

Featured Research

Green sukuk as a macroeconomic narrative: a comparative study of indonesia and the middle east (2021–2025)

Muhammad Sahirul Alim^{*)1}, Hertha Bastiawan², Astrika Erlin³, Suhardiono⁴,
Aaminudin Saade⁵

^{1,2}Universitas Mercu Buana, ^{3,4}IPB University, ⁵Politeknik Pembangunan Pertanian Gowa

*) Correspondence regarding this article should be addressed to: Author address e-mail: sahirulalim99@gmail.com

Abstract: Green sukuk represent a strategic convergence between Islamic finance and sustainable development. However, existing studies often emphasize their financial performance or policy frameworks, with limited attention to how different states construct the narratives that legitimize green sukuk within broader economic and institutional contexts. This study addresses this gap by comparing how Indonesia and selected Middle Eastern countries (Saudi Arabia, UAE) frame green sukuk as policy instruments that reflect their respective development models. Using a qualitative comparative approach grounded in Institutional Theory and Political Economy perspectives, the research employs discourse analysis and thematic coding of academic publications (Scopus and SINTA, 2021–2025), government reports, and multilateral documents. Findings reveal two distinct narrative models: Indonesia articulates green sukuk as tools for “growth with responsibility,” supported by bureaucratic transparency and cross-institutional coordination; meanwhile, the Gulf countries emphasize “diversification and prestige,” embedding sukuk within national branding and Vision 2030 agendas. Rather than extending theory, the study refines the understanding of how legitimacy in sustainable Islamic finance can emerge through either bureaucratic institutionalization or centralized authority. These insights offer practical implications for policymakers seeking to balance accountability and visibility in designing green finance frameworks.

Keywords: Green Sukuk, Institutional Theory, Policy Communication, Political Economy, Indonesia, Saudi Arabia, UAE, Sustainable Finance.

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INTRODUCTION

The global transition toward sustainable finance has transformed how nations integrate environmental objectives into fiscal policy and capital markets. Within this transformation, green sukuk have become a pivotal innovation—merging Islamic finance principles with sustainable development goals. These instruments align Shariah-compliant investment mechanisms with the Environmental, Social, and Governance (ESG) agenda, attracting a

wide investor base from both Muslim and non-Muslim markets (Rahman et al., 2024; Billah et al., 2023).

Within this evolving ecosystem, Indonesia and the Middle East represent two leading yet distinct models in the development of green sukuk. Indonesia, recognized as the world's first sovereign issuer in 2018, has embedded sukuk into its fiscal framework, linking proceeds to renewable energy, sustainable transport, and climate-resilient infrastructure (MoF, 2023). In contrast, Saudi Arabia and the United Arab Emirates (UAE) have positioned sukuk within their Vision 2030 and economic diversification strategies, often financing high-profile projects such as NEOM and Expo-driven developments (Alsharif & Ahmad, 2023; LSEG, 2024).

Although both regions demonstrate rapid issuance growth, the narrative framing of green sukuk differs. Indonesia employs sukuk to project fiscal credibility and transparency, while the Gulf economies emphasize prestige, modernization, and geopolitical positioning. Understanding these contrasting narratives provides insight into how green sukuk serve not merely as financing tools, but as instruments of macroeconomic storytelling and legitimacy construction.

Table 1 highlights Indonesia's pioneering trajectory

Year / Period	Issuance Value	Key Features	Source
2018	USD 1.25 billion	First global sovereign green sukuk	MoF (2023); World Bank (2022)
2019	USD 750 million	Second reinforcing leadership	MoF (2023)
2022	USD 6.9 billion	Record annual issuance	LSEG (2023)
2018–2023 Total	USD 9.6 billion	USD 6B global + USD 3.6B domestic	OECD (2024)
2024	USD 12.6 billion	Cumulative issuance, ~27% of global sustainable sukuk	LSEG (2024)

Table 1 highlights Indonesia's pioneering trajectory. The inaugural issuance in 2018 marked a global milestone, followed by consistent annual offerings. By 2024, cumulative issuance reached USD 12.6 billion—around 27% of the global sustainable sukuk market (MoF, 2023). These figures underscore Indonesia's institutional approach, where sukuk are embedded into long-term fiscal policy and climate budget tagging mechanisms.

