly understood as a reconfiguration of established financial practices, one that extends the reach of financial markets into new domains of environmental governance (Bracking, 2019; Christophers, 2017; Neumann, 2023; Ouma et al., 2018). The concept of financialization provides a powerful lens for interrogating this shift. Financialization refers to the growing dominance of financial motives, institutions, and logics across economic and social life, shaping not only investment patterns but also the very framing of societal problems (Epstein, 2005; Krippner, 2011; van der Zwan, 2014). From this perspective, environmental and social challenges are reframed as issues of financial risk, return, and investment opportunity, thereby aligning sustainability objectives with the imperatives of capital accumulation (Ouma et al., 2018).

This reframing has substantive implications. By translating environmental concerns into quantifiable metrics, risk assessments, and standardized investment categories, financialization renders sustainability legible to investors while simultaneously narrowing its scope. Projects capable of generating predictable cash flows and conforming to standardized reporting frameworks are prioritized, while socially necessary but financially uncertain initiatives are marginalized (Christophers, 2017). Consequently, sustainable finance may reproduce existing inequalities in resource allocation, privileging market-compatible solutions over more transformative alternatives.

Within this broader debate, scholarship on sustainable finance has largely focused on the institutionalization of green financial instruments particularly green bonds as mechanisms for mobilizing capital toward environmental objectives (Flammer, 2021). Critical political economy approaches have further shown how these instruments remain embedded within financialized logics that prioritize investor confidence, market liquidity, and standardized performance metrics (Gabor & Braun, 2025; Mertens & van der Zwan, 2026). In parallel, research on Islamic finance has examined green *sukuk* primarily through the lenses of market development, regulatory frameworks, and Sharia compliance, often emphasizing their growth potential and ethical distinctiveness (Alhammadi, 2022; Ben Jedidia & Ghroubi, 2025). However, this literature tends to under-theorize the influence of financialized market structures, focusing instead on normative or descriptive accounts.

As a result, the two bodies of literature remain largely disconnected. Studies of sustainable finance rarely engage with Islamic financial instruments as part of financialization processes, while Islamic finance scholarship seldom interrogates the structural conditions under which green *sukuk* operate. This analytical gap limits our understanding of whether green *sukuk* constitute a substantive alternative to conventional green finance or whether they reproduce its underlying logics in a modified form.

Addressing this gap, this article situates green *sukuk* within the broader political economy of financialized sustainability, examining the tensions between ethical commitments and market imperatives. It argues that green *sukuk* should be understood not merely as hybrid instruments combining Islamic finance with environmental objectives, but as contested sites where financial, ethical, and political logics interact and co-evolve. To capture this complexity, the study adopts an integrated theoretical framework that brings political economy and financialization theory into dialogue with *Maqasid al-Sharia* as a normative evaluative lens.

Maqasid al-Sharia which emphasizing justice (*ʿadl*), welfare (*maṣlaḥa*), and the preservation of wealth, life, and the environment offers a critical counterpoint to market-based evaluations of financial performance (Chapra, 2008; Kamali, 2008). Rather than assessing financial instruments solely in terms of compliance or profitability, a *Maqasid*-oriented approach foregrounds their contribution to substantive socio-economic and environmental outcomes. Yet operationalizing these principles within contemporary financial practice remains contested, particularly in contexts shaped by global financial standards and investor expectations (El-Gamal, 2006; Khan, 2010).

Methodologically, the study employs qualitative document analysis and critical discourse analysis of selected green *sukuk* issuances, complemented by a comparative examination of conventional green bonds. This approach enables an exploration of how sustainability is constructed, measured, and legitimized within Islamic financial contexts, revealing the interplay between material structures and discursive narratives.

The article makes three key contributions. First, it offers a critical re-evaluation of green *sukuk* beyond celebratory or compliance-oriented accounts, highlighting the structural constraints imposed by financialized market systems. Second, it develops an integrated analytical framework bridging sustainable finance and Islamic finance literatures, providing a more comprehensive understanding of how ethical finance operates within global financial capitalism. Third, it proposes a *Maqasid*-oriented rethinking of sustainable finance that shifts attention from formal compliance and market performance toward substantive socio-environmental outcomes. In doing so, the article contributes to broader debates on the limits of market-led sustainability and the potential of alternative financial paradigms in addressing the intertwined challenges of climate change, inequality, and economic governance.

2. Literature Review

The literature on sustainable finance demonstrates that over the past decade green bonds have become one of the principal instruments for financing environmentally sustainable projects and have been increasingly embedded within global climate governance frameworks. Earlier studies argue that green bonds facilitate capital mobilization for renewable energy, energy efficiency, and climate-resilient infrastructure while promoting greater transparency, disclosure, and issuer accountability through dedicated reporting standards (Flammer, 2021; Tolliver et al., 2019). More recent policy-oriented analyses similarly position green bonds as central components of financial strategies designed to support low-carbon transitions and climate-risk management (Radzewicz-Bak et al., 2024).

Despite these contributions, a growing body of literature questions the transformative capacity of market-based sustainable finance. Rather than representing a departure from conventional finance, several scholars argue that green finance largely operates within existing market structures and financial logics. Recent studies suggest that green financial instruments systematically favor projects that conform to standardized investment criteria, measurable sustainability indicators, and established risk-return expectations, potentially excluding environmentally significant projects with weaker commercial profiles (Mertens & van der

Zwan, 2026). Likewise, Gabor and Braun (2025) argues that the emergence of a green macro-financial regime reflects the increasing subordination of environmental objectives to financial stability and investor confidence, thereby reinforcing rather than transforming prevailing financial structures.

These critiques have increasingly been interpreted through the theoretical lens of financialization. Financialization is widely understood as the growing influence of financial motives, institutions, and market logics over economic and social activities (Epstein, 2005). Krippner (2011) and van der Zwan (2014) demonstrate that this process extends beyond financial markets to reshape governance, policymaking, and value creation. Within sustainability research, Bracking (2019) argues that environmental challenges are increasingly translated into financial assets and investment opportunities, while more recent studies describe the emergence of investable natures, whereby ecological value is primarily evaluated according to financial returns, portfolio diversification, and risk management (Gabor & Braun, 2025; Mertens & van der Zwan, 2026). Other scholars further note that this process narrows sustainability assessments by privileging standardized and quantifiable indicators while reinforcing existing inequalities in access to environmental finance (Christophers, 2017).

