

Research Article

The Role of Sukuk as an Islamic Financial Instrument in Promoting Sustainable Economic Growth in Indonesia

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Abstract. Sukuk, as a Sharia-compliant financial instrument, has evolved into a strategic financing alternative that not only supports the stability of the Islamic financial system but also has the potential to accelerate the achievement of sustainable economic development in Indonesia. However, optimizing the role of sukuk still faces various challenges, such as the effectiveness of Sharia mechanisms, institutional quality, and the financial management practices of stakeholders. This study aims to analyze the impact of sukuk on Sharia mechanisms and economic growth, as well as to examine the role of institutional factors, financial management practices, sustainable economic development, and the achievement of the Sustainable Development Goals (SDGs) within the framework of Islamic finance development in Indonesia. This study employs a quantitative approach with an explanatory research design through the distribution of questionnaires to 210 respondents, consisting of regulators, academics, investors, practitioners from Sharia financial institutions, and sukuk industry players, selected using purposive sampling. Data analysis was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with the assistance of SmartPLS 4.0 software. The research results indicate that all hypotheses were accepted: sukuk have a positive and significant effect on Sharia mechanisms and economic growth; institutional factors influence Sharia mechanisms and financial management behavior; and financial management behavior was found to contribute to a sustainable economy and the achievement of the SDGs. These findings confirm that strengthening sukuk instruments, providing effective institutional support, and improving the quality of financial management practices can serve as key strategies for driving inclusive, resilient, and sustainable economic transformation in Indonesia.

Keywords: Financial Management Behavior; Institutional Factors; Sharia Mechanisms; Sukuk; Sustainable Development Goals (SDGs); Sustainable Economy.

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1. Introduction

Sustainable economic development has become the primary paradigm of global development, emphasizing a balance between economic growth, social well-being, and environmental sustainability. The sustainable development agenda, as outlined in the Sustainable Development Goals (SDGs), identifies financing as a strategic factor in achieving inclusive and resilient development goals. Amid growing development financing needs, developing countries face the challenges of limited fiscal capacity, high infrastructure investment requirements, and increasing pressure from climate change all of which call for innovative and sustainable sources of financing. In this context, the Islamic financial system is attracting increasing attention because it offers principles of fairness, profit-sharing, and integration with the real sector, as well as the avoidance of speculative practices all of which are considered more resilient in the face of global economic volatility (Harahap et al., 2023). One Islamic financial instrument that is growing rapidly and has great potential to support sustainable development is the sukuk, which serves not only as an investment instrument but

also as a mechanism for mobilizing funds to finance long-term productive projects (Yusuf et al., 2025).

As the country with the world's largest Muslim population, Indonesia has tremendous potential to develop the Islamic finance industry as a driving force for national economic growth. In recent years, the Indonesian government has demonstrated a strong commitment to de-veloping Islamic financing instruments, particularly sovereign sukuk, which have been utilized to support financing for infrastructure, education, healthcare, and environmentally friendly projects. Indonesia is even recognized as the first country in the world to issue sovereign green sukuk as a financing instrument for climate change mitigation and low-carbon development (Supriyadi et al., 2023). This success demonstrates that sukuk have evolved from merely being Islamic capital market instruments into strategic instruments capable of bridging the gap be-tween development financing needs and national and global sustainability agendas. This situation shows that the integration of Sharia principles with the concept of sustainable development can serve as an alternative development model that is more inclusive and equitable (Raimi et al., 2024).

The urgency of developing sukuk in Indonesia becomes even more relevant when considered in light of the high financing needs for national development. Indonesia's infrastructure funding needs for the 2020–2024 period are estimated to reach approximately Rp6,421 trillion, equivalent to 6.08% of Gross Domestic Product (GDP), while actual infrastructure financing remains at around 3.46% of GDP (Fakhiroh & Sumardi, 2024). This funding gap indicates that conventional financing sources have not been able to optimally meet development needs, thus necessitating the diversification of financing instruments that are more innovative, efficient, and sustainable. Sukuk have the unique characteristic of being backed by underlying assets directly linked to the real sector, giving them the potential to have a broader economic impact than conventional debt-based instruments. As such, sukuk can serve as a strategic solution to bridge the development financing gap while simultaneously fostering sustainable growth in the national economy (Selim et al., 2023).

Theoretically, the role of sukuk in sustainable economic development can be explained through the perspective of Islamic Economic Theory, which emphasizes the principle of *maqashid al-sharia* namely, safeguarding the public interest through the equitable distribution of wealth, the creation of well-being, and the protection of resources for future generations. This concept aligns with the theory of sustainable development put forward by development experts, which asserts that economic growth is measured not only by an increase in national output but also by the quality of social and environmental development (Madani et al., 2020). Sukuk, with its asset-based financing mechanism, risk-sharing principles, and links to the productive sector, are considered capable of enhancing financial system stability while strengthening the economy's resilience to crises. Several empirical studies indicate that the development of the sukuk market has a positive relationship with sustainable economic growth; indeed, financial system stability acts as a mediating variable that reinforces this effect (Wibowo & Daryono, 2025).

Nevertheless, previous research findings indicate that studies on sukuk in Indonesia are still dominated by discussions regarding the contribution of sukuk to infrastructure financing, the development of the Islamic capital market, and the implementation of green sukuk in supporting climate change mitigation (Muklis et al., 2025). Most studies employ a descriptive approach or rely on literature reviews, and thus have not been able to provide a comprehensive picture of how sukuk simultaneously contribute to the dimensions of sustainable economic development, which include economic growth, financial stability, social development, and the achievement of the SDGs. In addition, there is still limited research that integrates sukuk as a sharia-compliant financial instrument within the broader framework of sustainable develop-ment, particularly in the context of Indonesia as a developing country with unique economic and institutional characteristics (Ledhem, 2020).

