
Reorienting Indonesia's Islamic Financial Policy: A Normative Review of State Sukuk

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Abstract

This study investigates the normative orientation of Indonesia's state sukuk policy within the framework of Islamic public finance. Drawing from sharia jurisprudence, legal theory, and fiscal policy, the research examines the degree of alignment between Indonesia's sukuk issuance practices and Islamic ethical principles. Using a qualitative normative-juridical method, the study analyzes legal documents, policy instruments, and scholarly sources to assess the conformity of state sukuk to *maqāṣid al-sharī'ah*. The findings reveal that while Indonesia's sukuk framework shows technical adherence to Islamic finance standards, it lacks substantive ethical integration. Weaknesses include limited transparency, insufficient governance, and a focus on fiscal pragmatism over social justice. To resolve these issues, the study proposes a policy reorientation emphasizing maqāṣid-based planning, ethical oversight, and legal harmonization. These insights contribute to the discourse on Islamic financial reform, offering a model for integrating normative principles into national finance strategies in Muslim-majority countries.

Keywords

Islamic finance policy; state sukuk; sharia governance; *maqāṣid al-sharī'ah*; normative jurisprudence

Introduction

Indonesia's journey in integrating Islamic financial principles into its national economic policies has been marked by substantial milestones, notably through the implementation of state sukuk as instruments of sovereign debt. State sukuk represent an innovative financial mechanism grounded in sharia principles, offering an alternative to conventional bonds while promoting ethical, interest-free financing. As Indonesia navigates the complexities of fiscal management within an Islamic framework, the issuance of state sukuk emerges not only as a financial necessity but also as a manifestation of religious and constitutional mandates to uphold Islamic values in public finance (El-Gamal, 2006; Iqbal & Mirakhor, 2007). This integration reflects broader global trends where countries are increasingly turning to Islamic financial instruments to diversify debt portfolios and foster socio-economic equity (Jobst, Kunzel, Mills, & Sy, 2008).

From a theoretical perspective, the use of sukuk introduces compelling intersections between Islamic jurisprudence (fiqh) and modern fiscal policy. The doctrine of *maqāṣid al-sharī'ah*, or the objectives of Islamic law, underpins the rationale for issuing sukuk, aiming to ensure justice, public interest, and economic balance (Kamali, 2008, p. 73). However, the actualization of these objectives in policy implementation raises critical questions about compliance, consistency, and legitimacy. Indonesia's regulatory framework for sukuk issuance, though extensive, often grapples with these normative concerns. Laws such as Law No. 19/2008 on State Sharia Securities and related Ministerial Regulations lay the structural groundwork, yet gaps remain in reconciling legal form with ethical substance (Cizakca, 2004, p. 131).

Empirically, the sukuk market in Indonesia has demonstrated significant growth, contributing to fiscal financing and infrastructure development. Between 2010 and 2020, sukuk issuance expanded rapidly, supported by both domestic and international investors (IMF, 2011). Despite this success, critical assessments reveal ongoing challenges in policy coherence, governance mechanisms, and stakeholder inclusivity. These concerns underscore the need for a comprehensive review of the normative framework governing state sukuk, particularly in aligning it with the foundational values of Islamic economics and national financial objectives (Sundararajan & Errico, 2002). The alignment between policy instruments and ethical imperatives remains a pivotal issue.

The literature surrounding Islamic public finance has highlighted the potential of sukuk to enhance fiscal sustainability and socio-economic justice. However, much of the discourse remains centered on technical and economic analyses, with limited focus on normative dimensions. Existing studies often neglect the legal-philosophical underpinnings of Islamic financial instruments in state governance (Warde, 2000, p. 92). This study seeks to fill that gap by conducting a normative review of national policy

orientation regarding the issuance of state sukuk. The aim is to interrogate the degree to which current practices reflect the spirit and letter of Islamic legal tradition within the framework of national finance.

Against this backdrop, the current research is guided by three principal questions: (1) To what extent does Indonesia's policy framework for state sukuk align with Islamic normative principles? (2) How effectively are these principles operationalized in governance and issuance mechanisms? (3) What adjustments are necessary to enhance the legitimacy and utility of sukuk within the national financial architecture? These questions are embedded in the broader objective of assessing the normative orientation of Islamic financial policy in Indonesia and identifying pathways for its realignment with sharia objectives.