Table 2. Growth of Green Sukuk in the Middle East (2020–2024)

Country	Year / Period	Issuance Value	Key Features	Drivers	Source
Saudi Arabia	2021	SD 3.5 billion	Initial scale issuance 2030	large-sovereign under Vision 2030	Alsharif & Ahmad (2023)
Saudi Arabia	2023	SD 5.5 billion	NEOM smart city & renewable projects	Financing smart city & energy	PIF (2023); LSEG (2023)
UAE	2022–2024	SD 4 billion	Dubai Bank, linked projects, Expo-driven infrastructure	Islamic sovereign-linked projects, Expo-driven infrastructure	LSEG (2023, 2024)
Qatar	2022–2024	USD 1.5 billion	Sustainable transport and energy projects	Sustainable transport and energy projects	UNDP (2025)

Table 2 shows how Saudi Arabia and the UAE have used green sukuk to finance strategic megaprojects under national transformation agendas. Issuances are episodic—tied to major events and large projects—contrasting with Indonesia’s steady and institutionalized model. Qatar’s participation in 2022–2024 further signals growing regional engagement with sustainable Islamic finance.

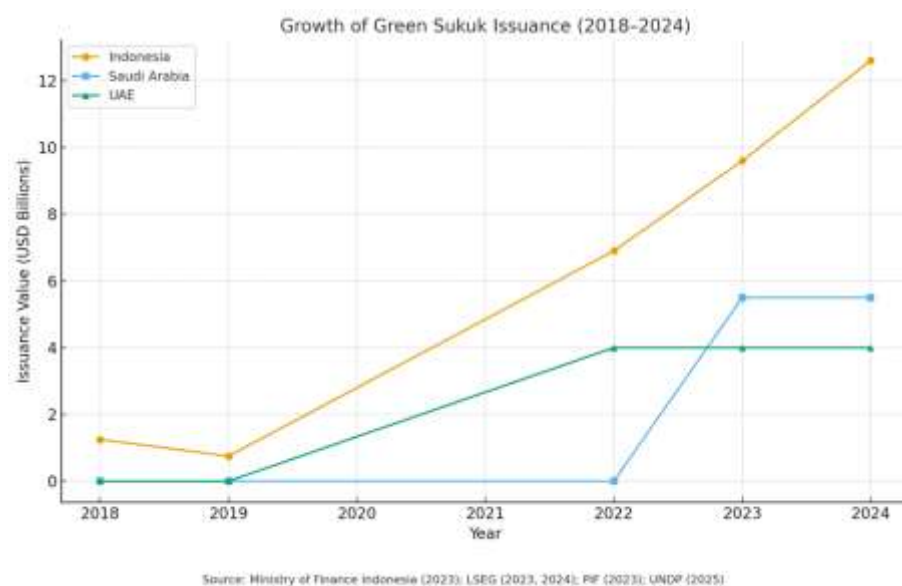


Figure 1. Growth of Green Sukuk Issuance in Indonesia, Saudi Arabia, and UAE (2018–2024).

Source: Ministry of Finance Indonesia (2018, 2023); LSEG (2023, 2024); Public Investment Fund (2023); UKIFC (2023).

Figure 1 illustrates contrasting growth patterns of sukuk issuance. Indonesia demonstrates steady cumulative growth, beginning with its inaugural USD 1.25 billion issuance in 2018 and reaching USD 12.6 billion by 2024. This pattern reflects the institutionalization of sukuk within the national budget (MoF, 2023). By contrast, Saudi Arabia and the UAE show episodic but large-scale issuances. Saudi Arabia recorded USD 3.5 billion in 2021 and USD 5.5 billion in 2023, tied to flagship projects such as NEOM (Shalhoob, 2023; PIF, 2023). The UAE raised around USD 4 billion between 2022–2024, mostly through Dubai Islamic Bank and sovereign-backed programs (LSEG, 2023). The comparison reinforces Indonesia's routine credibility model versus the Gulf's prestige-driven event model.