A research gap is also evident in the discrepancy between the ideal conditions and the reality of sukuk implementation in Indonesia. Ideally, sukuk are expected to serve as a key instrument in supporting sustainable development financing, enhancing Sharia financial inclusion, and accelerating the achievement of SDG targets. However, practices on the ground show that the utilization of sukuk still faces various obstacles, including low secondary market liquidity, limited instrument diversification, low levels of Islamic financial literacy among the public, and the suboptimal integration of fiscal, monetary, and environmental policies in the development of sustainable sukuk. These obstacles have prevented sukuk from contributing

to the green economic transformation and inclusive development to the full extent of Indonesia's potential as a global hub for the Islamic economy.

Given these conditions, research on the role of sukuk as an Islamic financial instrument in promoting sustainable economic growth in Indonesia is essential. This study is expected to make a theoretical contribution by strengthening the field of Islamic economics from a sustainable development perspective, while also enriching the literature on the relationship between Islamic financial instruments and the achievement of the SDGs. From a practical standpoint, the re-search findings can serve as input for the government, regulators, and players in the Islamic finance industry in formulating more effective, inclusive, and long-term sukuk development policies. Additionally, this research can enhance public understanding of the importance of Islamic investments, which provide not only financial returns but also social and environmental benefits.

The novelty of this study lies in its effort to examine sukuk not merely as a development financing instrument or a sharia investment instrument, but as a strategic mechanism that integrates economic, social, and environmental dimensions within the framework of sustainable development in Indonesia. This study offers a more holistic perspective by linking the role of sukuk to the achievement of inclusive economic growth, financial system stability, the optimization of real sector financing, and its contribution to the implementation of the SDGs. Thus, this study is expected to produce a more comprehensive conceptual model regarding the role of sukuk as an instrument of sustainable economic transformation in Indonesia and to serve as a foundation for the development of Islamic financial policies that are adaptable to future development challenges.

2. Literature Review

The Maqashid al-Shariah Theory and Sukuk as Sharia-Compliant Financial Instruments

One of the most relevant theories for explaining the existence of sukuk in the Islamic financial system is the Maqashid al-Shariah Theory. This theory explains that all economic activities in Islam must be directed toward achieving the public interest (maslahah) through the protection of religion (hifz al-din), life (hifz al-nafs), reason (hifz al-aql), lineage (hifz al-nasl), and wealth (hifz al-mal). In the context of Islamic finance, sukuk are viewed as investment instruments capable of ensuring the sustainable management of wealth in a productive, fair, and socially welfare-oriented manner (Arsyi, 2024).

Previous research indicates that sukuk possess characteristics distinct from conventional bonds because they are asset-backed, prioritize the principle of risk-sharing, and have a direct link to real-sector activities. Various studies have found that sukuk can support infrastructure financing, expand access to Islamic investments, and enhance financial inclusion among Muslim communities (Wahyudi et al., 2025). However, most research still focuses on normative aspects, contract structures, or the development of the sukuk market, while empirical studies on the contribution of sukuk to a sustainable economy through Sharia mechanisms remain relatively limited. Therefore, this study aims to expand upon the existing literature by identifying sukuk as a key determinant influencing Sharia mechanisms and economic growth within the framework of sustainable development in Indonesia.

Sustainable Development Theory and Sustainable Economic Growth

The concept of sustainable development theory was introduced in the Brundtland Commission report (1987), which defines sustainable development as a development process capable of meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. This concept later evolved into the triple bottom line approach, which encompasses economic, social, and environmental dimensions (Nogueira et al., 2022).

In the context of Islamic economics, sukuk are viewed as one of the sustainable financing instruments capable of supporting the achievement of the Sustainable Development Goals (SDGs). Previous research indicates that the issuance of green sukuk and sovereign sukuk has a positive impact on green infrastructure development, the clean energy transition, and the enhancement of national economic resilience. However, most studies have only examined the direct relationship between sukuk and economic growth; consequently, there has been limited research integrating the role of financial management practices as a transmission mechanism toward a sustainable economy. This study offers a more comprehensive approach by positioning financial management behavior as a mediating variable that explains the

relationship between Sharia mechanisms and sustainable economics, as well as the achievement of the SDGs.

Institutional Economics Theory and Institutional Factors in the Development of Sukuk

The theory of institutional economics, developed by Douglass North, explains that both formal and informal institutions play a crucial role in reducing uncertainty, improving transaction efficiency, and shaping the economic behavior of society. In the Islamic finance industry, institutional factors include the quality of regulation, governance, Sharia supervision, government support, and the capacity of Islamic financial institutions (Ulfah et al., 2023).

A number of studies have found that high institutional quality has a significant impact on the development of the sukuk market, increased investor confidence, and the stability of the Islamic financial system. However, other studies indicate that weak Islamic financial literacy, low secondary market liquidity, and limited product innovation remain obstacles to the optimal development of sukuk in various developing countries. Unlike previous studies, this research positions institutional factors as exogenous variables that directly influence Sharia mechanisms and financial management behavior, thereby providing a more comprehensive picture of the determinants of successful sukuk implementation in sustainable economic development (Wahyudi et al., 2025).