Within Islamic finance, previous studies generally present *sukuk* as ethically grounded alternatives to conventional bonds because of their compliance with Sharia principles, including the prohibition of *riba*, avoidance of excessive uncertainty, asset backing, and risk sharing. Nevertheless, several scholars have questioned whether many Islamic financial products differ substantively from their conventional counterparts. El-Gamal (2006) argues that legal engineering often reproduces the economic substance of conventional finance, while Khan (2010) contends that genuine Islamic finance should be evaluated according to its socio-economic outcomes rather than formal legal compliance alone.

Building on this literature, recent studies have examined the emergence of green *sukuk* as instruments intended to integrate Islamic finance with sustainable development objectives. Empirical research, particularly from Malaysia and Indonesia, identifies regulatory support, institutional commitment, and reputational incentives as major drivers of green *sukuk* issuance (Abdullah & Keshminder, 2022; Al-Amoudi et al., 2025; Raeni et al., 2022). Other studies report increasing efforts to incorporate ESG principles and sustainability reporting into Islamic financial frameworks (Alhammadi, 2022; Ben Jedidia & Ghroubi, 2025). However, these studies also suggest that the operational characteristics of green *sukuk* including pricing, disclosure requirements, and investor expectations remain largely aligned with those governing conventional green bonds, raising questions regarding their ability to offer a genuinely alternative financing model.

A parallel stream of literature highlights the relevance of *Maqasid al-Sharia* as a broader evaluative framework capable of shifting attention from legal compliance toward substantive outcomes such as justice, public welfare, and environmental stewardship. Although several recent studies advocate integrating *Maqasid al-Sharia* into sustainable Islamic finance, they also acknowledge that its practical operationalization remains limited and insufficiently incorporated into existing governance and performance assessment frameworks (Alhammadi, 2022; Ben Jedidia & Ghroubi, 2025). Consequently, ethical claims surrounding green *sukuk* have rarely been assessed against comprehensive *Maqasid*-based criteria.

Overall, the existing literature remains fragmented. Research on green *sukuk* has primarily emphasized market development, issuance trends, and financial performance, whereas critical studies of sustainable finance have concentrated on green bonds, ESG frameworks, and financialization with limited attention to Islamic financial instruments. As a result, little research has integrated political economy, financialization theory, and *Maqasid* *al-Sharia* to critically examine whether green *sukuk* constitute a transformative Islamic financial innovation or primarily reproduce the dominant logics of financialized sustainable finance. Addressing this gap provides the principal motivation for the present study.

This study adopts an integrated theoretical framework combining political economy, financialization, assetization, and *Maqasid al-Shariah* as complementary lenses for examining green *sukuk* within the broader architecture of sustainable finance. Rather than treating these perspectives as separate strands, the framework positions them as mutually reinforcing, together explaining the structural conditions, institutional mechanisms, and normative implications underlying green *sukuk*'s development. This allows the study to move beyond descriptive accounts of Islamic financial innovation toward a critical evaluation of whether green *sukuk* represent a genuine alternative to prevailing models of sustainable finance or primarily reproduce existing market logics.

From a political economy perspective, financial instruments are not neutral technical devices but institutional arrangements embedded in broader structures of power, governance, and resource allocation. Sustainable finance, despite its ethical and environmental aspirations, operates within political and economic systems that shape investment priorities, distribute risks, and determine whose interests are ultimately served. Its expansion therefore reflects not only environmental concerns but also institutional compromises between public objectives and market incentives.

Rather than evaluating financial instruments solely through measures of efficiency or market performance, political economy emphasizes their distributive consequences, governance structures, and institutional power relations. As recent scholarship suggests, sustainable finance should therefore be understood as a field of contested authority in which environmental objectives are increasingly mediated through financial markets rather than pursued independently of them (Gabor & Braun, 2025; Mertens & van der Zwan, 2026). This perspective provides the structural foundation for analyzing green *sukuk* as products of both Islamic financial development and contemporary global financial governance.

Building upon this structural perspective, financialization explains the mechanisms through which sustainability becomes incorporated into financial markets. Financialization refers to the growing dominance of financial motives, institutions, and valuation practices in shaping economic and social life (Epstein, 2005; Krippner, 2011). Within sustainable finance, environmental challenges are increasingly translated into financial risks, investment opportunities, and standardized performance indicators that can be evaluated within conventional capital markets.

This transformation enables substantial capital mobilization for climate-related investments but simultaneously reshapes the meaning of sustainability itself. Environmental priorities become increasingly evaluated according to profitability, liquidity, investor confidence, and risk-adjusted returns rather than broader social or ecological objectives. Financialization therefore produces a dual dynamic: while it expands opportunities for financing sustainability transitions, it simultaneously narrows sustainability by privileging projects that conform to standardized investment criteria, measurable outcomes, and predictable financial performance. This perspective provides an essential analytical basis for examining whether green *sukuk* genuinely challenge conventional sustainable finance or largely operate within the same financialized institutional logic.

While financialization explains the expansion of market logics, assetization provides a complementary perspective by examining how environmental and social value is transformed into investable assets. Unlike commodification, which primarily concerns exchange, assetization focuses on the institutional construction of durable revenue streams capable of generating long-term financial returns (Birch & Muniesa, 2020). Value, therefore, is not merely discovered within markets but actively produced through legal frameworks, governance arrangements, certification systems, and valuation practices that stabilize future income streams and enhance investor confidence.

Recent empirical research by Knoll and Fraser (2024) demonstrates that assetization involves continuous assetization struggles centred on two interconnected processes: producing reliable investor returns while simultaneously translating complex social and environmental realities into standardized, measurable, and investable objects. Their analysis further shows that these processes depend heavily upon institutional support, regulatory intervention, and governance mechanisms that reduce investment uncertainty and secure future revenues.

Applying this perspective to green *sukuk* suggests that environmental projects become financially investable not simply because they comply with Sharia principles, but because they undergo extensive institutional processes of valuation, certification, standardization, and governance that render them credible within global financial markets. Similar to other sustainable finance instruments, green *sukuk* transform environmental assets into investment opportunities through infrastructures that combine financial expertise, regulatory oversight, and sustainability reporting. Assetization therefore complements financialization by revealing the institutional conditions through which sustainability itself becomes investable and by exposing the political choices embedded within these valuation processes (Chiapello, 2023).