Despite the growing attention to sukuk, most studies remain quantitative in nature, focusing on yield performance, volatility, or financial integration (Rahman et al., 2024; Zhang et al., 2022). In contrast, qualitative and comparative approaches that explore how states communicate and construct meaning through sukuk remain scarce.

Existing comparative works between Southeast Asia and the Middle East often emphasize institutional structures or Shariah governance differences (Azmat et al., 2023; Hassan et al., 2022) but neglect how policy narratives and public communication build legitimacy in sustainable finance. As Kazak et al. (2024) and IMF (2022) note, policy communication can act as a macroeconomic instrument shaping expectations and credibility—yet its role within Islamic green finance remains underexplored.

Thus, a conceptual gap persists: how do states employ narrative framing of green sukuk as tools for fiscal credibility, expectation management, and development signaling? This study addresses that gap through a comparative discourse analysis of Indonesia and the Middle East.

This research aims to analyze how Indonesia and selected Middle Eastern countries—specifically Saudi Arabia and the United Arab Emirates—frame **green sukuk** within their macroeconomic and institutional narratives. By examining policy documents, government reports, and scholarly literature, the study seeks to uncover how these countries use sukuk not only as financial instruments but also as tools of national storytelling and legitimacy-building. Methodologically, the research employs a **comparative narrative and discourse analysis**, contrasting Indonesia's **bureaucratic-institutional model**, which emphasizes fiscal accountability and multi-agency collaboration, with the Gulf's **centralized-visionary framework**, which highlights state authority and prestige under initiatives such as Vision 2030. Theoretically, the study applies **Institutional Theory** and **Political Economy perspectives** to interpret how legitimacy and authority are constructed in the evolving field of sustainable Islamic finance. In addition, it adapts insights from **policy communication theory** (IMF, 2022) to explain how governments utilize symbolic and discursive strategies to enhance the credibility of their green sukuk programs. Rather than proposing a new theoretical model, this research **refines and extends existing frameworks**, demonstrating that legitimacy in Islamic finance can emerge through two distinct pathways—either from **bureaucratic layering**

and procedural transparency**, as seen in Indonesia, or from **centralized state authority and visionary projection**, as exemplified by the Gulf countries.

How do Indonesia and selected Middle Eastern countries (Saudi Arabia and the UAE) construct and communicate policy narratives around green sukuk, and how do these narratives reflect differing strategies of fiscal legitimacy and sustainable development?

Green sukuk are part of the broader rise of sustainable debt instruments designed to align finance with the Sustainable Development Goals (SDGs). Global issuance of green bonds and sukuk has increased rapidly in the past decade, reaching more than USD 10.1 billion in ESG sukuk by 2023 (LSEG, 2023), with GCC issuers contributing USD 6.1 billion, nearly double the 2022 figure (LSEG, 2024). Indonesia and Malaysia together account for around 27% of cumulative sustainable sukuk proceeds (World Bank, 2022; OECD, 2024).

Scholars have linked this trend to the mainstreaming of ESG finance and the integration of Islamic finance with climate goals (Rahman et al., 2024; Billah et al., 2023). A recent comparative study by Yusuf and Ismail (2022) found that sukuk markets are increasingly influenced by international green bond standards, showing convergence between Islamic and conventional ESG frameworks. Academic work indexed in Scopus has analyzed sukuk through financial, legal, and institutional perspectives.

Financial Performance and Integration: Rahman et al. (2024) developed a green sukuk index across Indonesia, Malaysia, UAE, and Saudi Arabia, showing variations in risk-return integration. Billah et al. (2023) explored volatility spillovers between green sukuk and global green bonds, highlighting their systemic role in ESG finance.