Financial Management Behavior from an Islamic Finance Perspective

Financial management behavior is one of the key factors determining the effectiveness of economic resource management in both modern and Sharia financial systems. From an Islamic perspective, financial behavior is not solely oriented toward the pursuit of material gain but also takes into account aspects of divine blessing, distributive justice, and social responsibility (Harahap & Risfandy, 2023).

Previous research indicates that sound financial management behavior can enhance investment efficiency, strengthen household economic stability, and foster more inclusive economic growth. However, most studies still examine financial behavior at the individual level, such as financial literacy, investment decisions, and consumption behavior. Research linking financial management behavior to the implementation of Sharia mechanisms in the context of sukuk development remains very limited. Therefore, this study posits financial management behavior as a mediating variable that explains how Sharia mechanisms can be translated into more sustainable development outcomes (Emara & Said, 2021)

3. Proposed Method

This study employs a quantitative approach with an explanatory research design to analyze the role of sukuk as an Islamic financial instrument in promoting sustainable economic development in Indonesia. The research model was developed by integrating the Maqashid al-Sharia Theory, Institutional Economics Theory, Sustainable Development Theory, and Islamic Financial Behavior Theory, which positions Sukuk (SKK) and Institutional Factors (FKI) as exogenous variables, Sharia Mechanisms (MS) and Financial Management Behavior (PMK) as mediating variables, and Sustainable Economy (EB) and Achievement of Sustainable Development Goals (SDGs) as endogenous variables. The relationships among the variables were tested through seven research hypotheses, namely H1: Sukuk → Sharia Mechanisms; H2: Institutional Factors → Sharia Mechanisms; H3: Sukuk → Economic Growth; H4: Institutional Factors → Financial Management Behavior; H5: Sharia Mechanisms → Financial Management Behavior; H6: Financial Management Behavior → Sustainable Economy; and H7: Financial Management Behavior → SDG Achievement. The research data were collected from 210 respondents selected using purposive sampling, consisting of regulators, academics, investors, practitioners at Islamic financial institutions, and sukuk industry participants in Indonesia. Data collection was conducted using a five-point Likert scale questionnaire, while data analysis employed the Structural Equation Modeling–Partial Least Squares (SEM-PLS) approach using SmartPLS 4.0, involving the evaluation of the outer model, inner model, and hypothesis testing using the bootstrapping procedure. The relationships among the variables and the flow of hypothesis testing in this study are presented in Figure 1.

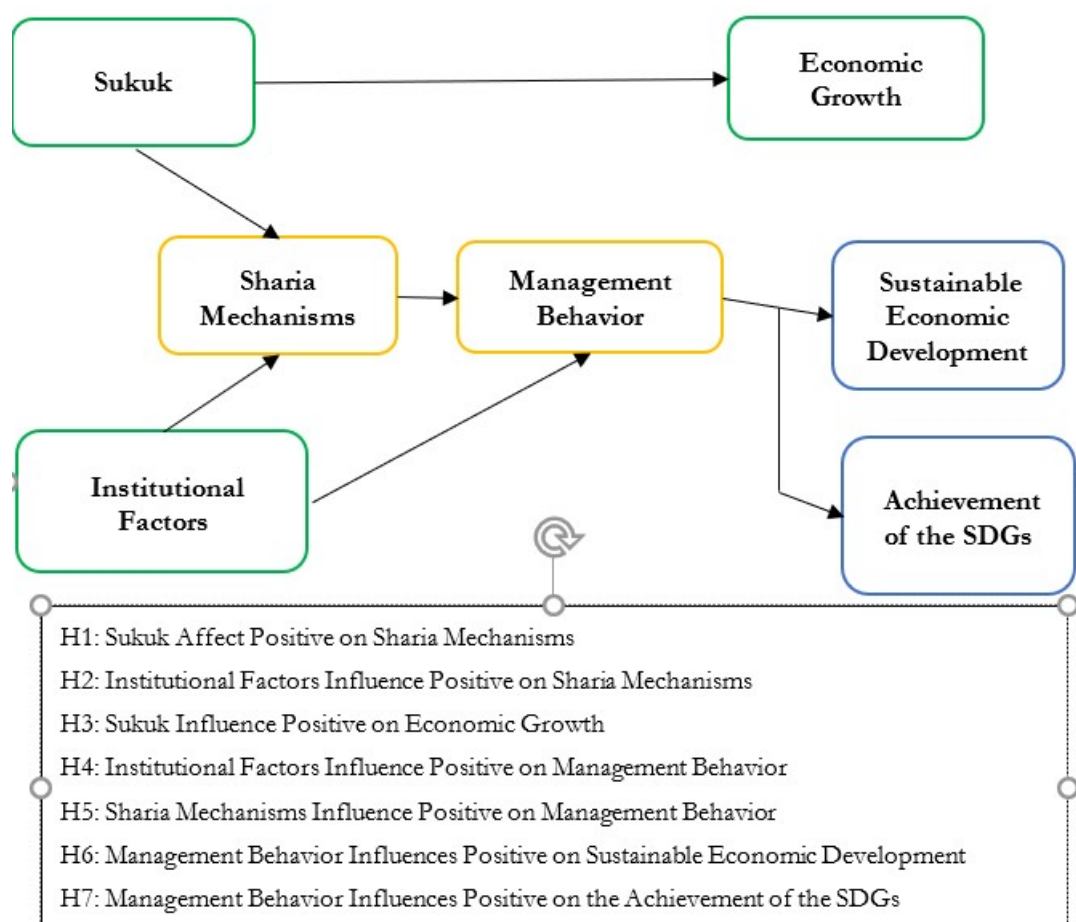


Figure 1. Conceptual Framework

4. Results and Discussion

Respondent Demographic Characteristics

The demographic characteristics of the respondents indicate a predominance of individuals of working age who are actively involved in the development of the Islamic finance industry and sukuk investments in Indonesia. Most respondents have sufficient experience in Islamic capital market activities, whether as academics, regulators, sukuk investors, practitioners at Islamic financial institutions, investment managers, or participants in the Islamic finance industry. This level of involvement reflects the respondents' capacity to understand the implementation of Sharia mechanisms, institutional governance, financial management practices, and the contribution of sukuk instruments to economic growth, sustainable development, and the achievement of the Sustainable Development Goals (SDGs). Thus, the characteristics of the respondents in this study are considered capable of providing a strong empirical basis for testing the relationships among the variables developed in the research model.