While political economy, financialization, and assetization explain how sustainable finance currently operates, they provide limited guidance regarding how it ought to operate from an Islamic ethical perspective. This normative gap is addressed through *Maqasid al-Sharia*, which functions as a complementary evaluative framework rather than simply another theoretical perspective.

Unlike compliance-based approaches that emphasize legal form, *Maqasid al-Sharia* evaluates financial practices according to their substantive contribution to justice (*ʿadl*), public welfare (*maṣlaḥa*), environmental stewardship, and long-term socio-economic well-being. By shifting attention from procedural compliance toward actual outcomes, *Maqasid* enables a critical assessment of whether green *sukuk* genuinely advance the higher objectives of Islamic finance or merely reproduce financialized and assetized market logics under an Islamic ethical vocabulary.

Within this framework, the success of green *sukuk* cannot be assessed solely through issuance volume, market growth, or investor participation. Rather, greater emphasis is placed on their contribution to equitable development, ecological preservation, community resilience, and intergenerational welfare. Consequently, *Maqasid al-Sharia* broadens the evaluative criteria beyond conventional financial and ESG metrics and provides a normative benchmark against which the transformative potential of green *sukuk* can be critically assessed.

The analytical framework developed in this study is sequential rather than additive. Political economy explains the structural environment within which sustainable finance evolves; financialization identifies the mechanisms through which sustainability becomes incorporated into capital markets; assetization reveals the institutional processes through which environmental value is transformed into investable assets; and *Maqasid al-Sharia* provides the normative criteria for evaluating whether these processes ultimately advance the higher objectives of Islamic finance. Together, these complementary perspectives enable the study to move beyond descriptive accounts of green *sukuk* toward a critical examination of their structural, institutional, and ethical implications. The framework therefore provides the conceptual foundation for analyzing whether green *sukuk* constitute a transformative Islamic financial innovation or primarily represent an adaptation of prevailing financialized models of sustainable finance.

3. Methods

3.1. Research Design

This study adopts a qualitative conceptual research design grounded in critical interpretive analysis. Conceptual research is particularly appropriate for addressing complex theoretical problems that require the integration of multiple bodies of knowledge rather than empirical hypothesis testing (Gilson & Goldberg, 2015; Jaakkola, 2020). Accordingly, the study does not seek to measure the environmental performance of individual green *sukuk* issuances but instead critically examines the institutional, economic, and normative assumptions underpinning the contemporary development of green Islamic finance. The analysis focuses on the theoretical processes through which sustainability is incorporated into Islamic financial markets and evaluates whether this incorporation reflects substantive ecological transformation or primarily extends existing financialized structures.

The study employs the integrated analytical framework developed in the previous section, combining Political Economy, Financialization, Assetization, and *Maqasid al-Shariah*. This sequential framework facilitates a systematic examination of the interaction between market institutions, sustainability governance, Islamic ethical principles, and environmental value creation. Rather than treating green *sukuk* as neutral financial instruments, the analysis situates them within broader political-economic structures that shape their design, implementation, and institutional legitimacy.

3.2. Data Sources

The study relies exclusively on secondary documentary sources. Academic literature was identified through internationally recognized scholarly databases, including Scopus, Web of Science, and Google Scholar, using combinations of keywords such as green *sukuk*, Islamic finance, green bonds, sustainable finance, financialization, assetization, political economy, and *Maqasid al-Shariah*. To complement the academic literature, institutional documents issued by the International Capital Market Association (ICMA), the Climate Bonds Initiative (CBI), the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board (IFSB), and the ASEAN Capital Markets Forum (ACMF) were examined, as these organizations provide the principal regulatory and governance frameworks for contemporary green *sukuk*. Only documents directly relevant to the conceptual development, institutional governance, and sustainability dimensions of green *sukuk* were included in the analysis.

3.3. Analytical Procedure

The analytical procedure was conducted in three sequential stages. First, a critical synthesis of the interdisciplinary literature on Islamic finance, sustainable finance, ESG investing, green bonds, and green *sukuk* was undertaken to identify the dominant theoretical perspectives and unresolved conceptual debates. Following the principles of theory-building conceptual research (Jaakkola, 2020), this stage established the conceptual foundations of the study. Second, documentary analysis was employed to examine the institutional architecture governing green *sukuk* (Bowen, 2009). International standards and governance frameworks, including the Green Bond Principles, the Climate Bonds Standard, the ASEAN Green Bond Standards, and the relevant standards issued by AAOIFI and IFSB, were analyzed to identify the institutional mechanisms shaping environmental legitimacy, governance, accountability, and disclosure practices within green Islamic finance.

Third, the collected evidence was interpreted through the integrated analytical framework developed in the previous section. The analysis proceeded sequentially from the macro-level political-economic environment to the institutional mechanisms of financialization and assetization before evaluating their consistency with the higher objectives (*Maqasid al-Shariah*) of Islamic finance. Particular attention was given to institutional incentives, governance arrangements, accountability mechanisms, and value-creation processes to assess whether green *sukuk* function as genuine instruments of environmental sustainability or primarily reproduce conventional financial logics under Islamic and sustainability-oriented narratives.

4. Results and Discussion

4.1. Research Results

4.1.1. Green *Sukuk* within the Political Economy of Sustainability

The analysis indicates that the emergence of green *sukuk* is inseparable from the broader political economy of sustainability, in which environmental governance has become increasingly embedded within global financial systems. Rather than representing an isolated innovation in Islamic finance, green *sukuk* have evolved alongside the rapid expansion of sustainable finance as governments, multilateral institutions, financial regulators, and international organizations have sought to mobilize private capital to address climate change and achieve the Sustainable Development Goals (SDGs) (Ahmed et al., 2015; OECD, 2017; Radzewicz-Bak et al., 2024). Consequently, the development of green *sukuk* reflects not only the internal evolution of Islamic finance but also the structural transformation of global sustainability governance, where financial markets have assumed an increasingly prominent role in delivering environmental and developmental objectives.

