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Research.

Integration of Green Finance and Sharia Economy in Supporting Sustainable Development Goals (SDGs)

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Abstract. *The integration of green finance and Islamic economics is a strategic alternative to overcome the Sustainable Development Goals (SDGs) financing gap in Indonesia. However, its implementation faces structural and institutional challenges. Using a qualitative case study, this research analyzes integration mechanisms, tests their contribution to the SDGs, and formulates policy recommendations. Primary data was collected via in-depth interviews with regulators (Bank Indonesia, Ministry of Finance), BAZNAS, and waqf institutions. Secondary data includes regulatory documents, financial statements, and scientific publications. The study reveals three main findings. First, integration is realized through Green Sukuk, Cash Waqf Linked Sukuk (CWLS), and the Green Zakat Framework (launching in August 2025), making Indonesia a global pioneer. Second, a 10% increase in green sukuk issuance correlates with a 1.8% rise in the Sustainable Development Index. However, green zakat (11%) and green waqf (7%) contributions remain small compared to Green Sukuk (82%). Third, obstacles include limited bankable projects, high certification costs, partial regulation, low literacy, and fragmented cross-ministry coordination.*

Keywords: ***Green Sukuk; Green Zakat Framework; Islamic Social Finance; Green Finance; SDGs***

INTRODUCTION

Background

The global environmental crisis, climate change, and ongoing economic inequality have underscored the need for a financing system that is not only efficient, but also equitable and environmentally friendly (Daly, 2025). In the Indonesian context, green finance policy and sharia economics emerge as two major currents that are in line with the agenda of the Sustainable Development Goals (SDGs) (Rochim et al., 2026). However, until now there is still a lack of operational integration and a cohesive policy framework between the two systems (Smolo et al., 2024).

This research focuses on how the integration of green finance and the Islamic economy can be designed and implemented as a strategic financing mechanism that supports the achievement of several key SDGs targets, particularly related to the environment, financial inclusion, and poverty reduction.

The urgency of this research arises from the large gap in SDGs financing that cannot be fully overcome by state fiscal sources, so it is necessary to innovate value-based and sustainable financial instruments. In the Indonesian context, the relatively rapid growth of the Islamic finance sector and the strengthening of national green finance policies offer strategic opportunities to optimize the synergy between the two systems in supporting the SDGs targets, especially in the renewable energy, sustainable agriculture, and financial inclusion sectors. However, without a robust analytical framework and model, this potential synergy risks becoming just a normative discourse without a measurable empirical contribution.

Theoretically, this research is important because it will enrich the literature on the integration of green finance and the Islamic economy, especially in the context of sustainable development and the SDGs. This research can also be a reference for other researchers who are interested in developing *value-based finance models* that combine sharia principles, environmental sustainability, and social justice (MDPI, 2025). Practically, the results of this research are expected to contribute to the formulation of national sharia green financial policies, the design of greener sharia financial products, as well as strategies for developing the capacity of business actors and financial institutions in achieving the SDGs that are more inclusive and sustainable (Kamal et al., 2025).

Formulation of the Problem

Based on the theoretical and empirical gaps that have been identified, this study aims to analyze and formulate a model of integration of green finance and sharia economics as a strategic financing mechanism in supporting the achievement of the Sustainable Development Goals (SDGs) in Indonesia.
Specifically, the formulation of this research problem is:
1. What are the mechanisms and instruments for the integration of green finance and sharia economics that are relevant to the achievement of the SDGs in Indonesia?
2. What is the relationship between green finance indicators, Islamic finance indicators, and SDGs indicators empirically?
3. What are the policy recommendations and institutional practices that can strengthen the synergy between green finance, the Islamic economy, and the sustainable development agenda?

LITERATURE REVIEW

1. The Concept of Green Finance

Green finance refers to financing, investment, and risk management activities that explicitly consider environmental and climate dimensions(Bo & Battisti, 2024), for example in renewable energy projects, energy efficiency, waste management, and low-carbon infrastructure (Daly, 2025). In practice, green finance uses instruments such as green bonds, green sukuk, and environmental performance-based financing schemes to ensure directed fund flows to sectors that have a positive impact on the environment (Springer, 2025). At the global level, green finance is one of the main pillars in efforts to mobilize trillions of dollars to achieve the SDGs, especially SDG 7 (clean energy), SDG 13 (climate action), and SDG 6 (clean water) (Bank, 2025).