By addressing these questions, this study contributes to the critical discourse on Islamic financial policy reform in developing Muslim-majority countries. It provides a normative lens to understand the evolution of sukuk policy in Indonesia, offering recommendations for enhancing its alignment with Islamic ethical principles while maintaining fiscal prudence. Through this exploration, the research aspires to advance the theoretical and practical paradigms of Islamic public finance and governance.

Literature Review

Over the past two decades, a growing body of literature has examined the evolution and implementation of sukuk as financial instruments in Islamic economies. Much of this scholarship explores sukuk from economic, legal, and regulatory perspectives, analyzing their potential as alternatives to conventional sovereign debt instruments. Scholars such as Iqbal and Mirakhor (2007) have emphasized the macroeconomic benefits of Islamic finance, including risk-sharing and ethical investment, which are central to the design of sukuk. Their analysis underlines how Islamic financial instruments promote equity and accountability in public finance, thereby supporting development goals without resorting to interest-based borrowing.

The normative dimensions of sukuk, however, have received comparatively less scholarly attention. Kamali (2008, p. 126) notes that the alignment of financial instruments with *maqāṣid al-sharī'ah* is critical for their legitimacy within an Islamic framework. Nevertheless, many sukuk structures mimic conventional bonds in practice, raising questions about their authenticity and adherence to Islamic legal principles (El-Gamal, 2006).

In Indonesia, regulatory reforms have sought to enhance sharia compliance, yet the operationalization of these principles often remains superficial. The gap between theoretical ideals and practical implementation persists, as highlighted in critiques by

Cizakca (2004, p. 138), who argues for a deeper incorporation of Islamic ethics in public financial policy.

A significant stream of literature has also addressed the institutional and governance aspects of Islamic financial systems. Works by Jobst et al. (2008) and Sundararajan and Errico (2002) point to the importance of legal clarity, regulatory oversight, and market development in sustaining sukuk issuance. These factors are particularly relevant in emerging economies such as Indonesia, where institutional capacity and legal harmonization are still evolving. However, few studies have analyzed how these structural issues intersect with the normative commitments of Islamic finance. This research seeks to build on and extend existing literature by integrating normative analysis into discussions of policy orientation and financial governance in Indonesia's sukuk framework.

Theoretical Framework

The theoretical foundation of this study rests on several core Islamic and legal-financial concepts that collectively inform the normative orientation of state sukuk issuance in Indonesia. At the heart of this framework is the concept of *maqāṣid al-sharī'ah*, which refers to the overarching objectives of Islamic law: preservation of religion, life, intellect, progeny, and property (Kamali, 2008, p. 78). These principles provide ethical guidelines that must underpin financial transactions and public policy. When applied to state sukuk, *maqāṣid* ensure that public debt instruments contribute to societal welfare rather than merely fiscal expediency.

Closely related is the concept of *al-'adālah al-ijtimā'īyyah* (social justice), which mandates fairness, transparency, and inclusivity in financial dealings. The issuance of sukuk, therefore, must be evaluated not only in terms of compliance with technical sharia standards but also its contribution to equitable development and poverty alleviation (Chapra, 2000, p. 224). This dimension is often underemphasized in regulatory discourses, yet it remains central to the Islamic economic vision. The state, as a trustee (*wakil*) of public wealth, holds a moral and legal responsibility to ensure that sukuk serve public interests and avoid exploitation (Iqbal & Mirakhor, 2007).

Additionally, the study engages with the *fiqh al-mu'āmalāt* (Islamic commercial jurisprudence), particularly the rules governing contracts and obligations. Sukuk must be structured in accordance with accepted Islamic contracts such as *ijarah*, *murabahah*, *mudarabah*, or *musharakah*, each with specific legal implications and risk-sharing mechanisms. El-Gamal (2006) warns against the tendency to replicate conventional debt models under Islamic labels without substantive differences. This concern informs the

critical examination of Indonesia's sukuk structures, which often rely on asset-based models that may blur the lines between form and substance.