From a political economy perspective, this transformation has fundamentally altered the relationship between finance and environmental policy. Rather than relying predominantly on public investment or direct state intervention, contemporary climate governance increasingly depends on market-based financial instruments capable of attracting institutional investors while aligning with environmental policy objectives (Bracking, 2019; Christophers, 2017; Gabor & Braun, 2025). Green bonds have become one of the principal instruments supporting this transition, while green *sukuk* have emerged as their Shariah-compliant counterpart, enabling Islamic capital markets to participate in global sustainable finance initiatives without departing from internationally recognized sustainability standards (Alam et al., 2013; Flammer, 2021; Tolliver et al., 2019). The findings therefore suggest that the institutional expansion of green *sukuk* is better understood as part of the globalization of sustainable finance than as a purely endogenous development within Islamic financial thought.

This interpretation also explains why the institutional legitimacy of green *sukuk* increasingly depends on compliance with global sustainability frameworks in addition to Shariah governance. Contemporary green *sukuk* issuances are typically structured in accordance with internationally recognized principles governing green finance, including environmental reporting requirements, external verification, and sustainability disclosure practices, while simultaneously satisfying Shariah standards established by Islamic supervisory boards and organizations such as AAOIFI (AAOIFI, 2015; Alam et al., 2013;

Alhammadi, 2022). As a result, green *sukuk* derive legitimacy from two complementary yet potentially competing institutional systems: one rooted in Islamic jurisprudence and ethical finance, and the other shaped by international market-oriented sustainability governance. The analysis demonstrates that this dual institutional legitimacy has facilitated the rapid diffusion of green *sukuk* across global capital markets while simultaneously increasing their dependence on prevailing financial governance structures.

However, the findings further reveal that participation in sustainable finance does not necessarily imply a transformation of the underlying logic of financial markets. Political economy scholarship has consistently argued that contemporary sustainable finance primarily reconfigures rather than replaces existing market institutions, allowing environmental concerns to be incorporated into processes of capital accumulation through new financial instruments and investment opportunities (Epstein, 2005; Krippner, 2011; Mader et al., 2020; van der Zwan, 2014). Within this broader transformation, environmental protection increasingly becomes associated with investment performance, financial risk management, and portfolio diversification rather than with alternative models of ecological governance. Green *sukuk* exhibit similar institutional characteristics. Although they introduce Islamic contractual structures and asset-backed financing mechanisms, they continue to operate within financial markets governed by investment incentives, regulatory expectations, and capital market disciplines that remain largely unchanged.

This finding challenges the widespread assumption that the Islamic character of green *sukuk*, by itself, constitutes an alternative paradigm of sustainable finance. While Shariah principles undoubtedly distinguish green *sukuk* from conventional debt instruments in terms of contractual form and ethical restrictions, these distinctive features do not automatically alter the broader institutional environment within which they function. Instead, the analysis suggests that green *sukuk* have largely adapted Islamic financial principles to an existing architecture of sustainable finance rather than establishing a fundamentally different model of environmental governance. Consequently, their contribution to sustainability should not be evaluated solely according to issuance volumes, market growth, or compliance with green certification frameworks. Such indicators primarily capture the expansion of sustainable financial markets, whereas they provide only limited insight into distributive justice, ecological stewardship, or broader societal welfare, objectives that occupy a central position within the normative foundations of Islamic economics.

Accordingly, the first analytical finding establishes that green *sukuk* are best understood as institutional innovations emerging from the interaction between Islamic finance and the political economy of sustainability. Their rapid expansion reflects the growing integration of Islamic financial markets into global systems of sustainable finance while simultaneously exposing them to the institutional logics of market-based environmental governance. This political-economic context provides the analytical foundation for the subsequent finding, which examines how the financialization of sustainability reshapes the valuation, governance, and institutional purpose of green *sukuk*.

4.1.2. Financialization of Sustainability

Building upon the political economy analysis, the findings indicate that the incorporation of sustainability into green *sukuk* is increasingly mediated through processes of financialization. Rather than functioning solely as instruments for financing environmentally beneficial projects, green *sukuk* operate within a financial system in which ecological objectives are translated into marketable investment opportunities, standardized risk assessments, and performance-oriented financial products. Consequently, sustainability is not merely financed through Islamic capital markets; it is progressively redefined according to the institutional logics that govern contemporary financial systems (Epstein, 2005; Krippner, 2011; Van der Zwan, 2014).

This transformation is reflected in the growing dependence of green *sukuk* on financial metrics, disclosure requirements, certification mechanisms, and investor-oriented governance frameworks. Environmental performance is increasingly assessed through standardized sustainability indicators, external verification procedures, and ESG reporting practices designed to improve market transparency and investor confidence (Flammer, 2021; OECD, 2017; Radzewicz-Bak et al., 2024). Although these mechanisms strengthen credibility and facilitate access to international capital markets, they also reposition environmental sustainability within a framework where financial accountability frequently takes precedence over broader ecological or social objectives. The findings therefore suggest that environmental legitimacy is increasingly established through market validation rather than through independent assessments of ecological integrity or social welfare.

The analysis further demonstrates that financialization reshapes the incentives governing green *sukuk* issuances. In addition to supporting environmental projects, issuers are encouraged to improve market competitiveness, diversify funding sources, strengthen investor demand, and enhance reputational capital by participating in sustainable finance markets (Alam et al., 2013; Alhammadi et al., 2022). Consequently, environmental objectives become closely intertwined with financial considerations, creating a governance structure in which sustainability and profitability are pursued simultaneously. While this alignment may facilitate capital mobilization for climate-related investments, it also introduces the possibility that environmental priorities become increasingly conditioned by market expectations, investor preferences, and financial performance.

From this perspective, financialization should not be understood simply as the expansion of financial markets but as a transformation in the institutional criteria through which sustainability itself is evaluated. As argued by Epstein (2005) and further developed by Van der Zwan (2014), financialization extends beyond the growth of financial activities to encompass the increasing influence of financial motives, actors, and institutions over broader economic and social domains. The present analysis indicates that green *sukuk* reflect this broader institutional transformation. Environmental value is increasingly interpreted through financial indicators such as investment attractiveness, creditworthiness, risk mitigation, and portfolio diversification, while non-market dimensions of sustainability receive comparatively less institutional attention.