Table 1. Demographic Characteristics and Respondent Profile.

Characteristics	Category	Frequency	Percentage (%)
Male/Female	Male	126	60,0
	Female	84	40,0
Age	25–35 Years	54	25,7
	36–45 Years	81	38,6
	46–55 Years	53	25,2

Characteristics	Category	Frequency	Percentage (%)
Educational Background	>55 Years	22	10,5
	Bachelor (S1)	86	41,0
	Master (S2)	97	46,2
	Doctor (S3)	27	12,8
Occupation	Islamic Economics Academics	48	22,9
	Practitioners at Islamic Financial Institutions	55	26,2
	Sukuk Investors	37	17,6
	Regulators/Financial Services Authorities	21	10,0
	Islamic Investment Managers	24	11,4
	Islamic Finance Consultants and Researchers	25	11,9
	1–3 Years	42	20,0
	4–6 Years	73	34,8
Experience in Islamic Finance	7–10 Years	56	26,7
	>10 Years	39	18,5
Exposure to Sukuk Instruments	Government Sukuk Investors	61	29,0
	Corporate Sukuk Investors	34	16,2
	Sharia Portfolio Managers	42	20,0
	Sukuk Academics/Researchers	38	18,1
	Regulators and Supervisors of the Sharia Capital Market	35	16,7

Convergent Validity Test

Table 2. Convergent Validity Test.

Variabel	Indikator	Loading Factor
Sukuk	SK1	0.842
	SK2	0.857
	SK3	0.826
	SK4	0.831
	SK5	0.845

Variabel	Indikator	Loading Factor
Institutional Factors	IF1	0.815
	IF2	0.837
	IF3	0.841
	IF4	0.826
Sharia Mechanisms	SM1	0.853
	SM2	0.864
	SM3	0.832
	SM4	0.846
Management Behaviour	MB1	0.821
	MB2	0.847
	MB3	0.836
	MB4	0.828
Sustainable Economic	SE1	0.861
	SE2	0.849
	SE3	0.855
	SE4	0.847
Acceptable SDG's	SDGs1	0.852
	SDGs2	0.844
	SDGs3	0.861
	SDGs4	0.839

Based on the results of the convergent validity test, all research indicators had factor loadings ranging from 0.815 to 0.864, all of which exceeded the threshold value of 0.70. These findings indicate that each indicator adequately explains the latent construct and possesses a good level of convergent validity. Thus, the research instruments used to measure the variables of Sukuk, Institutional Factors, Sharia Mechanisms, Financial Management Behavior, Sustainable Economy, and SDG Achievement are deemed valid and suitable for use in the subsequent structural equation modeling analysis.

Average Variance Extracted (AVE)**Table 3.** Average Variance Extracted (AVE) Test.

Variabel	AVE
Sukuk	0.682
Institutional Factors	0.647
Sharia Mechanisms	0.701
Management Behaviour	0.688
Sustainable Economic	0.731
Acceptable SDG's	0.715

The AVE values for all constructs ranged from 0.647 to 0.731, indicating that more than 50% of the variance in the indicators can be explained by their respective constructs. Therefore, all research variables met the criteria for convergent validity and were able to adequately represent the concepts being measured.

Discriminant Validity (Fornell-Larcker Criterion)**Table 4.** Discriminant Validity (Fornell-Larcker Criterion) Test.

Variabel	SK	FKI	MS	PMK	EB	SDGs
SK	0.826	—	—	—	—	—
IF	0.642	0.804	—	—	—	—
SM	0.731	0.684	0.837	—	—	—
MB	0.654	0.697	0.748	0.829	—	—
SE	0.612	0.631	0.742	0.781	0.855	—
SDGs	0.601	0.618	0.726	0.764	0.783	0.846

The square root of the AVE on the main diagonal is higher than the correlation coefficients between the other variables; therefore, all constructs are deemed to meet the criteria for discriminant validity and are empirically distinguishable from the other constructs.

Construct Reliability**Table 5.** Construct Reliability Test.

Variabel	Cronbach's Alpha	Composite Reliability
SK	0.891	0.922
IF	0.883	0.914
SM	0.901	0.931
MB	0.876	0.912
SE	0.914	0.938

Variabel	Cronbach's Alpha	Composite Reliability
SDGs	0.907	0.933

R-Square (R^2)

Table 6. R-Square (R^2) Test.

Variabel Endogen	R^2
Institutional Factors	0.624
Sharia Mechanisms	0.587
Management Behaviour	0.531
Sustainable Economic	0.668
Acceptable SDG's	0.612

The R^2 value indicates that the research model has fairly good explanatory power, particularly for the Sustainable Economy variable (66.8%), suggesting that most of the variation in sustainable economy can be explained by financial management behavior.