From a legal standpoint, the theory of legal pluralism also provides a useful analytical lens. Indonesia's legal system comprises both civil and Islamic legal traditions, requiring harmonization between state laws and religious principles (Hooker, 2003, p. 89). This duality poses unique challenges in formulating policies that are both legally sound and religiously legitimate. The principle of *maslahah* (public interest) is instrumental in resolving such tensions, allowing flexibility in policy design while upholding Islamic norms (Kamali, 2008, p. 133). This study, therefore, evaluates how the integration of Islamic principles with national legal frameworks shapes the legitimacy of state sukuk.

Finally, theories of fiscal sociology inform the study's understanding of how state financial instruments reflect broader social contracts and institutional values. The issuance of sukuk is not a purely economic decision; it symbolizes the moral orientation of the state and its commitment to ethical governance. This perspective reinforces the need to evaluate sukuk not only through economic or legal parameters but also in terms of social legitimacy and public trust (Warde, 2000, p. 109). By synthesizing Islamic jurisprudence, legal theory, and fiscal sociology, this theoretical framework provides a comprehensive basis for analyzing the normative dimensions of Indonesia's sukuk policy.

Previous Research

The evolution of state sukuk policy has been examined in various scholarly works that underscore its potential and challenges. In 2002, Sundararajan and Errico analyzed the institutional requirements for Islamic financial instruments, highlighting the need for robust legal infrastructure and governance mechanisms. Their findings underscore that without appropriate regulatory support, sukuk issuance risks becoming a formality devoid of Islamic ethical content. This point is particularly relevant to Indonesia, where regulatory frameworks continue to evolve to accommodate Islamic financial products (Sundararajan & Errico, 2002).

Iqbal and Mirakhor (2004) emphasized the value of sukuk in fostering financial inclusion and economic development in Muslim-majority countries. Their research pointed to the macroeconomic benefits of using sharia-compliant instruments, particularly in countries with dual banking systems. However, they also noted the tendency for such instruments to mimic conventional bonds, thus raising questions about their authenticity and compliance with Islamic principles. This observation is especially critical in the Indonesian context, where the legal architecture of sukuk is still under development.

El-Gamal (2006) offered a more critical perspective, arguing that many sukuk structures lack substantive differences from conventional debt instruments. He identified the

potential for *hiyal* (legal stratagems) to undermine the spirit of Islamic law, especially when asset-based models are employed merely as symbolic compliance. This critique resonates with the Indonesian practice, where state sukuk often resemble traditional bonds in risk and return characteristics, thereby prompting concerns about their normative legitimacy.

Kamali (2008) examined the theoretical underpinnings of Islamic finance, particularly the concept of *maqāṣid al-sharī'ah*. He emphasized that financial instruments must align with the broader objectives of justice, equity, and public welfare. Kamali's insights are foundational for this study, as they offer a benchmark for evaluating the ethical orientation of Indonesia's sukuk policy. The lack of a *maqāṣid*-oriented framework in policy formulation suggests a significant research gap.

Cizakca (2004) provided a historical and comparative analysis of Islamic financial institutions, including waqf and sukuk. He argued that historical precedents offer valuable insights for contemporary policy design. His study revealed that integrating traditional Islamic financial concepts with modern fiscal policies requires more than technical adjustments; it demands a rethinking of legal and ethical paradigms. This reinforces the need for a normative reorientation of Indonesia's sukuk framework.

Finally, Jobst et al. (2008) explored the operational and regulatory challenges of Islamic finance in emerging markets. They concluded that successful implementation depends on harmonized legal frameworks, competent oversight bodies, and informed public policy. These elements are often inconsistent in Indonesia's current regulatory regime, thereby limiting the potential of state sukuk to contribute meaningfully to national development goals.

In summary, these studies reveal a clear gap between the theoretical ideals of Islamic finance and its practical implementation, particularly in the realm of state sukuk. This disconnect provides the foundation for the present research, which aims to address how Indonesia can realign its sukuk issuance policy with Islamic normative principles while maintaining fiscal responsibility and legal coherence.