These findings resonate with critical political economy scholarship arguing that sustainable finance frequently integrates environmental concerns into existing market structures without fundamentally altering the institutional dynamics of capital accumulation (Bracking, 2019; Christophers, 2017; Gabor & Braun, 2025). Green *sukuk* illustrate this tendency by embedding Islamic finance within internationally recognized sustainability frameworks while continuing to operate according to market-oriented governance principles. Their environmental contribution therefore depends not only on the projects they finance but also on the institutional incentives that determine how sustainability is measured, monitored, and rewarded within financial markets.

Nevertheless, the findings do not suggest that financialization necessarily undermines the environmental potential of green *sukuk*. On the contrary, financial markets remain indispensable for mobilizing long-term capital required to finance renewable energy, sustainable infrastructure, and climate adaptation projects. The critical issue identified by the present analysis concerns the institutional balance between financial efficiency and environmental purpose. Where financial performance becomes the dominant criterion for evaluating sustainability, there is a risk that ecological objectives are reframed as instruments for market expansion rather than as intrinsic public goods. Conversely, where governance arrangements ensure that financial mechanisms remain subordinate to clearly defined environmental and social objectives, green *sukuk* may contribute more effectively to sustainable development while remaining consistent with the ethical aspirations of Islamic finance.

Accordingly, the second analytical finding establishes that financialization does not merely provide the financial infrastructure through which green *sukuk* operate; it also shapes the institutional meaning of sustainability itself. This transformation creates the conditions under which environmental value becomes increasingly amenable to financial valuation and exchange, thereby paving the way for the subsequent process of assetization examined in the following section.

4.1.3. Assetization of Environmental Value

Building on the financialization processes discussed above, the analysis shows that green *sukuk* contribute to assetization, the process through which environmental value is transformed into investable financial assets. While financialization explains the growing dominance of financial motives and market logics, assetization refers to the institutional process by which previously non-tradable social and ecological values are converted into assets capable of generating future returns (Birch & Muniesa, 2020; Golka et al., 2024). Green *sukuk*, the findings suggest, do not merely finance environmentally beneficial projects; they help construct environmental sustainability as an investable asset class.

This transformation shows in the institutional design of green *sukuk*. Environmental projects such as renewable energy facilities, green buildings, sustainable transport, and climate-resilient infrastructure are increasingly structured to meet both environmental eligibility criteria and investment requirements. Environmental benefits are thereby translated into measurable indicators, certification standards, reporting frameworks, and cash-flow expectations that let these projects enter capital markets (OECD, 2017; Radzewicz-Bak et al., 2024). Through this process, ecological value becomes standardized, quantified, and governed by financial principles, facilitating its circulation among domestic and international investors.

Assetization extends beyond financing physical infrastructure. It also reshapes what environmental value institutionally means. Rather than being understood primarily as a public good or collective ecological responsibility, environmental sustainability increasingly takes on the characteristics of a financial asset, including investability, valuation, risk assessment, and portfolio diversification (Birch & Muniesa, 2020; Golka et al., 2024). In green *sukuk* markets, environmental performance becomes closely tied to asset quality and investment credibility, reinforcing a governance model in which ecological outcomes are evaluated mainly through financial metrics and disclosure standards.

This institutional transformation creates both opportunities and tensions for Islamic finance. On one hand, assetization lets Islamic capital markets mobilize substantial resources for environmentally beneficial investments while maintaining compliance with *Shariah* principles governing asset backing and ethical investment (AAOIFI, 2017; Alam et al., 2013), giving green *sukuk* an important role in expanding sustainable investment in Muslim-majority and emerging economies. On the other hand, converting environmental value into financial assets may gradually shift attention from the intrinsic ethical objectives of environmental stewardship toward the exchange value of environmentally certified assets. Ecological responsibility then risks becoming tied to asset performance rather than to the broader social and moral obligations emphasized in Islamic economics.

The analysis also shows that assetization deepens the institutional dependence of green *sukuk* on external certification and financial verification systems. Investors, rating agencies, external reviewers, and sustainability assurance providers collectively shape the market value and legitimacy of green *sukuk* by determining whether financed projects meet internationally recognized environmental standards (Flammer, 2021; Bachelet et al., 2021). These mechanisms improve transparency and reduce information asymmetries, but they also shift authority over environmental legitimacy away from local communities and public institutions toward financial and technical intermediaries operating in global capital markets. This redistribution of authority shows how assetization not only converts environmental value into financial assets but also reshapes the governance structures through which sustainability itself is defined, monitored, and validated.

From the perspective of Islamic economics, this finding raises a fundamental normative question about the purpose of asset-backed finance. Traditional Islamic financial principles treat assets as instruments supporting productive economic activity and social welfare rather than vehicles for speculative accumulation or purely financial expansion (Chapra, 2008; El-Gamal, 2006; Kamali, 2008). Yet the findings suggest that within contemporary sustainable finance, environmental assets increasingly derive their institutional significance from their capacity to attract investment, manage financial risk, and satisfy market demand. Unless stronger governance mechanisms explicitly preserve the primacy of socio-environmental objectives, the ethical goals underpinning Islamic finance risk becoming subordinated to the investment logics governing sustainable capital markets.

The third analytical finding, accordingly, establishes that green *sukuk* participate in a broader institutional process through which environmental sustainability is transformed into an investable asset within global financial markets. This process expands the availability of climate finance and strengthens the integration of Islamic finance into sustainable investment ecosystems, but it also raises important questions about the balance between exchange value and ethical value, market efficiency and ecological responsibility, and financial innovation and the higher objectives of Islamic economics. These tensions set up the final analytical section, which evaluates green *sukuk* through the normative framework of *Maqasid al-Shariah*.

4.1.4. Beyond Market Logics: A *Maqasid al-Shariah* Reassessment

The preceding analysis demonstrates that green *sukuk* have become deeply embedded within the institutional architecture of sustainable finance through processes of political-economic integration, financialization, and assetization. While these developments have significantly expanded the role of Islamic finance in climate-related investment, they also raise an important normative question: does compliance with Shariah principles and international sustainability standards necessarily ensure the realization of the higher objectives of Islamic finance? The findings suggest that the answer is not necessarily affirmative. Although contemporary green *sukuk* successfully integrate Islamic contractual principles with globally recognized environmental frameworks, their institutional orientation remains predominantly shaped by market-based governance and financial performance rather than by the comprehensive socio-ethical objectives embodied in *Maqasid al-Shariah* (Alhammadi, 2022; Chapra, 2008; Kamali, 2008).