Challenges and Potentials: Alsharif & Ahmad (2023) studied Saudi Arabia's sukuk under Vision 2030, pointing to weak institutional infrastructure and lack of measurement standards. Zhang et al. (2022) emphasized the importance of legitimacy for sustainable debt acceptance.

Policy and Communication: Kazak et al. (2024) examined how central bank communication influences sustainable finance markets, providing insights for sukuk communication strategies. **Comparative Finance Studies:** Lechini (2025) found differences in legitimacy strategies between Southeast Asian and Gulf sukuk issuers, showing how institutional contexts shape adoption.

These studies provide rich financial econometric evidence, but they rarely address how sukuk are framed narratively as macroeconomic instruments. In Indonesia, SINTA-indexed research has focused on the legal frameworks and implementation challenges of green sukuk.

Framework Evolution: Proceedings from ICIEB (2023) describe how Indonesia's Ministry of Finance built layered frameworks for sukuk, integrating external verification and alignment with ICMA standards.

Legal and Shariah Perspectives: Pratiwi (2024) highlighted sukuk as Shariah-compliant innovation to fund eco-friendly infrastructure. Yusuf (2025) applied SWOT analysis to Indonesia's sukuk program, noting opportunities but also risks in investor awareness and reporting practices.

Investor Behavior: Sari & Nugroho (2022) studied millennial retail investors, finding that green sukuk attract younger demographics through digital platforms. These contributions underscore Indonesia's success in institutional layering, but they remain mostly descriptive rather than analytical of policy narratives.

Existing literature on the Middle East has primarily examined green sukuk through a macro-strategy and development lens, focusing on how financial innovation supports national transformation agendas. In Saudi Arabia, Alsharif and Ahmad (2023) highlighted that sukuk instruments occupy a central position within Vision 2030, functioning as tools to finance megaprojects and economic diversification efforts. However, they also noted persistent institutional and regulatory hurdles that limit broader market participation. In the United Arab Emirates, Khan et al. (2023) found that sukuk issuance contributes significantly to Dubai's ambition to position itself as a global green finance hub, though such issuances remain project-specific and closely tied to high-visibility initiatives such as Expo 2020 and renewable energy developments. Comparative research by Rahman et al. (2024) and Rabbani et al. (2025) further demonstrates a structural contrast between Southeast Asian and Gulf approaches: while GCC countries exhibit episodic and large-scale issuances aligned with flagship national projects, Indonesia adopts a gradual and cumulative model embedded within its fiscal framework. These distinctions underscore the political economy dynamics underlying green sukuk development—where Indonesia emphasizes fiscal credibility and bureaucratic legitimacy, whereas the Gulf states project diversification, prestige, and global positioning through centralized and symbolic strategies.

Institutional Theory (Scott, 2014) emphasizes how organizations seek legitimacy via regulative, normative, and cognitive pillars. Studies of green bonds show that reporting, verification, and alignment with standards enhance legitimacy (Zhang et al., 2022). Applied to sukuk, legitimacy may come from either bureaucratic layering (Indonesia) or centralized authority (Gulf) (Lechini, 2025).

Political Economy Theory (Strange, 1988; Helleiner, 2019) suggests that financial innovations reflect national power and strategy. Sukuk thus become instruments of fiscal consolidation (Indonesia) or nation-branding (Gulf states). Rabbani et al. (2025) extend this logic to climate finance, showing how communication strategies shape investor trust.

Communication is a policy instrument in itself (IMF, 2022). Kazak et al. (2024) argue that predictable communication anchors expectations, similar to monetary forward guidance. Applied here, Indonesia's annual reports and roadmaps reinforce fiscal credibility, while Gulf issuances rely on episodic, event-based communication (Billah et al., 2023). This difference illustrates how style of communication affects macroeconomic outcomes.