Research Methods

The research employs a qualitative, normative-juridical approach to examine the alignment between Indonesia's state sukuk policy and Islamic normative principles. The type of data used in this study is primarily textual and qualitative, encompassing legal documents, policy frameworks, academic literature, and regulatory guidelines. This data is selected to capture the multidimensional nature of the research questions, which involve legal interpretation, policy analysis, and ethical evaluation. As the study focuses

on normative issues, the emphasis lies in understanding conceptual consistencies and inconsistencies rather than empirical trends (Kamali, 2008, p. 129).

The data sources include international scholarly books and journal articles on Islamic finance, legal theory, and fiscal policy, all published no later than 2008. Primary legal texts, such as Law No. 19/2008 and government-issued regulations on state sukuk, are also reviewed. These sources provide the normative foundation and legal context necessary for analysis. Relevant interpretations of Islamic jurisprudence are drawn from classical and contemporary texts in Arabic and English, ensuring that both traditional and modern perspectives are represented (Iqbal & Mirakhor, 2007).

Data collection is conducted through document analysis, with an emphasis on interpretative reading of legal texts, regulatory guidelines, and academic sources. The method involves systematic coding of texts based on recurring normative themes such as *maqāṣid al-sharī'ah*, social justice, legal compliance, and ethical governance. This process ensures a structured approach to identifying the conceptual patterns and inconsistencies in the policy framework surrounding state sukuk issuance (El-Gamal, 2006).

The data analysis technique employed is thematic analysis, which involves categorizing information into core themes that align with the research objectives. Themes such as compliance, transparency, legal harmonization, and public interest are critically examined to assess the depth of normative integration in Indonesia's sukuk policy. Interpretive tools from Islamic legal theory, such as *maslahah* and *qiyās*, are used to support the evaluation of these themes. The analysis process also incorporates cross-comparisons with international best practices in Islamic finance (Cizakca, 2004, p. 139).

Conclusion drawing is based on synthesizing insights from the thematic analysis to address the research questions explicitly. The findings are interpreted through the lens of the theoretical framework, particularly the *maqāṣid al-sharī'ah* and social justice principles. The study does not aim to quantify impact but rather to articulate conceptual and legal consistencies or deficiencies. This interpretive synthesis enables the researcher to propose actionable recommendations for enhancing the normative coherence and practical utility of Indonesia's state sukuk policy (Kamali, 2008, p. 132).

Results and Discussion

The intersection between Islamic normative theory and fiscal policy is both complex and context-dependent. In Indonesia, the issuance of state sukuk has often been framed as a technical financial decision rather than a normative commitment to Islamic ethics. This approach risks reducing sukuk to a mere alternative debt instrument, divorced from its foundational objectives of justice and public welfare. As Kamali (2008, p. 78) points out,

maqāṣid al-sharī'ah must serve as the evaluative lens for any Islamic financial policy, ensuring alignment with the core values of Islam.

Engaging with the theoretical framework, it becomes clear that Indonesia's current sukuk policy reflects partial compliance with Islamic norms. While legal instruments such as Law No. 19/2008 and associated regulations incorporate sharia terminology and structure, their implementation often lacks substantive ethical oversight. This dissonance is highlighted by El-Gamal (2006), who critiques the superficial application of sharia in modern finance. The findings of this study reveal similar patterns in Indonesia's context, where sukuk structures sometimes mimic conventional bond mechanisms.

Previous research by Jobst et al. (2008) emphasized the need for institutional development and legal harmonization. The present study confirms that these structural elements are crucial for normative coherence. For instance, the role of the National Sharia Board (DSN-MUI) in certifying sukuk could be enhanced by integrating independent ethical audits and transparent disclosure practices. Such reforms would not only improve compliance but also strengthen public trust in Islamic financial instruments.

Additionally, this study introduces new expert perspectives from comparative analysis with other Muslim-majority countries. In Malaysia and the Gulf States, normative alignment is achieved through rigorous legal standardization and consistent jurisprudential oversight. These models offer valuable lessons for Indonesia, where the dual legal system requires adaptive strategies to harmonize civil and Islamic legal principles (Hooker, 2003, p. 89).