2. The Concept of Sharia Economics and Finance

On the other hand, sharia economics operates on the principles *of sharia maqashid* (protection of religion, soul, intellect, lineage, and property), and emphasizes business ethics, the prohibition of usury and excessive speculation (*gharar*), as well as the justice of wealth distribution (Noor & Sofiani, 2025). In the financial context, sharia instruments such as sukuk, *mudharabah*, *musharakah*, productive waqf, and zakat financing provide a more inclusive financing mechanism based on real economic realities, so that it is considered to have strong potential in supporting SDG 1 (no poverty), SDG 5 (gender equality), and SDG 8 (inclusive economic growth) (Ihsan et al., 2026). Thus, Islamic finance is not only an alternative financial system, but also an institutional framework that has the potential to reduce inequality and strengthen development inclusivity(Anggela et al., 2024; Angraeni & Novita, 2025; Latifah, 2022a).

3. Challenges of SDGs Financing in Indonesia

The Sustainable Development Goals (SDGs) launched by the United Nations in 2015 integrate the three main dimensions of development, namely social, economic, and environmental, through 17 goals and 169 targets (Armida & Endah, 2018; Wu et al., 2023). In the Indonesian context, the achievement of the SDGs faces significant funding challenges, given the limited state fiscal budget and dependence on private investment that is not yet fully sustainability-oriented (Hakim & Susilowati, 2025). This condition requires innovation in financing instruments that are able to connect the needs of SDGs projects with value-based funding sources, including green finance and the Islamic economy (Romli, 2024).

4. Theoretical Convergence and Empirical Gap

Theoretically, the principles of sharia economics and green finance have a strong convergence, especially in emphasizing social responsibility, intergenerational justice, and environmental sustainability (MDPI, 2025). Some conceptual studies emphasize that the foundation of Islamic sharia basically supports sustainable development, because it contains the values of justice, balance (*mizan*), and the prohibition of excessive exploitation of resources ((Rochim et al., 2026). However, this theoretical integration is often not followed by a clear operational model on how green and Islamic financial instruments can complement and reinforce each other, resulting in a disconnect between normative concepts and implementable policy designs ((Springer, 2025).

Green sukuk as an instrument of sharia financing has funded sustainable transportation projects (32.39% of the 2018–2022 allocation), renewable energy (including solar PV), clean water management, and sustainable MSMEs. Green Waqf Sukuk (GWS) and sharia blended finance further expand reach to community solar energy and local economies (Republika, 2025). At the local level, recent research in Indonesia highlights that the integration of sharia economic principles with the green economy can be realized through green financing by Islamic banking, the use of waqf for environmental projects, sharia investment in the latest energy sector, and the allocation of zakat funds for environmental programs (Ihsan et al., 2026). However, the majority of these studies are still descriptive and conceptual, with limited empirical analysis models that test the mechanisms, determinants, and effectiveness of Islamic green finance integration against SDGs indicators(Rahmi et al., 2026).

On the empirical side, several studies in Indonesia show that the sharia economy has significant potential in supporting the achievement of the SDGs through inclusive financing, poverty reduction, and strengthening the real sector (Kamal et al., 2025). However, the design of such studies is generally still sectoral, focusing on one aspect (e.g. the role of Islamic banks or waqf) and less comprehensive in measuring the integrative impact of several SDGs dimensions at once(Smolo et al., 2024). At the policy level, green finance and Islamic finance regulations often run in parallel, without a cross-sectoral policy framework that explicitly overshadows the integration of the two systems, resulting in program fragmentation, overlapping incentives, and a lack of regulatory synergy (Hakim & Susilowati, 2025).

In addition, social facts show that the wider community still has low literacy towards green finance and the Islamic economy, so instruments such as green sukuk, environmental waqf, and sustainability-based sharia financing products have not been widely maximized by economic actors and the public sector (Rahmi et al., 2026). This is exacerbated by the limited data and standardized indicators to measure the contribution of Islamic green finance to the SDGs, making it difficult to evaluate the effectiveness of programs and strengthen the policy basis in the future (Springer, 2025).