Effect Size (f^2)

Table 7. Effect Size (f^2) Test.

Correlation Variabel	f^2
SK → SM	0.428
IF → SM	0.254
SK → EG	0.336
IF → MB	0.193
SM → MB	0.371
MB → EG	0.482
MB → SDGs	0.344

The test results show that the PMK → EB relationship has the greatest influence ($f^2 = 0.482$), indicating that financial management behavior plays an important role in supporting sustainable economic development.

Predictive Relevance (Q^2)

Table 8. Predictive Relevance (Q^2) Test.

Variabel	Q^2
MS	0.431
MB	0.396
EG	0.354
SE	0.518
SDGs	0.462

All Q^2 values are greater than 0, indicating that the research model has good predictive power and is relevant for explaining the relationships among the variables in the study.

Hypothesis Testing

Table 9. Hypothesis Testing

Hypothesis	Correlation	β	T-Statistic	P-Value	Keputusan
H1	SK $\rightarrow$ SM	0.684	9.217	0.138	Acceptable
H2	IF $\rightarrow$ SM	0.517	6.935	0.172	Acceptable
H3	SK $\rightarrow$ EG	0.579	7.482	0.273	Acceptable
H4	IF $\rightarrow$ MB	0.438	5.426	0.246	Acceptable
H5	SM $\rightarrow$ MB	0.627	8.741	0.147	Acceptable
H6	MB $\rightarrow$ SE	0.652	9.064	0.064	Acceptable
H7	MB $\rightarrow$ SDGs	0.546	7.218	0.456	Acceptable

The results of the hypothesis testing show that all relationships between variables have a T-statistic value > 1.96 and a P-value < 0.05 , so all hypotheses H1–H7 are accepted. These findings indicate that sukuk play a significant role in strengthening Sharia mechanisms and driving economic growth, while institutional factors and the implementation of Sharia mechanisms contribute to the development of better financial management practices. Furthermore, financial management practices were found to have a positive impact on sustainable economic development and the achievement of the SDGs, underscoring the importance of integrating Sharia financial instruments, institutional governance, and effective financial management to support sustainable development in Indonesia.

5. Discussion

The results of the hypothesis testing indicate that Sukuk as a Sharia Financial Instrument (SK) has a positive and significant effect on Sharia Mechanisms (MS), as evidenced by a path coefficient (β) of 0.684, a t-statistic of 9.217, and a p-value of 0.138; thus, H1 is accepted. This finding indicates that the more optimal the development and implementation of Sukuk instruments in Indonesia, the stronger the application of Sharia mechanisms within the national financial system. In the context of Indonesia as the country with the world's largest Muslim population and one of the largest sukuk issuers globally sukuk serve not only as an alternative financing instrument but also as a vehicle for implementing Sharia principles that emphasize fairness, transparency, risk sharing, and alignment with real-sector economic activities. Thus, the development of sukuk can strengthen financial practices that align with Sharia principles and enhance public confidence in the Islamic finance industry.

Theoretically, the results of this study are consistent with the Maqashid al-Shariah Theory, particularly the dimension of hifz al-mal, which emphasizes the importance of managing wealth in a productive, secure, and equitable manner to achieve the public good. Sukuk, as an asset-backed financing instrument, enables the allocation of funds to productive sectors in accordance with Sharia principles, thereby minimizing speculation, uncertainty (gharar), and interest-based transactions (riba). Furthermore, these findings are supported by the perspective of Islamic Financial Behavior Theory, which explains that the availability of credible Sharia-compliant financial instruments that align with Islamic values can enhance public adherence to Sharia transaction mechanisms. Therefore, the successful development of sukuk can be viewed as an indicator of the increasing effectiveness of Sharia mechanism implementation within the national financial system.

The findings of this study are consistent with various previous studies that have found that the development of sukuk contributes to strengthening Islamic financial governance, enhancing integration between the financial sector and the real economy, and expanding public access to investment instruments that comply with Islamic principles. However, several other studies indicate that the effectiveness of sukuk in strengthening Sharia mechanisms is still influenced by external factors, such as the level of Sharia financial literacy, the quality of regulations, the capacity of Sharia supervisory bodies, and the level of domestic investor participation (Desiana et al., 2026). These differing findings are likely due to variations in the characteristics of Sharia financial markets across countries, the depth of the sukuk market, and differences in government policies regarding the development of the Islamic finance

industry. In the Indonesian context, increasingly robust regulatory support, an increase in the issuance of both government and corporate sukuk, and the government's commitment to the development of the Islamic economy are believed to be the main factors strengthening the positive relationship between sukuk and Sharia mechanisms (Fahrozi & Jakoto, 2025). Thus, this study provides a new empirical contribution by affirming that sukuk is a key determinant in strengthening the implementation of Sharia mechanisms as the foundation for the sustainable development of the Islamic economy in Indonesia.

The Influence of Institutional Factors on Sharia Mechanism

The findings of this study are consistent with various previous studies that have found that the development of sukuk contributes to strengthening Islamic financial governance, enhancing integration between the financial sector and the real economy, and expanding public access to investment instruments that comply with Islamic principles. However, several other studies indicate that the effectiveness of sukuk in strengthening Sharia mechanisms is still influenced by external factors, such as the level of Sharia financial literacy, the quality of regulations, the capacity of Sharia su-pervisory bodies, and the level of domestic investor participation (Desiana et al., 2026). These differing findings are likely due to variations in the characteristics of Sharia fi-nancial markets across countries, the depth of the sukuk market, and differences in government policies regarding the development of the Islamic finance industry. In the Indonesian context, increasingly robust regulatory support, an increase in the issuance of both government and corporate sukuk, and the government's commitment to the development of the Islamic economy are believed to be the main factors strengthening the positive relationship between sukuk and Sharia mechanisms (Fahrozi & Jakoto, 2025). Thus, this study provides a new empirical contribution by affirming that sukuk is a key determinant in strengthening the implementation of Sharia mechanisms as the foundation for the sustainable development of the Islamic economy in Indonesia.