The integration of *maqāṣid*-based evaluation tools into the regulatory process could serve as a practical mechanism for normative reorientation. By establishing a dialogue between theory and practice, this study contributes to a more nuanced understanding of how Islamic finance can be authentically implemented within national fiscal frameworks. It reaffirms the importance of normative analysis in policy-making and proposes a paradigm shift from formal compliance to ethical coherence in Indonesia's sukuk issuance strategy.

1. Sharia Conformity and Legal Design in State Sukuk Issuance

This section addresses the first research question, which examines the alignment between Indonesia's state sukuk policy and Islamic normative principles. The legal design of sukuk issuance in Indonesia has evolved through a series of statutory instruments, most notably Law No. 19/2008 on State Sharia Securities and its accompanying government regulations. These provide a formal structure for sukuk issuance, including asset securitization, revenue allocation, and investor rights. While these frameworks are couched in Islamic financial terminology, a closer analysis reveals that their substantive alignment with sharia principles remains inconsistent (Kamali, 2008, p. 78).

Key to this discussion is the concept of *ṣukūk al-ijārah*, the dominant structure used in Indonesian state sukuk. This model theoretically satisfies the requirements of Islamic law by linking returns to leased assets rather than interest. However, empirical analyses suggest that the risk and return profile of these sukuk mirrors conventional bonds, thus undermining their ethical distinctiveness (El-Gamal, 2006). The use of special purpose vehicles (SPVs) further complicates the issue, as these entities are often governed by civil, not sharia, legal frameworks. This legal dualism dilutes the Islamic authenticity of the financial transaction (Hooker, 2003, p. 91).

From a normative standpoint, the application of *maqāṣid al-sharī'ah* is limited in the design phase of sukuk issuance. While Islamic legal terms are invoked, there is minimal institutionalized oversight to ensure that the outcomes of sukuk transactions serve broader public interests, such as equitable development and resource redistribution. The National Sharia Board (DSN-MUI) plays a certifying role, but its capacity to enforce normative principles beyond formal compliance is limited. This gap underscores the need for a more holistic regulatory approach that integrates ethical evaluations into every stage of the issuance process (Cizakca, 2004, p. 139).

A comparative perspective reveals that countries such as Malaysia have advanced further in this regard. There, sukuk issuance is subjected to comprehensive sharia audits and monitored through centralized bodies that operate with both legal and religious authority. Indonesia could adopt similar models to enhance the normative robustness of its sukuk framework. Such reforms would ensure that sukuk instruments are not only legally valid but also ethically sound and socially beneficial (Iqbal & Mirakhor, 2007).

In conclusion, while Indonesia has established a solid legal basis for state sukuk issuance, the normative alignment with Islamic principles remains partial. Addressing this shortfall requires a strategic reorientation of the legal design, incorporating maqāṣid-based standards and institutional reforms that prioritize ethical substance over formal compliance.

2. Operationalising Ethical Governance in State Sukuk Practices

This section responds to the second research question, focusing on the effectiveness of governance and issuance mechanisms in operationalizing Islamic normative principles. Governance in sukuk issuance encompasses a wide array of processes, including asset selection, revenue allocation, risk management, and disclosure. In theory, these processes should reflect Islamic values such as transparency (*shafāfiyyah*), trust (*amānah*), and justice (*'adālah*). However, current practices in Indonesia reveal a governance model that emphasizes administrative efficiency over normative consistency (Kamali, 2008, p. 133).

A primary concern lies in the opacity surrounding asset transfer and utilization in sukuk transactions. While documents outline the notional ownership of underlying assets, in

practice, these assets often remain under state control without any real risk transfer, violating the Islamic finance principle of *tabādur* (mutual exchange). This divergence between legal form and economic substance raises questions about the authenticity of sukuk instruments and their compliance with sharia mandates (El-Gamal, 2006).

Another issue pertains to the ethical oversight of sukuk operations. Currently, the Sharia Supervisory Board (SSB) and National Sharia Board (DSN-MUI) provide ex-ante approval of sukuk structures. However, there is limited post-issuance monitoring to ensure continued compliance with ethical standards. This shortfall weakens the credibility of sukuk as an Islamic financial instrument and undermines investor confidence, particularly among those who prioritize faith-based investments (Iqbal & Mirakhor, 2004).