Recent scholarly books further reinforce and contextualize these insights by linking green finance instruments to broader issues of governance, accountability, and institutional credibility. *Green Bonds and Sustainable Finance* (Routledge, 2024) connects the rise of ESG-oriented instruments—including sukuk—to evolving frameworks of governance and fiscal responsibility, emphasizing that sustainability finance must be embedded in transparent public policy systems. Similarly, the *Cambridge Handbook of Corporate Law, Governance & Sustainability* (Cambridge, 2023) underscores the importance of assurance

and verification mechanisms to maintain investor confidence and policy legitimacy, a challenge highly relevant to both Indonesia's bureaucratic approach and the Gulf's centralized model. *Energy Transition in Emerging Economies* (Springer, 2022) situates Islamic finance as a critical enabler of renewable energy infrastructure, showing how faith-based instruments like sukuk can align moral, financial, and environmental objectives. Complementing these perspectives, Indrawati (2024) focuses on fiscal narratives in emerging markets, arguing that instruments such as green sukuk function not merely as funding tools but as credibility devices that communicate state commitment to responsible growth and fiscal prudence. Collectively, these works strengthen the theoretical grounding for analyzing green sukuk as narrative and institutional constructs, not just financial innovations.

Despite these significant contributions, three critical research gaps remain in the existing literature. First, the narrative framing of sukuk as macroeconomic instruments—beyond their financial or legal dimensions—remains underexplored. Existing studies tend to emphasize market performance and compliance aspects, leaving limited understanding of how governments construct and communicate fiscal legitimacy through sukuk narratives. Second, comparative analyses between Indonesia and Middle Eastern economies are still rare, even though both represent distinct governance models and policy cultures within the global Islamic finance landscape. Most works focus either on individual country cases or regional overviews without integrating cross-regional perspectives. Third, policy communication as a mechanism for building fiscal credibility has not been systematically examined within the context of sukuk issuance. While institutions like the IMF (2022) recognize communication as a key macroeconomic instrument, its role in shaping perceptions of credibility and sustainability in Islamic finance remains largely overlooked.

METHOD

This study adopts a qualitative comparative literature-based design that integrates secondary data analysis with narrative and discourse interpretation. Rather than collecting primary field data, the research systematically examines published materials—including government reports, academic journal articles indexed in Scopus and SINTA between 2021 and 2025, and multilateral institutional frameworks such as those from the World Bank, IMF, and ICMA—to explore how green sukuk are framed as macroeconomic narratives in Indonesia and the Middle East, particularly in Saudi Arabia and the United Arab Emirates. The analytical logic follows the principles of qualitative comparative case study design, yet the cases in this research refer to documented institutional frameworks and discursive practices rather than empirical field sites. Therefore, the study is best described as a comparative discourse study rather than a field-based investigation.

The data used in this study were collected from three main categories of secondary sources, namely academic publications, policy and institutional documents, and multilateral or market reports. Academic publications include peer-reviewed journal articles discussing green sukuk, Islamic finance, sustainable bonds, and fiscal communication. Policy documents encompass Indonesia's Green Bond and Sukuk Framework, the OJK Sustainable Finance Roadmap II for the period 2021–2025, and policy

visions such as Saudi Arabia's Vision 2030 and the UAE's green finance strategies. Multilateral and market reports consist of publications from organizations like the World Bank, IMF, LSEG, and OECD that provide information about issuance patterns and governance structures. The inclusion criteria focused on documents that explicitly discuss green sukuk or sustainable Islamic finance, connect sukuk to fiscal or macroeconomic narratives, and are issued by credible institutional or academic sources. Technical or purely pricing-oriented studies without policy context were excluded.

The data analysis process employed qualitative content and narrative analysis, implemented in three main interpretive stages. The first stage involved open coding to identify recurring ideas and themes related to legitimacy, diversification, sustainability, and communication. The second stage entailed axial coding to cluster these themes in relation to the three theoretical lenses guiding the study, namely Institutional Theory, Political Economy, and Policy Communication. The final stage was a comparative interpretation that synthesized the narratives of Indonesia and the Middle East to highlight contrasts between routine legitimacy and prestige signaling. The coding process followed a logic similar to NVivo manual coding, with analytic memos used to link the empirical narratives to theoretical constructs.