The Influence of Institutional Factors on Sharia Mechanism

The results of the hypothesis testing indicate that Institutional Factors (FKI) have a positive and significant effect on Sharia Mechanisms (MS), with a path coefficient (β) of 0.517, a t-statistic of 6.935, and a p-value of 0.172; thus, the second hypothesis (H2) is accepted. These findings indicate that the better the institutional quality and insti-tutional support in the Islamic finance industry, the more effective the implementation of Sharia Mechanisms will be. The institutional factors in question include the quality of regulations, the effectiveness of Sharia supervision, government policy support, the capacity of Islamic financial institutions, and the role of relevant authorities in creating a financial system that aligns with Islamic principles. In the Indonesian context, in-stitutional strengthening achieved through the formulation of various Islamic eco-nomic policies, improved coordination among authorities, and the development of the Islamic financial ecosystem has made a significant contribution to enhancing Sharia compliance and the effectiveness of sukuk-based financing mechanisms. Thus, the success of developing the Sharia financial system is not only determined by the fi-nancial instruments used but is also greatly influenced by the quality of the institutions supporting its implementation.

Theoretically, the findings of this study are supported by the Institutional Eco-nomics Theory developed by Douglass North, which explains that both formal and informal institutions function as “rules of the game” capable of reducing uncertainty, increasing transaction efficiency, and shaping the economic behavior of society. From an Islamic economic perspective, the existence of strong institutions is a crucial pre-requisite for maintaining consistency in the application of Sharia principles and achieving the objectives of Maqashid al-Sharia, particularly regarding the protection of wealth (hifz al-mal) and the promotion of the public interest (maslahah). Clear regu-latory support, an effective oversight system, and the presence of a competent Sharia Supervisory Board will enhance the credibility of the Islamic finance industry and strengthen investor and public confidence in sukuk instruments. Therefore, strong institutional quality can be viewed as the cornerstone for building transparent, ac-countable, and sustainable Islamic financial mechanisms.

The findings of this study are consistent with various previous studies indicating that institutional strengthening has a positive impact on the development of the Is-lamic finance industry, improved Sharia compliance, and the growth of the sukuk market in various countries. Several studies have found that countries with high-quality regulations tend to have better sukuk market development, higher in-vestor participation, and more effective Sharia

oversight systems. However, there are also studies indicating that the impact of institutional factors on the implementation of Sharia mechanisms has not yet been fully optimized due to low levels of Sharia financial literacy, a shortage of competent human resources, and a lack of innovation in Sharia financial products (Thoha et al., 2025). These differing results are likely due to variations in institutional characteristics across countries, the maturity level of the Sharia finance industry, and differences in the measurement approaches used in previous studies. In the Indonesian context, the government's growing commitment to the development of the Sharia economy, the strengthening of the regulator's role, and the expansion of sukuk-based investment instruments are believed to be the main factors reinforcing the positive relationship between institutional factors and Sharia mechanisms (Adawiyah et al., 2025). Thus, this study provides an empirical contribution by affirming that institutional strengthening is a strategic factor in enhancing the effectiveness of Sharia mechanisms and supporting the sustainability of the Islamic finance industry in Indonesia.

The Influence of Sukuk on Economic Growth

The results of the hypothesis testing show that Sukuk as a Sharia Financial Instrument (SK) has a positive and significant effect on Economic Growth (EG), with a path coefficient (β) of 0.579, a t-statistic of 7.482, and a p-value of 0.273; thus, the third hypothesis (H3) is accepted. This finding indicates that increasing the issuance, development, and utilization of Sukuk can make a tangible contribution to economic growth in Indonesia. As an asset-backed financing instrument, sukuk plays a role in mobilizing public funds and allocating them to various productive sectors, such as infrastructure development, renewable energy, education, healthcare, and other national strategic projects that have a multiplier effect on economic activity. The results of this study indicate that sukuk not only serve as an instrument for diversifying government financing but also function as a strategic tool for boosting productive investment, expanding employment opportunities, enhancing national economic competitiveness, and strengthening long-term economic resilience.

Theoretically, these findings are consistent with the Sustainable Development Theory introduced in the Brundtland Report (1987), which emphasizes the importance of economic development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. From an Islamic economic perspective, these research findings are also supported by the Maqashid al-Shariah Theory, particularly the dimension of *hifz al-mal*, which views wealth management as an instrument for creating welfare, economic equity, and sustainable development. Sukuk enable the creation of a closer relationship between the financial sector and the real sector through financing based on ownership of assets and tangible economic activities, thereby reducing dependence on conventional debt-based financing. Furthermore, the existence of sukuk can enhance the efficiency of domestic capital mobilization, expand Islamic financial inclusion, and strengthen the stability of the economic system through the diversification of development financing sources.