Integrating ethical governance into sukuk operations requires a multi-layered approach. First, there should be mandatory post-issuance ethical audits that assess the utilization of funds and adherence to stated objectives. Second, sukuk structures must incorporate stakeholder feedback mechanisms, particularly from civil society and religious institutions, to ensure that funds are used for projects that align with public welfare and *maqāṣid* values (Cizakca, 2004, p. 142). Third, policy revisions should introduce legal accountability for violations of sharia standards, including penalties and revocation of licenses for non-compliant issuers.

Comparative experiences from Bahrain and Sudan suggest that such reforms are feasible and effective. Both countries have implemented sharia-compliant governance models with built-in accountability mechanisms, enabling greater alignment between financial operations and Islamic norms (Jobst et al., 2008). These models demonstrate that operationalizing ethical governance is not merely aspirational but attainable through institutional commitment and legal innovation.

In summary, Indonesia's current governance model for sukuk issuance is insufficiently aligned with Islamic normative principles. Strengthening ethical oversight, enhancing transparency, and institutionalizing post-issuance accountability are essential steps toward realizing the *maqāṣid* of Islamic public finance.

3. *Realigning Policy Objectives with Maqāṣid al-Sharī'ah*

The third research question investigates what adjustments are necessary to enhance the legitimacy and utility of state sukuk within Indonesia's national financial architecture. The findings indicate that while regulatory instruments exist, they are not sufficiently oriented toward achieving the *maqāṣid al-sharī'ah*. This misalignment stems from a policy-making culture that prioritizes fiscal expediency over ethical coherence (Kamali, 2008, p. 137).

To realign policy objectives, Indonesia must reframe its financial strategies through an ethical lens. This begins with redefining the goals of sukuk issuance beyond budget

financing to include socio-economic objectives such as infrastructure equity, poverty alleviation, and environmental sustainability. Doing so transforms sukuk from financial instruments into policy tools that embody Islamic ethical imperatives (Iqbal & Mirakhor, 2007).

Another critical adjustment involves legal harmonization. Indonesia's dual legal system, which integrates civil and Islamic law, must develop mechanisms for resolving conflicts between the two frameworks. This includes issuing fatwas that carry legal weight, integrating sharia principles into national budgeting laws, and establishing interdisciplinary regulatory bodies that include jurists, economists, and legal scholars (Hooker, 2003, p. 94). Such institutional arrangements ensure that sukuk policy remains grounded in both legal validity and religious legitimacy.

The role of education and public awareness is equally vital. Many policymakers and practitioners lack a comprehensive understanding of Islamic finance principles, resulting in technically correct but normatively deficient implementations. Incorporating Islamic finance into public administration curricula, professional training, and regulatory capacity building can bridge this knowledge gap (Cizakca, 2004, p. 145).

Indonesia can also adopt performance metrics based on Islamic values. Rather than measuring sukuk success solely by capital raised or investor returns, evaluations should include indicators such as ethical compliance, social impact, and environmental stewardship. This multi-dimensional assessment would reflect a more holistic and maqāṣid-driven approach to public finance (Kamali, 2008, p. 139).

In conclusion, reorienting Indonesia's sukuk policy requires both structural and cultural transformations. Legal reforms, institutional innovations, and normative education are essential for aligning state sukuk with the ethical mandates of Islam. Only then can these instruments serve as true vehicles for social justice and sustainable development.

Core Findings and Pathways Forward

This study set out to examine the normative orientation of Indonesia's state sukuk policy. The first research question explored the degree of alignment between national legal frameworks and Islamic principles. The findings reveal a partial but insufficient convergence, with legal structures favoring formal sharia compliance over substantive ethical content. The second research question addressed the operational mechanisms for sukuk issuance and governance, concluding that while institutional arrangements exist, they lack comprehensive ethical oversight and transparency. The third research question investigated necessary reforms, identifying strategic adjustments such as maqāṣid-based planning, legal harmonization, and stakeholder education.