Institutional Theory serves as the foundational framework for understanding how financial innovations, such as green sukuk, gain legitimacy. According to Scott (2014), institutions are stabilized through three pillars—regulative, normative, and cognitive—which together sustain organizational behavior. In the Indonesian case, regulative legitimacy is manifested in the Green Bond and Sukuk Framework issued by the Ministry of Finance in 2018 and revised in 2023, as well as in the Sustainable Finance Roadmap II prepared by the Financial Services Authority (OJK) for 2021–2025. Normative legitimacy arises from alignment with global standards such as the ICMA Green Bond Principles, while cognitive legitimacy is achieved through repeated issuance and annual reporting that normalize green sukuk as part of fiscal governance. In contrast, legitimacy in the Middle East is constructed through centralized authority. Saudi Arabia embeds sukuk issuance within the national Vision 2030 framework, and the UAE draws on the credibility of sovereign wealth funds such as the Public Investment Fund and the Abu Dhabi Investment Authority. This pattern illustrates what Shalhoob (2023) terms “performative legitimacy,” in which political prestige and centralized endorsement function as substitutes for bureaucratic routinization.

Political Economy Theory complements this institutional lens by revealing the power dynamics and strategic interests underlying sukuk issuance. Drawing on the works of Strange (1988) and Helleiner (2019), financial markets are understood not as neutral arenas but as extensions of state power and developmental strategy. In Indonesia, sukuk serve the dual purpose of fiscal prudence and climate accountability, being integrated directly into the national budget (APBN) and used to demonstrate both fiscal discipline and environmental commitment. The Ministry of Finance uses sukuk proceeds to fund renewable energy and climate adaptation programs, thereby reinforcing the country's fiscal credibility. In the Middle East, sukuk are leveraged as symbols of diversification and prestige, financing high-profile projects such as NEOM in Saudi Arabia and Expo-driven infrastructure in the UAE. In both cases, sukuk are embedded within broader nation-

building and geopolitical repositioning strategies, though with contrasting institutional styles.

The third theoretical lens, Policy Communication, draws from the IMF's Central Bank Communication Handbook (2022), which conceptualizes communication as a policy instrument that anchors expectations and builds credibility. When applied to the green sukuk context, this framework highlights significant regional contrasts. In Indonesia, predictable communication patterns—through annual impact reports and sustainability updates by the Ministry of Finance and OJK—function as a form of fiscal forward guidance, creating an environment of consistency and trust. In contrast, communication in the Gulf is episodic and symbolic. Sukuk announcements are often aligned with high-visibility moments such as COP28 or Expo Dubai, serving to amplify visibility but providing limited continuity or expectation anchoring. This distinction underscores the differing narrative rhythms that characterize Indonesia's steady institutional communication versus the Gulf's event-driven signaling.

Synthesizing these three perspectives, this study proposes a comparative analytical model that interprets how green sukuk narratives emerge across governance contexts. Indonesia's institutional apparatus, centered on the Ministry of Finance and OJK, reflects bureaucratic layering and fiscal transparency, while the Middle Eastern framework relies on centralized authority through sovereign wealth funds and national visions. These contrasting approaches mediate how legitimacy and credibility are constructed. Institutional Theory explains the balance between rules and prestige; Political Economy situates sukuk within fiscal credibility and diversification; and Policy Communication distinguishes between routine reporting and episodic signaling. The resulting narratives encapsulate Indonesia's "growth with responsibility" paradigm and the Gulf's "diversification and prestige" model. Both ultimately influence investor confidence, fiscal credibility, and contributions to the Sustainable Development Goals.

This framework demonstrates that green sukuk are more than financial instruments—they are vehicles of macroeconomic storytelling that reflect each state's institutional architecture, communication culture, and developmental priorities.