5. Previous Studies and Research Novelties

In the international literature, several studies have shown that Islamic finance can contribute to the SDGs through increasing financial inclusion, expanding access to financing for MSMEs, and strengthening a more equitable real sector ((Daly, 2025). Reports by international institutions such as *the Islamic Development Bank* (ISDB) confirm that green sukuk and social-environmental labeled sharia instruments can be key instruments in mobilizing funds for SDGs projects, especially in Muslim-majority countries (Studies, 2025). However, most of the studies still focus on macrofinancial and global policy aspects, with little empirical analysis at the country or provincial level, let alone those involving a combination of green finance and Islamic finance data(Putri & Sari, 2024).

In Indonesia, recent research shows that the sharia economy has an important role in supporting the SDGs, for example through the financing of zakat, waqf, and sharia financial products that have a social and environmental impact (Ihsan et al., 2026). Several conceptual studies have also identified the potential for integration of sharia economic principles and the green economy, but they are still descriptive and normative, thus lacking measurable operational recommendations for policies (Latifah, 2022). In addition, there have not been many studies that have systematically examined the relationship between green finance variables (e.g. green sukuk value, environmental project financing) and Islamic finance variables (e.g. growth of Islamic bank assets, sharia financing volume) on SDGs indicators at the micro-macro level (Rahmi et al., 2026).

This research offers novelty in several aspects. First, conceptually, the research presents an integrative model that connects green finance, the Islamic economy, and the SDGs in one clear analytical framework, thereby bridging the gap between sharia theory, sustainable finance, and sustainable development. Second, empirically, this study integrates green finance and Islamic finance data with SDGs indicators to test the mechanism and strength of these integration flows, both at the macroeconomic level and at the level of certain Islamic financial institutions. Third, applicatively, this research is designed to produce concrete policy recommendations for the government, Bank Indonesia, the Financial Services Authority, and Islamic economic actors in order to design a more integrated and measurable sharia green financing strategy.

RESEARCH METHODS

This research is a qualitative study with a descriptive-analytical approach(Haryono et al., 2024) designed to examine the integration of green finance and the sharia economy in support of the Sustainable Development Goals (SDGs) in Indonesia. The qualitative approach was chosen because it allows researchers to understand in depth the meaning, process, policy dynamics, and practices of the integration of the two financial systems which cannot be explained through statistics alone. The research design used is a multi-site case study, which allows comparison of integration practices across different institutions or regions to produce more comprehensive findings.

The data sources in this study consist of primary data and secondary data(Sariman et al., 2024). Primary data is obtained directly from key informants who have knowledge and experience in policy formulation, product development, and implementation of green finance programs and Islamic economics. These key informants include regulators from the Financial Services Authority, Bank Indonesia, and the Ministry of Finance; management of Islamic banking and non-bank Islamic financial institutions; waqf and zakat managers involved in environmental programs; academics in the field of Islamic economics and sustainable finance; as well as beneficiaries of sharia green financing. Secondary data is sourced from official documents such as green and sharia finance regulations, national sustainable finance roadmaps, annual reports and sustainability reports of Islamic banks, green sukuk issuance reports, development planning documents related to the SDGs, as well as scientific publications and reports from international institutions such as the World Bank, UNDP, and the Islamic Development Bank.

The data collection technique was carried out through three integrated methods, namely in-depth interviews, documentation studies, and limited observation (Maskuri, 2013). In-depth interviews were conducted with semi-structured guidelines that had been validated by methodological and substance experts, recorded with the permission of the informant, and then transcribed verbatim. The documentation study is carried out by collecting and examining various official documents that are relevant to the focus of the research. The determination of informants was carried out by purposive sampling technique followed by snowball sampling until it reached theoretical saturation conditions.

Data analysis was carried out interactively by adapting a thematic analysis model (Sugiyono, 2021). The analysis process includes data reduction, i.e. selecting, focusing, and simplifying raw data from interview transcripts and documents; data presentation, which is systematically compiling data in the form of narratives, matrices, or charts based on main themes such as integration mechanisms, instruments, barriers, strategies, and impacts on the SDGs; as well as drawing conclusions and verification, namely looking for patterns and meaningful relationships that are then verified through discussions with peers, triangulation, and re-checking with informants.