From a *Maqasid* perspective, environmental sustainability cannot be evaluated solely through compliance with technical standards or the financing of environmentally eligible projects. Islamic economics conceptualizes economic activity as a means of realizing justice (*‘adl*), public welfare (*maslahah*), responsible stewardship of natural resources (*khilafah*), and the prevention of social and environmental harm. Consequently, the success of green *sukuk* should be assessed according to their contribution to these higher objectives rather than exclusively through financial indicators, issuance volumes, or ESG compliance metrics (Ahmed et al., 2015; Chapra, 2008). The present analysis indicates that existing evaluation frameworks remain largely concentrated on financial transparency and environmental reporting while paying comparatively limited attention to distributive justice, intergenerational equity, community welfare, and long-term ecological resilience.

The findings further reveal that the institutional convergence between Islamic finance and global sustainable finance has generated an implicit shift in the criteria through which success is measured. Environmental legitimacy is increasingly derived from certification systems, disclosure requirements, and external verification procedures designed to satisfy investors and financial regulators. While these governance mechanisms undoubtedly improve accountability and market credibility, they do not necessarily capture the broader ethical aspirations emphasized within the *Maqasid* framework. As a result, Islamic finance risks becoming procedurally compliant with sustainability standards without fully realizing its normative commitment to holistic human and environmental well-being (AAOIFI, 2017; Alhammadi et al., 2022).

This observation does not imply that green *sukuk* are inconsistent with Islamic principles. On the contrary, the findings indicate that green *sukuk* possess considerable potential to advance sustainable development by mobilizing long-term capital for renewable energy, environmentally responsible infrastructure, and climate adaptation projects. However, realizing this potential requires moving beyond a predominantly market-oriented conception of sustainability toward a governance framework in which financial mechanisms remain subordinate to clearly defined ethical objectives. Within such a framework, environmental finance would be evaluated not only by its ability to generate investment opportunities but also by its contribution to ecological stewardship, social inclusion, equitable resource distribution, and the preservation of public welfare.

Accordingly, the *Maqasid* perspective repositions sustainability as an ethical objective rather than merely a financial characteristic of investment products. This distinction is particularly important because it shifts attention from the marketability of environmentally certified assets to the societal outcomes generated by financed projects. Under a *Maqasid*-oriented framework, questions concerning who benefits from green investments, how environmental gains are distributed, whether vulnerable communities are protected, and whether future generations genuinely benefit become as important as questions concerning financial returns and environmental disclosure. Such an evaluative approach extends the scope of sustainable finance beyond existing ESG metrics by incorporating dimensions of justice, accountability, and collective welfare that occupy a central place within Islamic economic thought.

The analysis therefore suggests that the distinctive contribution of Islamic finance does not lie simply in offering Shariah-compliant versions of conventional sustainable financial instruments. Rather, its comparative advantage lies in providing an alternative normative framework capable of redefining the objectives of sustainable finance itself. By integrating *Maqasid al-Shariah* with contemporary sustainability governance, green *sukuk* could evolve from instruments that primarily facilitate green investment into institutions that actively promote ethical development, environmental justice, and long-term societal resilience. This reassessment provides the basis for the final section, which proposes a broader conceptual model for rethinking Islamic sustainable finance beyond prevailing market logics.

4.1.5. Toward a *Maqasid*-Oriented Paradigm of Sustainable Islamic Finance

The preceding findings collectively demonstrate that green *sukuk* occupy a complex institutional position at the intersection of Islamic finance, sustainable development, and global capital markets. Rather than representing either a complete transformation of Islamic finance or merely a replication of conventional green finance, green *sukuk* embody a hybrid institutional model in which Islamic ethical principles coexist with the dominant governance structures of contemporary sustainable finance. This hybridization has enabled Islamic finance to expand its participation in climate-related investment while simultaneously exposing it to the financialized and market-oriented logics that characterize the global sustainability agenda.

The integrated analytical framework developed in this study provides a more comprehensive explanation of this institutional complexity than approaches relying on a single theoretical perspective. Political economy explains why green *sukuk* emerged within the broader restructuring of sustainable finance under global climate governance. Financialization demonstrates how environmental objectives become increasingly interpreted through financial incentives, market performance, and investment rationality. Assetization further reveals how ecological value is transformed into investable assets governed by processes of valuation, certification, and market exchange. Finally, *Maqasid al-Shariah* offers the normative benchmark through which these institutional developments can be evaluated according to justice, public welfare, environmental stewardship, and long-term societal well-being. Taken together, these complementary perspectives show that understanding green *sukuk* requires moving beyond legal compliance or financial performance alone toward a multidimensional assessment of their institutional and ethical implications.

The findings further suggest that the future development of green *sukuk* should not be limited to improving technical standards, disclosure requirements, or market efficiency. Although these elements remain essential for maintaining transparency and investor confidence, they are insufficient to distinguish Islamic sustainable finance from its conventional counterpart. A genuinely distinctive Islamic model requires governance arrangements that explicitly integrate socio-environmental justice, intergenerational responsibility, equitable distribution of benefits, and ecological accountability into the design, implementation, and evaluation of green *sukuk*. Such an approach would reposition Shariah not only as a framework for contractual compliance but also as a comprehensive ethical foundation for sustainable development.

Accordingly, this study proposes a *Maqasid*-oriented paradigm of sustainable Islamic finance in which financial instruments are evaluated according to their contribution to holistic development rather than their capacity to mobilize capital alone. Within this paradigm, environmental sustainability is understood not as a market attribute attached to financial products but as an ethical objective that shapes investment priorities, governance structures, and institutional accountability. The success of green *sukuk* would therefore be assessed through their ability to generate measurable environmental improvements while simultaneously advancing social welfare, strengthening distributive justice, protecting natural resources, and supporting resilient economic development.