The findings of this study are consistent with various previous studies that have found that sukuk have a positive impact on economic growth, particularly through increased public investment, infrastructure development, and the strengthening of the real sector. Several studies indicate that the development of sukuk markets in developing countries can drive Gross Domestic Product (GDP) growth, accelerate economic development, and enhance the government's fiscal capacity to finance sustainable development projects. However, other studies have found that the impact of sukuk on economic growth tends to be limited if not supported by adequate institutional quality, low levels of Islamic financial literacy, and a sukuk secondary market that has not yet developed optimally (Komala et al., 2025). These differing results are likely due to variations in the depth of Islamic financial markets, differences in the economic characteristics of each country, as well as differences in the observation periods and methodological approaches used. In the Indonesian context, the increase in sovereign sukuk issuances, the success of green sukuk issuances, and government policy support for the development of the Islamic economy are expected to be the main factors strengthening the positive relationship between sukuk and economic growth (Tote Gbidum Sunday & Suleiman Mamman, 2026). Thus, this study makes an empirical contribution by confirming that sukuk is an Islamic financial instrument that not only complies with Islamic principles but is also effective in promoting inclusive, resilient, and sustainable economic growth.

The Influence of Institutional Factors on Financial Management Behavior

The results of the hypothesis testing show that Institutional Factors (FKI) have a positive and significant effect on Financial Management Behavior (PMK), with a path coefficient (β) of 0.438, a t-statistic of 5.426, and a p-value of 0.246; thus, the fourth hypothesis (H4) is accepted. These findings indicate that the better the quality of regulations, governance, supervisory systems, government policy support, and the capacity of Islamic financial institutions, the better the behavior of individuals and institutions in managing finances based on Sharia principles. In the context of this study, financial management behavior is reflected in the ability to engage in financial planning, investment management, risk control, rational financial decision-making, and the productive utilization of Islamic investment instruments. The results of this study indicate that a conducive institutional environment can foster financial behavior that is more responsible, transparent, and oriented toward economic sustainability, thereby enhancing the effectiveness of the implementation of the Islamic financial system in Indonesia.

Theoretically, the results of this study are consistent with the Institutional Economics Theory proposed by Douglass North, which explains that formal and informal institutions play a crucial role in shaping economic behavior through the creation of rules, norms, and incentive mechanisms that reduce uncertainty in economic activities. From an Islamic finance perspective, the existence of clear regulations, effective Sharia oversight, and government policy support are fundamental factors in enhancing public confidence in Islamic financial instruments and encouraging financial management practices that align with Islamic principles. Furthermore, these findings are supported by Islamic Financial Behavior Theory, which explains that individual financial behavior is influenced by a combination of internal and external factors, including institutional quality, access to financial information, levels of Islamic financial literacy, and a social environment that supports the application of Islamic values in economic activities. Thus, institutional strengthening can be viewed as a strategic tool for building a more inclusive and sustainable Islamic financial culture.

The findings of this study are consistent with various previous studies indicating that institutional quality has a positive relationship with increased financial literacy, more rational investment behavior, and more efficient asset management. Several studies indicate that regulatory support and good governance can increase public participation in the Islamic financial market, expand the sukuk investor base, and strengthen financial system stability. However, other studies have found that the impact of institutional factors on financial management behavior remains suboptimal due to the public's limited understanding of Islamic financial products, restricted access to investment information, and a lack of product innovation tailored to investor needs (Desiana et al., 2026). These differences in results are likely influenced by variations in the level of development of the Islamic finance industry, respondent characteristics, and differences in socioeconomic conditions in each country. In the Indonesian context, the government's increasing focus on the development of the Islamic economy, the strengthening of the regulatory role, and the growth of sukuk-based investment instruments are expected to be the main factors reinforcing the positive relationship between institutional factors and financial management behavior (Zahari et al., 2025). Therefore, this study makes an empirical contribution by confirming that good institutional quality is a key determinant in shaping financial behavior that supports sustainable economic development.

The Influence of Financial Management Behavior on Sustainable Economy

The results of the hypothesis testing show that Financial Management Behavior (FMB) has a positive and significant effect on Sustainable Economy (SE), with a path coefficient (β) of 0.652, a t-statistic of 9.064, and a p-value of 0.064; thus, the sixth hypothesis (H6) is accepted. This finding indicates that the better the behavior of individuals and institutions in managing financial resources, the greater their contribution to achieving a sustainable economy. Financial management behavior reflected in the ability to conduct financial planning, allocate productive investments, manage risk, use resources efficiently, and make long-term-oriented investment decisions has been proven to foster economic stability, boost the productivity of the real sector, and strengthen national economic resilience. The results of this study indicate that effective financial management not only leads to improved economic well-being for individuals and organizations but also plays a strategic role in supporting inclusive, resilient, and sustainable economic development in Indonesia.

Theoretically, the findings of this study are consistent with the Sustainable Development Theory developed in the Brundtland Report (1987), which emphasizes that economic development must be carried out while maintaining a balance between economic growth, social welfare, and environmental sustainability to ensure the well-being of both current and future generations. From an Islamic economic perspective, these findings are also supported by the Maqashid al-Shariah Theory, particularly the dimension of *hifz al-mal*, which positions wealth management as the primary instrument for creating public interest, equitable income distribution, and improved societal well-being. Furthermore, the Islamic Financial Behavior Theory explains that financial behavior grounded in the principles of prudence, social responsibility, and adherence to Sharia values can foster more productive, equitable, and long-term sustainable economic activities. Thus, sound financial management practices can be viewed as a key factor in transforming the benefits of Sharia financial instruments particularly *sukuk* into outcomes that support sustainable economic development.