This study employs a qualitative comparative case study design to analyze how green sukuk are framed in Indonesia and the Middle East, particularly in Saudi Arabia and the United Arab Emirates. Comparative analysis is adopted because it reveals both the convergences and divergences in institutional frameworks, governance practices, and policy narratives, aligning with Yin's (2018) and Shalhoob's (2023) argument that comparative inquiry enables theory refinement through contextual contrast. A qualitative approach is appropriate for this study because the central focus lies on narrative framing, institutional legitimacy, and communication practices—dimensions that cannot be meaningfully captured through quantitative indicators alone.

The analysis draws on a broad and triangulated body of secondary data encompassing government documents, institutional reports, academic literature, and theoretical books. Government and regulatory documents include Indonesia's Green Bond and Green Sukuk Framework published by the Ministry of Finance in 2018 and updated through annual Allocation and Impact Reports such as MoF (2023). Complementary policy

references comprise the OJK Sustainable Finance Roadmap II (2021–2025) and the Bank Indonesia Annual Reports of 2022 and 2023. On the Middle Eastern side, primary institutional materials consist of Saudi Arabia's Vision 2030 policy blueprints, the Public Investment Fund's sustainability reports issued in 2023, the UAE Ministry of Finance's sustainable finance initiatives, and the sustainability disclosures of Dubai Islamic Bank.

At the international and institutional level, this research examines a number of major reports, including the World Bank's Islamic Green Finance: Development Ecosystem and Prospects (2022), the IMF's Central Bank Communication Handbook (2022), the London Stock Exchange Group's Green and Sustainability Sukuk Market Updates (2023; 2024), the joint guidance document Green, Social, and Sustainability Sukuk by ICMA, IsDB, and LSEG (2024), the OECD's Economic Survey of Indonesia (2024), and the UNDP's Green Sukuk for Climate Finance (2018). These sources provide a multilayered view of the evolving policy and market landscape surrounding sustainable Islamic finance.

The academic literature reviewed in this study includes both Scopus and SINTA-indexed publications that discuss green sukuk governance and policy communication. Among the most relevant are Shalhoob's (2023) analysis of Saudi sukuk under Vision 2030 published in the *Journal of Governance & Regulation*, Pratiwi's (2024) study in *Tahkim: Jurnal Hukum Ekonomi Syariah on Indonesia's eco-infrastructure financing through sukuk*, Yusuf's (2025) SWOT evaluation of Indonesia's sukuk program in *Jurnal Hukum dan Ekonomi Islam*, Sari and Nugroho's (2022) work on retail sukuk and millennial participation in *Jurnal Ekonomi Syariah Indonesia*, and a series of proceedings from the International Conference on Islamic Economics and Business (ICIEB, 2023) that trace the evolution of Indonesia's sukuk framework. These academic contributions provide the empirical and interpretive foundation for cross-case analysis.

The theoretical backbone of the study rests on several key texts. Scott's *Institutions and Organizations: Ideas, Interests, and Identities* (2014) provides the conceptual lens for understanding institutional legitimacy. Strange's *States and Markets* (1988) and Helleiner's *The Status Quo Crisis* (2019) inform the political economy perspective on financial power and governance. Indrawati's *Fiscal Narratives in Emerging Markets: Lessons from Indonesia* (2024) bridges macroeconomic credibility with Islamic financial instruments. Complementary references include *Green Bonds and Sustainable Finance* (Routledge, 2024), the *Cambridge Handbook of Corporate Law, Governance and Sustainability* (Cambridge University Press, 2023), and *Energy Transition in Emerging Economies* (Springer, 2022), which collectively contextualize ESG finance within broader debates on governance, sustainability, and accountability.

The process of data selection followed purposive sampling as described by Silverman (2020). Documents were included when they explicitly discussed green sukuk issuance and allocation mechanisms, highlighted institutional or regulatory frameworks, or provided comparative perspectives linking Southeast Asia and the Middle East. In total, more than eighty documents and publications from the period 2021–2025 were analyzed to ensure both depth and representativeness.