The theoretical contribution of this study extends beyond the existing literature in three important respects. First, it integrates political economy, financialization, assetization, and *Maqasid al-Shariah* into a single analytical framework capable of explaining both the institutional evolution and the normative evaluation of green *sukuk*. Second, it demonstrates that the principal challenge facing Islamic sustainable finance is not the absence of Shariah compliance but the increasing dominance of market-based governance in defining environmental legitimacy. Third, it argues that the comparative advantage of Islamic finance lies not in replicating conventional sustainable financial instruments under Islamic contractual forms, but in offering an alternative ethical vision capable of reshaping the objectives of sustainable finance itself.

Overall, the findings indicate that green *sukuk* possess considerable potential to contribute to global sustainability transitions. However, realizing this potential depends on preserving the primacy of ethical objectives over market imperatives. Unless environmental governance is anchored in the higher objectives of Islamic economics, there remains a risk that green *sukuk* will function primarily as instruments of financial market expansion rather than as catalysts for genuinely inclusive, environmentally responsible, and socially just development. Reorienting green *sukuk* around the principles of *Maqasid al-Shariah* therefore represents not only a normative recommendation but also a strategic pathway for strengthening the long-term credibility and distinctiveness of Islamic sustainable finance.

4.2. Discussion

4.2.1. Revisiting Green *Sukuk* beyond Conventional Sustainable Finance

The findings invite a reconsideration of how green *sukuk* are conceptualized within Islamic finance and sustainable finance literature. Existing research has largely portrayed green *sukuk* as an innovative instrument reconciling *Shariah* principles with environmental sustainability by mobilizing capital for climate-related investments (Alam et al., 2013; Alhammadi et al., 2022). This work has advanced understanding of their operational and institutional development, but mainly through legal, financial, and governance perspectives, with less attention to the political-economic structures within which green *sukuk* evolve and what these structures mean for the ethical distinctiveness of Islamic finance.

This study extends that literature by showing that green *sukuk* are products of a wider transformation in global sustainability governance, not simply environmentally responsible financial instruments. Rather than emerging independently from within Islamic finance, they have developed alongside the expansion of climate finance, ESG investing, and market-oriented environmental governance, supporting critical scholarship that sustainable finance increasingly relies on financial markets to pursue environmental objectives while reshaping the institutional meaning of sustainability itself (Bracking, 2019; Christophers, 2015; Gabor & Braun, 2025). Green *sukuk*, in other words, cannot be fully understood apart from the political economy of sustainable finance in which they operate.

The discussion also draws a conceptual distinction between *Shariah* compliance and *Maqasid* realization. Much existing literature assumes that compliance with Islamic contractual principles is enough to establish the ethical superiority of Islamic financial instruments. This study questions that assumption. *Shariah* governance remains essential for legitimacy, but compliance alone does not guarantee distributive justice, environmental stewardship, social inclusion, or intergenerational responsibility. Treating *Maqasid al-Shariah* as an evaluative framework rather than a legal reference, the study argues that green *sukuk* should be judged by their contribution to holistic human and ecological well-being, not by contractual validity alone.

A further implication concerns the relationship between Islamic and conventional sustainable finance. Comparative studies often stress the contractual differences between green *sukuk* and conventional green bonds. These differences remain legally significant, but both instruments increasingly operate within similar institutional environments shaped by ESG disclosure standards, sustainability taxonomies, external certification, and investor-oriented governance (OECD, 2017; Radzewicz-Bak et al., 2024). The key distinction between Islamic and conventional sustainable finance may therefore lie less in financial architecture than in the normative objectives guiding governance, evaluation, and long-term societal purpose.

This bears on debates over the future direction of Islamic finance. A genuinely distinctive Islamic sustainable finance cannot rest on contractual compliance or on replicating existing green products under *Shariah* structures. Its comparative advantage lies instead in its capacity to redefine the objectives of sustainable finance around justice, stewardship, public welfare, and ethical accountability. Green *sukuk* are thus not the endpoint of Islamic financial innovation but an opportunity to reorient sustainable finance toward a broader conception of development, one that integrates environmental sustainability with the higher objectives of Islamic economics.

4.2.2. Theoretical Contributions

This study advances a multidimensional theoretical perspective for understanding green *sukuk* beyond their conventional treatment as *Shariah*-compliant sustainable instruments. While prior research has examined green *sukuk* mainly through legal, governance, or financial performance lenses (Alam et al., 2013; Alhammadi et al., 2022), this study shows that their development can only be fully understood within the broader political economy of sustainable finance. By integrating political economy, financialization, assetization, and *Maqasid al-Shariah* into a unified framework, the study offers a more comprehensive account of both the institutional evolution and normative implications of green *sukuk*.

The first contribution moves the analysis beyond firm- and instrument-level evaluation toward the structural dynamics of global financial governance. Existing scholarship has focused mainly on contractual features, governance arrangements, and market performance. This study instead treats green *sukuk* as products of institutional transformations driven by climate finance, ESG integration, and market-based environmental governance (Bracking, 2019; Christophers, 2015; Gabor & Braun, 2025), shifting focus from instrument design to the institutional environment that grants these instruments legitimacy and significance.

Second, the study contributes to the financialization literature by showing that green *sukuk* reflect the financialization not only of Islamic finance but of sustainability itself. Drawing on Epstein (2005), Krippner (2011), and Van der Zwan (2014), it shows how environmental objectives become embedded in financial markets through investment criteria, disclosure, certification, and risk management, illustrating that sustainability is increasingly read through financial logics rather than displaced by them.

Third, the study introduces assetization, a concept largely unexplored in Islamic finance scholarship. Building on Birch and Muniesa (2020) and Golka et al. (2024), it shows that green *sukuk* convert environmental value into investable assets that can be standardized, certified, and exchanged in global markets, linking Islamic finance to the emerging political economy of assetization. Fourth, and most significantly, the study repositions *Maqasid al-Shariah* from a marker of legal legitimacy to a normative evaluative standard, used to assess whether green *sukuk* genuinely advance justice, public welfare, environmental stewardship, and intergenerational responsibility. This distinguishes formal *Shariah* compliance from the substantive realization of Islamic ethical objectives and argues that Islamic sustainable finance should be judged by both.