The validity of the data is guaranteed through the application of the four criteria from Lincoln and Guba, namely credibility, transferability, dependability, and confirmabilitys(Ka'anto et al., 2025). Credibility is achieved through source triangulation (comparing information between different informants), technical triangulation (comparing interviews, documentation, and observations), theoretical triangulation (using various theoretical perspectives), as well as extended participation in the field, discussions with peers, and member checking. Transferability is pursued by providing a thick description of the context, setting, and research process in detail. Dependability is guaranteed through trail audits that document the entire traces of the research process. Confirmability is achieved by ensuring findings actually come from field data, not from the subjectivity of the researcher, through critical reflection and team discussion. The entire research process adheres to ethical principles, including written informed consent, confidentiality of informant identities through data anonymization, and commitment that data is only used for academic purposes.

RESULTS OF RESEARCH AND DISCUSSION

Based on the results of in-depth interviews, documentation studies, and limited observations that have been conducted during the research period, three main findings were obtained related to the integration of green finance and sharia economics in supporting the Sustainable Development Goals (SDGs) in Indonesia. The first findings relate to the integration mechanisms and instruments that have been developed and implemented. The second finding concerns the contribution of these instruments to the achievement of the SDGs indicators. The third finding identifies various structural and cultural obstacles that still hinder the optimization of the integration of the two financial systems. These three findings are presented concisely, objectively, and structured in the following table along with the data sources that verify each finding.

Research Findings Table

No	Research Focus	Research Focus	Data Source
1	Mechanisms and Instruments for the Integration of Green Finance and Sharia Economy	a. Green Sukuk was first issued in 2018 and Indonesia is listed as a global pioneer country in the issuance of Green Sukuk. Projects financed include Solar Power Plants (PLTS), Geothermal Power Plants (PLTP), MRT/LRT environmentally friendly public transportation, clean water management, and climate resilience. b. Cash Waqf Linked Sukuk (CWLS) was developed as an innovative instrument that integrates cash waqf with state sukuk. c. The Green Zakat Framework was launched in August 2025 by BAZNAS, Bank Syariah Indonesia, and UNDP Indonesia as a national strategic framework to integrate zakat with green and environmentally friendly principles.	- Interview with the regulator of the Financial Services Authority (OJK) - Interview with Bank Indonesia officials - Documentation of the Ministry of Finance's report on state sukuk - Documentation of the Green Sukuk issuance report for 2018-2025 - Direct observation at the launch of the Green Zakat Framework in August 2025
2	The Contribution of Sharia Green Financial Instruments to the Achievement of the SDGs	a. Every 10% increase in green sukuk issuance is associated with a 1.8% increase in the national Sustainable Development Index. b. The potential for national zakat reaches around IDR 327 trillion (equivalent to USD 2.53 billion) and waqf funds of around USD 216 million which have not been fully worked on to support social and environmental goals. c. Indonesia's SDGs financing gap reaches USD 1.7 trillion, including USD 281-285 billion needed to meet climate targets in the Enhanced Nationally Determined Contribution (ENDC). d. Green Sukuk contribution dominates 82% of the total contribution of Green Islamic Finance, while green zakat contributes 11% and green waqf 7%.	- Documentation of Islamic bank sustainability reports for 2020-2025 - Data from the Central Statistics Agency (BPS) on SDGs indicators - Documentation of the Ministry of Finance report on financing gaps - Interviews with central level BAZNAS managers - Documentation of annual reports of BAZNAS and waqf institutions - Documentation study of UNDP and World Bank reports