These findings collectively highlight a significant theoretical and practical contribution. They demonstrate that Islamic financial policy cannot be reduced to legal formalism or technical expertise. Rather, it requires a normative framework rooted in *maqāṣid al-sharī'ah*, social justice, and ethical governance. This study advances the discourse by offering a conceptual refinement of state sukuk as instruments of public policy, not just fiscal tools.

Theoretical implications include the expansion of Islamic finance scholarship to incorporate normative jurisprudence and fiscal sociology. This integrative perspective enriches the understanding of how legal and ethical norms shape financial behavior and institutional design. Practically, the findings inform policy reforms aimed at enhancing transparency, accountability, and public trust in Islamic financial instruments.

These contributions open new pathways for interdisciplinary research, especially in exploring the role of sharia in public finance and governance in Muslim-majority countries. They also offer practical strategies for policymakers seeking to develop ethical, effective, and sustainable financial systems aligned with Islamic values.

Conclusion

This article has conducted an in-depth examination of the normative dimensions of state sukuk issuance in Indonesia, providing a comprehensive evaluation of its legal structure, ethical foundations, and governance mechanisms. The study delves into the intricate interplay between Islamic finance principles and state fiscal policies, highlighting the complexities involved in aligning financial instruments with religious and ethical imperatives.

It has demonstrated that while Indonesia has made commendable progress in institutionalizing Islamic finance over the past decades, its current sukuk policy is predominantly driven by fiscal pragmatism rather than sharia-based ethics. This pragmatic approach, although necessary for addressing immediate fiscal needs, has resulted in a disconnect between the issuance of sukuk and the underlying principles of Islamic finance.

The research underscores that the lack of substantive alignment with *maqāṣid al-sharī'ah*—the higher objectives of sharia law—and inadequate ethical governance remain major challenges. These gaps not only undermine the integrity of sukuk as Islamic financial instruments but also hinder their potential to contribute meaningfully to social justice and public welfare. The absence of robust ethical oversight mechanisms further exacerbates these issues, as it limits the ability of stakeholders to ensure compliance with both legal and moral standards.

The findings of this study confirm the necessity of reorienting national financial policy to reflect Islamic ethical principles more comprehensively. Such a transformation requires a multi-faceted approach that involves redefining policy objectives, reforming legal frameworks, enhancing institutional oversight, and educating stakeholders across various sectors. By prioritizing the integration of *maqāṣid al-sharī'ah* into policy planning, Indonesia can move beyond merely issuing sukuk as debt financing tools and position them as vehicles for achieving broader social and economic goals, such as poverty alleviation, equitable wealth distribution, and sustainable development.

The recommendations derived from the study emphasize several critical measures. First, the implementation of post-issuance ethical audits is crucial to ensure ongoing compliance with Islamic principles and to address any deviations that may arise during the lifecycle of sukuk. Second, the integration of *maqāṣid al-sharī'ah* into policy planning processes can help bridge the gap between fiscal objectives and ethical considerations, ensuring that sukuk issuance contributes positively to societal well-being. Third, the establishment of interdisciplinary regulatory bodies, comprising experts in Islamic finance, law, economics, and ethics, can provide a more holistic framework for governing sukuk issuance and enhance accountability.

Future research should delve deeper into comparative models of sukuk issuance and governance in other jurisdictions, particularly those with advanced Islamic finance systems. Exploring the socio-political dimensions of sharia implementation in public finance will also be essential to understanding how cultural, historical, and institutional factors influence the adoption and effectiveness of Islamic financial practices. Additionally, empirical studies on the impact of sukuk on socioeconomic outcomes in Indonesia could provide valuable insights into the real-world implications of aligning financial instruments with Islamic norms.

By realigning state sukuk policy with Islamic norms, Indonesia has the opportunity to lead the way in developing ethical public finance systems that are both spiritually grounded and economically sound. This approach not only enhances the credibility and appeal of sukuk domestically and internationally but also positions Indonesia as a pioneer in integrating Islamic values into modern financial practices. Ultimately, such efforts can contribute to a more inclusive, just, and sustainable financial landscape, benefiting both present and future generations.

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