Finally, the study proposes that green Islamic finance must shift from market-centred to ethics-centred sustainability. Unlike ESG criteria or the SDGs, which mainly track environmental performance and governance practice, an ethics-centred approach places justice, public welfare, and ecological stewardship at the core of financial decision-making rather than treating them as by-products of market expansion. This offers a foundation for future theoretical and empirical work on more ethically grounded models of sustainable finance, in both Islamic and conventional systems.

4.2.3. Policy and Governance Implications

The findings of this study have important implications for policymakers, regulators, standard-setting bodies, Islamic financial institutions, and investors seeking to strengthen the contribution of green *sukuk* to sustainable development. While the rapid expansion of green *sukuk* demonstrates the growing capacity of Islamic finance to support climate-related investment, the analysis suggests that further institutional development is required to ensure that environmental and ethical objectives remain central to the governance of these instruments.

First, regulatory authorities should move beyond frameworks that primarily emphasize market growth and disclosure compliance toward governance models that also evaluate the socio-environmental outcomes of financed projects. Existing sustainability regulations have substantially improved transparency, reporting quality, and investor confidence. However, these mechanisms remain largely focused on procedural compliance rather than on measuring the broader societal and ecological impacts generated by green investments. Future regulatory frameworks should therefore incorporate performance indicators capable of assessing environmental effectiveness, social inclusion, long-term ecological resilience, and distributive outcomes alongside conventional financial metrics (OECD, 2017; Radzewicz-Bak et al., 2024).

Second, Islamic standard-setting institutions have an important role in strengthening the normative foundations of green *sukuk*. Organizations such as AAOIFI and the Islamic Financial Services Board (IFSB) are well positioned to develop guidance that integrates *Maqasid al-Shariah* more explicitly into sustainability governance. Rather than limiting Shariah supervision to contractual compliance, future standards could encourage the systematic evaluation of whether financed projects contribute to environmental stewardship, public welfare, equitable access to resources, and the protection of future generations. Such an approach would reinforce the ethical distinctiveness of Islamic finance while improving consistency across jurisdictions (AAOIFI, 2017).

Third, issuers and financial institutions should adopt governance practices that extend beyond environmental certification and ESG disclosure. Although external verification enhances market credibility, it should be complemented by impact-oriented reporting that demonstrates the tangible environmental and social outcomes of financed projects. Integrating quantitative environmental indicators with qualitative assessments of community welfare, stakeholder engagement, and long-term sustainability would provide a more comprehensive evaluation of project performance and strengthen public confidence in green *sukuk* initiatives (Flammer, 2021; Ahmed et al., 2015).

The findings also carry important implications for investors. Institutional investors increasingly evaluate green financial instruments according to risk, return, and sustainability performance. However, the present analysis suggests that investment decisions should incorporate broader ethical considerations alongside financial criteria. A *Maqasid*-oriented investment perspective encourages investors to assess not only whether projects satisfy recognized environmental standards but also whether they contribute to inclusive development, equitable resource allocation, and meaningful ecological improvement. Such an approach aligns investment strategies with the broader objectives of responsible and values-based finance rather than focusing exclusively on market performance.

Finally, the study highlights the need for stronger institutional coordination between international sustainable finance initiatives and Islamic financial governance. Harmonization between global sustainability frameworks and Islamic ethical principles should not be limited to technical compatibility or reporting standards. Instead, collaboration should seek to establish governance models that integrate financial integrity, environmental accountability, and socio-economic justice within a coherent institutional framework. Strengthening this integration would enhance the credibility of green *sukuk* as instruments capable of supporting climate action while preserving the ethical identity of Islamic finance.

Overall, the policy implications of this study suggest that the future success of green *sukuk* will depend not only on continued market expansion but also on the development of governance frameworks that place ethical purpose alongside financial efficiency. Embedding *Maqasid al-Shariah* within sustainability governance offers an opportunity to reposition Islamic finance as a leading contributor to a more inclusive, environmentally responsible, and socially just model of sustainable development.

5. Conclusion

This study examined whether green *sukuk* represent a genuine transformation in Islamic finance or primarily reproduce the market-oriented logics of contemporary sustainable finance. By integrating political economy, financialization, assetization, and *Maqasid al-Shariah* into a unified analytical framework, the study evaluated green *sukuk* beyond their legal structure and financial performance. Findings show that green *sukuk* have significantly expanded the participation of Islamic finance in climate-related investment and sustainable development by mobilizing long-term capital for environmentally responsible projects. Their institutional evolution, however, remains largely embedded within governance structures shaped by market-based sustainability, financial incentives, and global investment standards. As a result, environmental legitimacy continues to be assessed mainly through certification systems, disclosure requirements, and financial performance, while distributive justice, public welfare, and ecological stewardship receive comparatively less institutional emphasis.

The study contributes both theoretically and practically. Theoretically, it shows that understanding green *sukuk* requires moving beyond single-theory explanations by integrating political economy, financialization, assetization, and *Maqasid al-Shariah* into a comprehensive framework, one that explains not only the institutional evolution of green *sukuk* but also provides a normative basis for evaluating their contribution to justice, environmental stewardship, and long-term societal welfare. Practically, the findings suggest that the distinctiveness of Islamic sustainable finance cannot rest solely on contractual compliance or on adapting conventional green financial instruments to *Shariah* requirements. Embedding *Maqasid al-Shariah* within sustainability governance instead offers a pathway to strengthen the ethical identity of green *sukuk* while aligning financial innovation with broader socio-environmental objectives. As a conceptual study, the analysis relies on theoretical synthesis, documentary analysis, and critical interpretation of secondary sources rather than empirical examination of individual issuances or project-level outcomes, and future research should extend this framework through empirical case studies, cross-country comparisons, interviews with regulators and market participants, and quantitative assessments of environmental and social impact.

Overall, green *sukuk* represent an important innovation in the evolution of Islamic finance, yet their transformative potential depends on more than market expansion or rising issuance volumes. Their long-term significance will ultimately depend on whether sustainability is treated as a financial opportunity or as a comprehensive ethical commitment. Reorienting green *sukuk* around the higher objectives of *Maqasid al-Shariah* offers a foundation for a more balanced model of sustainable finance, one that integrates environmental responsibility, economic efficiency, and social justice, allowing Islamic finance not only to participate in the global sustainability transition but also to offer a distinctive ethical paradigm for its future development.

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