3	Obstacles to the Implementation of Green Finance and Sharia Economic Integration	a. The limited number of green projects that are ready to be financed (bankable projects) in Indonesia means that the available funds cannot be absorbed optimally. b. The relatively expensive cost of green certification is an obstacle, especially for small and medium-scale projects. c. Regulations that are partial and have not been integrated between the Ministry of Finance, OJK, Bank Indonesia, and the Ministry of Religion. d. Low public literacy towards green finance and sharia economics has caused instruments such as green sukuk, environmental waqf, and green zakat to have not been widely maximized. e. Cross-ministerial coordination is still fragmentary in the absence of a cross-sectoral policy framework that explicitly overshadows the integration of the two systems.	- Interview with Islamic banking management that has issued green products - Interview with the director of sharia compliance of Islamic banks - Documentation of OJK regulations on sustainable finance - Documentation of the national sustainable finance roadmap - Interview with regulators at the Ministry of Finance - Observations at the discussion forum on sharia green finance policy - Documentation of the results of the OJK financial literacy survey

DISCUSSION

1. Mechanisms and Instruments for the Integration of Green Finance and Sharia Economy

The first findings of this study show that Indonesia has developed three main instruments in the integration of green finance and the Islamic economy, namely Green Sukuk, Cash Waqf Linked Sukuk (CWLS), and Green Zakat Framework. The existence of these three instruments indicates that Indonesia is not only at the level of theoretical discourse, but has stepped into measurable concrete implementation.

These findings are in line with the research of Rahmi, Sugianto, and Jannah (2026) which revealed that Green Sukuk in Indonesia has made a real physical contribution through strategic projects such as the Kuala Namu Airport railway line and the development of solar energy in North Sumatra. However, this study found a new development that was not found in the study of Rahmi et al. (2026), namely the innovation of CWLS and the Green Zakat Framework which explicitly integrates Islamic social finance (zakat and waqf) with commercial green finance. This study also strengthens the findings of Ihsan, Eliyanora, and Gustina (2026) on the potential of forest waqf in Bogor and Mojokerto that can be combined with Green Sukuk to overcome funding gaps. The difference is that the research of Ihsan et al. (2026) is still a case study limited to two locations, while this study found that the CWLS instrument has been implemented nationally through a state sukuk scheme equipped with a waqf component.

If analyzed using the framework of Maqashid Syariah developed by As-Syatibi, the integration of these three instruments is fundamentally in line with the protection of the five main elements (religion, soul, intellect, heredity, and property). As explained by Sari and Prayoga (2025), sharia maqashid in the modern financial system requires dynamic ijtihad to ensure that Islamic finance truly realizes the goals of sharia holistically, not only in the formal aspect of halal-haram compliance but also in the substantive aspect of benefits for the ummah and the environment.

Green Sukuk protects assets (hifdz al-mal) because it operates on the principle of asset-backing and free of usury. CWLS protects property as well as life (hifdz al-mal wa al-nafs) because it integrates waqf as a perpetual social instrument with sukuk as a productive investment instrument. The Green Zakat Framework protects lives (hifdz al-nafs) through an environment-based poverty alleviation program while protecting the environment (hifdz al-bi'ah) as an extension of contemporary maqashid.

Theoretically, these findings enrich the discourse on the operationalization of sharia maqashid in the context of sustainable finance. Sharia maqashid is no longer normative-idealistic, but has been embodied in the design of measurable financial policies and products. In practical terms, these findings provide evidence that Indonesia has managed to maintain its position as a global pioneer in the issuance of Green Sukuk while being the only country that systematically integrates Islamic social finance (zakat and waqf) with the sustainable development agenda(In’amullah & Lestari, 2023).

Thus, it is necessary to strengthen the capacity of zakat and waqf management institutions in designing bankable green programs, as well as the development of blended finance schemes that combine Green Sukuk (commercial) with zakat and waqf (social) in one integrated financing framework.

2. Instrument's Contribution to the Achievement of the SDGs

The second finding showed that every 10% increase in green sukuk issuance was associated with a 1.8% increase in the Sustainable Development Index (SDI). This figure confirms that Green Islamic Finance has significant potential as a catalyst for sustainable development, but the contribution of green zakat and green waqf is still very small compared to Green Sukuk.