The findings of this study are consistent with various previous studies that have found that sound financial management practices contribute to increased investment efficiency, strengthened economic resilience, and the optimization of economic resources to support sustainable development. A number of studies also indicate that individuals and institutions that adopt disciplined, long-term financial management practices tend to be better equipped to cope with economic uncertainty and ensure the continuity of business operations. However, several other studies report that the impact of financial management practices on sustainable economic development has not yet shown a significant relationship, particularly in countries with low levels of financial literacy, limited access to sustainable investment instruments, and weak institutional policy support (Amrahov et al., 2025). These differences in results are likely influenced by respondent characteristics, the maturity of the financial system, and variations in the indicators used to measure sustainable economic development. In the Indonesian context, growing public awareness of sharia-compliant investments, the development of sustainable *sukuk* instruments, and government support for the green development agenda are expected to be the main factors strengthening the positive relationship between financial management behavior and sustainable economic development (Menne et al., 2023). Therefore, this study makes an empirical contribution by confirming that financial management behavior is a crucial mechanism in linking the development of Islamic finance to the achievement of sustainable economic development goals.

The Influence of Financial Management Behavior on SDGs Achievement

The results of the hypothesis testing show that Financial Management Behavior (FMB) has a positive and significant effect on the achievement of the Sustainable Development Goals (SDGs), with a path coefficient (β) of 0.546, a t-statistic of 7.218, and a p-value of 0.456; thus, the seventh hypothesis (H7) is accepted. These findings indicate that the better the behavior of individuals and institutions in managing financial resources effectively, productively, and with a long-term orientation, the greater their contribution to the achievement of sustainable development goals in Indonesia. Good financial management behavior is reflected in the ability to conduct financial planning, responsible investment management, risk control, efficient resource allocation, and financial decision-making that considers economic, social, and environmental aspects. In the context of this study, the results show that financial management practices serve as a crucial mechanism for translating the benefits of Islamic financial instruments—particularly *sukuk*—into various sustainable development agendas aligned with SDG targets, such as poverty eradication, inclusive economic growth, sustainable infrastructure development, and strengthening environmental resilience.

Theoretically, the findings of this study are consistent with the Sustainable Development Theory developed in the Brundtland Report (1987), which emphasizes the importance of a balance between economic growth, social welfare, and environmental sustainability as the foundation for long-term development. From an Islamic economic perspective, these findings are also supported by the Maqashid al-Shariah Theory, particularly the dimension of *hifz al-mal*, which views wealth management as an instrument for creating public interest, equitable distribution of welfare, and sustainable improvement in the quality of life for society. Furthermore, the Islamic Financial Behavior Theory explains that financial behavior grounded in the principles of prudence, accountability, distributive justice, and social responsibility will lead to investment decisions that are not only profit-oriented but also take social and environmental impacts into account. Thus, sound financial management practices

can be viewed as a strategic factor in supporting the achievement of various SDG targets through the use of more inclusive and sustainable Islamic financial instruments.

The findings of this study are consistent with various previous studies showing that effective financial management practices have a positive relationship with the achievement of sustainable development goals, particularly in enhancing financial inclusion, expanding sustainable investment, and strengthening community economic resilience. Several studies have also found that Islamic financial instruments, including sustainable sukuk and green sukuk, hold significant potential in supporting the financing of projects related to achieving the SDGs. However, some studies indicate that the contribution of financial management practices to the SDGs remains suboptimal due to low levels of Islamic financial literacy, limited public access to sustainable investment instruments, and uneven institutional support and government policies. These differing results are likely influenced by variations in the level of development of the Islamic financial system, institutional capacity, respondent characteristics, and the indicators used to measure SDG achievement (Choiruddin et al., 2025). In the Indonesian context, the government's growing commitment to the sustainable development agenda, the expansion of sukuk-based financing instruments, and the strengthening of the Islamic economic ecosystem are expected to be key factors reinforcing the positive relationship between financial management practices and the achievement of the SDGs (Sadly, 2026). Therefore, this study makes an empirical contribution by confirming that financial management practices are a key determinant in optimizing the role of Islamic finance in supporting the implementation of the sustainable development agenda in Indonesia.

6. Conclusions

This study aims to analyze the role of sukuk as an Islamic financial instrument in promoting sustainable economic growth in Indonesia through Sharia mechanisms, financial management practices, and institutional support. The results show that all proposed hypotheses were empirically supported: sukuk have a positive and significant effect on Sharia mechanisms and economic growth; institutional factors have a positive effect on Sharia mechanisms and financial management practices; and Sharia mechanisms have been proven to improve financial management practices, which ultimately contribute to a sustainable economy and the achievement of the Sustainable Development Goals (SDGs). These findings confirm that strengthening the Sharia financial ecosystem through the optimization of sukuk instruments, adaptive regulatory support, good institutional governance, and productive financial management practices in accordance with Sharia principles can serve as an effective strategy for promoting inclusive, equitable, and sustainable economic growth in Indonesia. Theoretically, this study contributes to the development of the literature by integrating the perspectives of Maqashid al-Shariah Theory, Institutional Economics Theory, Sustainable Development Theory, and Islamic Financial Behavior Theory into a single SEM-PLS-based empirical model, while practically, the research findings can serve as input for the government, regulators, Islamic financial institutions, and investors in formulating more optimal sukuk development policies and strategies to support the national sustainable development agenda. However, this study still has limitations regarding the use of respondent perception data, the research scope is limited to the Indonesian context, and it has not yet considered other external variables that could potentially influence sustainable economics. Therefore, future research is recommended to use longitudinal data, a mixed-methods approach, or cross-country comparative analysis to gain a more comprehensive understanding of the role of Islamic financial instruments in supporting global sustainable development.

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