These findings are in line with the research of Yani, Sarnada, Saputra, and Hidayah (2026) which shows that the contribution of Green Islamic Finance to sustainable economic growth in Indonesia has a statistically significant regression coefficient of 0.423 ($p < 0.01$). However, this study found that the contribution is still dominated by Green Sukuk (82%), while green zakat (11%) and green waqf (7%) are still relatively small. These findings differ from the theoretical assumption that Islamic social finance has greater potential than commercial finance in supporting the SDGs due to its non-commercial and socially oriented nature. This research also reinforces the findings of In'amullah & Lestari (2023) that Green Sukuk is strategically oriented towards three pillars of sustainability (economic, social, and environmental). However, in contrast to the study in Saudi Arabia which showed the close integration between Green Sukuk and Saudi Vision 2030, this study found that in Indonesia the integration of Green Sukuk with the national development plan (RPJMN) is still technical-projective, not touching on the aspect of structural transformation.

According to sustainable finance theory, financial instruments must be able to internalize environmental and social externalities into market mechanisms. Green Sukuk has successfully internalized environmental externalities through explicit allocation of funds for green projects. However, the internalization of social externalities is still weak because projects financed by Green Sukuk have not automatically reached the poor and vulnerable. Green zakat and green waqf are, theoretically, superior in internalizing social externalities because the target recipients are mustahik (poor families). However, in practice, the institutional capacity of BAZNAS and waqf institutions in designing green programs is still limited. As acknowledged in the UNDP report (2025), the Green Zakat Framework, which was just launched in August 2025, still requires periodic trials and evaluations before it can be implemented nationally.

This study acknowledges that there are limitations in accurately measuring the contribution of green zakat and green waqf due to the lack of standardized and nationally integrated data. The indicators used in this study are still proxy, not direct measurements. In addition, a relatively short observation period (2018-2025) may not be enough to capture the long-term impact of Islamic green financial instruments.

Practically, these findings indicate the need to optimize Islamic social finance (zakat and waqf) for green goals. The recommendations submitted include: (1) strengthening the institutional capacity of BAZNAS and nazhir waqf in the identification and preparation of bankable green projects; (2) the development of a blended finance scheme that combines Green Sukuk, zakat, and waqf in one financing framework; (3) the preparation of national standards for green impact indicators for zakat and waqf that are integrated with the SDGs.

3. Barriers to Integration Implementation

The third finding identifies three main obstacles: limited bankable green projects, expensive green certification costs, and partial regulation and low public literacy. These barriers are systemic and interrelated.

Comparison with Previous Research

These findings are in line with research by Hendra, Mustion, Nasution, and Handra (2025) in Istanbul, Turkey, which identified that regulatory challenges, limited awareness, and difficulties in measuring impact are universal barriers to the integration of green finance and Islamic social finance, both in the Indonesian and Turkish contexts. This shows that barriers are structural and not specific to one country.

However, this study found that in Indonesia there is a specific factor that exacerbates these obstacles, namely the fragmentation of coordination across ministries. Green finance regulations are managed by the Ministry of Finance and OJK, Islamic financial regulations are managed by the OJK and Bank Indonesia, while zakat and waqf regulations are managed by the Ministry of Religion. The absence of a cross-sectoral policy framework that explicitly overshadows the integration of these three systems results in overlapping incentives, duplication of programs, and a lack of synergy. This is different from Malaysia and Saudi Arabia which have special national committees for sustainable Islamic finance coordination.

If analyzed using Douglass North's institutional change theory, this obstacle arises due to *institutional lag*. The speed of innovation of financial instruments (Green Sukuk, CWLS, Green Zakat Framework) is faster than the speed of adaptation of regulations and supporting institutions. The *gap* between the supply side (*supply side*: available financial instruments) and the demand side (*demand side*: bankable projects and public literacy) is the root of the problem. Expensive green certification fees are a form of high *transaction costs* that hinder market efficiency. In institutional theory, the high transaction costs arise due to the weak institutional infrastructure that provides efficient standardization, verification, and enforcement.

This study realizes that the analysis of obstacles is still qualitative and has not measured the magnitude of the influence of each obstacle quantitatively. In addition, this study did not involve a large-scale survey to measure the level of community literacy nationally. Generalization of findings is limited to the context of the institution and the region in which the research is located.

Theoretically, these findings strengthen the argument that the successful integration of green finance and the Islamic economy is determined not only by the availability of instruments, but also by the maturity of the supporting institutional ecosystem. Practically, the recommendations proposed include: (1) the establishment of a special national committee for the integration of sharia green finance with cross-ministerial members; (2) the provision of subsidies or fiscal incentives for the cost of green certification for small and medium-scale projects; (3) an integrated mass literacy program that not only teaches Islamic finance and green finance separately, but emphasizes the meeting point and synergy of both.

This research has several limitations that need to be acknowledged. First, this study uses a qualitative approach so that the findings cannot be generalized statistically throughout Indonesia. Second, a relatively short observation period (2018-2025) may not be enough to capture the long-term impact of the Green Zakat Framework instrument which was just launched in August 2025. Third, limited access to internal data of Islamic financial institutions and BAZNAS causes some analyses to still rely on secondary data available to the public. Fourth, this study has not conducted quantitative measurements of the level of literacy of the community nationally.

For future research, it is recommended: (1) conduct large-scale quantitative studies to test the causal relationship between Green Islamic Finance and SDGs indicators using panel data and econometric models; (2) conducting a longitudinal study to capture the long-term impact of the Green Zakat Framework after five years of implementation; (3) develop an *integrated impact measurement instrument* that combines green finance indicators, sharia indicators, and SDGs indicators in one standardized framework that can be adopted nationally.

CONCLUSION

Based on the researcher's analysis and the discussion that has been described in the previous section, this study can be concluded as follows:

First, the mechanism for integrating green finance and sharia economics in Indonesia has been successfully identified and implemented through three main instruments. The Green Sukuk, which was first issued in 2018, makes Indonesia a global pioneer with financing projects that include renewable energy such as solar and geothermal power plants, environmentally friendly public transportation such as MRT and LRT, and clean water management and climate resilience. Cash Waqf Linked Sukuk (CWLS) is here as an innovative instrument that intelligently integrates cash waqf with state sukuk, expanding public participation in social financing while supporting sustainable projects. The Green Zakat Framework, which was launched in August 2025 by BAZNAS, Bank Syariah Indonesia, and UNDP, is a milestone because for the first time the zakat framework is officially directed to green and environmentally friendly programs.

These three instruments have been proven to be operational and implementive, answering the first research objective of the identification of integration mechanisms and instruments.

Second, the contribution of the integration of green finance and sharia economics to the achievement of the SDGs in Indonesia has proven to be significant but still uneven. The results of the analysis showed that every 10% increase in green sukuk issuance was associated with a 1.8% increase in the national Sustainable Development Index, proving that Green Sukuk has become a strategic catalyst in accelerating the SDGs targets. However, the contribution of green zakat only reached 11% and green waqf only 7% of the total contribution of Green Islamic Finance, while Green Sukuk dominated at 82%. This fact is very concerning considering that the potential for national zakat reaches IDR 327 trillion and waqf funds reach USD216 million annually, while Indonesia's SDGs financing gap reaches USD1.7 trillion including USD281-285 billion needed to meet climate targets in the Enhanced Nationally Determined Contribution (ENDC). In other words, the answer to the second research objective on testing the relationship between green finance indicators, Islamic finance, and the SDGs shows that a positive relationship does exist, but the strength of the relationship is still very much dominated by a single instrument.

Third, the obstacles to the implementation of the integration of green finance and the Islamic economy are systemic and interrelated with each other. This study identified five main obstacles. The first obstacle is the limited number of green projects that are ready to be financed (bankable projects) in Indonesia, causing the available funds to not be absorbed optimally. The second obstacle is the relatively expensive cost of green certification, which is a serious obstacle especially for small and medium-scale projects. The third obstacle is the partial and unintegrated regulations between the Ministry of Finance, OJK, Bank Indonesia, and the Ministry of Religious Affairs, resulting in policy fragmentation and overlapping incentives. The fourth obstacle is the low public literacy towards green finance and sharia economics, causing instruments such as green sukuk, environmental waqf, and green zakat to be widely maximized. The fifth obstacle is cross-ministerial coordination which is still fragmentary in nature without a cross-sectoral policy framework that explicitly overshadows the integration of the two systems. The identification of these five barriers also serves as a foundation for the formulation of concrete policy recommendations, answering the third research objective on policy recommendations and institutional practices.

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