Data interpretation employed two complementary analytic strategies, namely discourse analysis and thematic coding. The discourse analysis followed Fairclough's (2013) framework to examine how language constructs institutional and fiscal meanings in

green sukuk policy texts. Special attention was given to key linguistic signifiers such as “responsibility,” “credibility,” “prestige,” and “diversification,” which reveal how different governments narrate their financial legitimacy. Thematic coding was then used to operationalize the study’s theoretical perspectives. Coding categories were derived from the three main frameworks guiding the analysis: Institutional Theory, Political Economy Theory, and Policy Communication. The resulting codes captured dimensions such as legitimacy, fiscal prudence, diversification, communication cadence, and expectation anchoring. The same coding architecture was applied across both Indonesian and Middle Eastern corpora to maintain analytic consistency and comparability.

To enhance validity and reliability, multiple forms of triangulation were implemented. Cross-validation was conducted among academic sources, institutional reports, and official policy documents to ensure credibility, as suggested by World Bank (2022) and OECD (2024). Transparency was maintained by documenting coding procedures, data inclusion criteria, and analytic decisions. Consistency was further reinforced through the uniform application of theoretical frameworks across both regions, ensuring that interpretive contrasts arise from substantive differences rather than methodological bias.

Because this study relies solely on publicly available materials, no human participants were involved, and ethical clearance was not required. Nonetheless, ethical rigor was ensured through accurate attribution and proper citation of all sources, including reports by the Ministry of Finance (2023), analyses by Shalhoob (2023), and foundational guidance from the UNDP (2018).

This methodological approach enables a systematic and theoretically grounded comparison of how distinct institutional environments generate different narrative constructions of sukuk. By combining discourse analysis, thematic coding, and theory triangulation, the study captures how green sukuk operate not merely as instruments of financing but also as macroeconomic narratives that express each state’s strategy for legitimacy, credibility, and sustainable development.

RESULTS AND DISCUSSION

The comparative analysis reveals that green sukuk in Indonesia and the Middle East (Saudi Arabia and UAE) embody distinct macroeconomic and institutional narratives. Although both regions deploy sukuk to signal sustainability and modernity, the underlying logics differ: Indonesia frames sukuk as instruments of fiscal responsibility and developmental accountability, while the Gulf uses them to project diversification and prestige within global financial arenas.

In Indonesia, the narrative of “growth with responsibility” dominates. The Ministry of Finance embeds sukuk proceeds directly within the national budget (APBN), linking them to measurable climate-related expenditures in transport, energy, and resilience. Annual Allocation and Impact Reports quantify avoided emissions and project-level outcomes, creating a transparent accountability loop between fiscal policy and sustainability objectives (MoF, 2023; World Bank, 2022; OECD, 2024). This narrative positions sukuk not merely as debt instruments but as credibility anchors within Indonesia’s broader macroeconomic governance framework. As Indrawati (2024) observes,

the consistency of issuance since 2018 has normalized green sukuk as part of the state's fiscal prudence narrative.

In contrast, Saudi Arabia and the UAE construct a narrative centered on diversification and prestige. Sukuk are closely linked to flagship projects and national transformation programs, particularly Vision 2030 and Expo Dubai. Saudi issuances finance megaprojects such as NEOM, while the UAE's green sukuk are often tied to renewable energy and urban innovation initiatives. These instruments signal state ambition and global competitiveness rather than direct fiscal integration (Shalhoob, 2023; PIF, 2023; LSEG, 2024). The pattern of issuance tends to be episodic, announced around international events such as COP28 or Expo Dubai, reflecting a symbolic rather than institutionalized communication model (UKIFC, 2023).

These differences illustrate contrasting pathways to institutional legitimacy. Drawing on Institutional Theory (Scott, 2014), Indonesia's legitimacy is bureaucratically layered. Regulative mechanisms stem from the Ministry of Finance and OJK frameworks; normative legitimacy arises from adherence to international standards such as ICMA's Green Bond Principles; and cognitive legitimacy develops through repetition and predictability. The Gulf, by contrast, exhibits centralized legitimacy, rooted in sovereign authority. Sukuk legitimacy flows from the prestige of state institutions like Saudi Arabia's Public Investment Fund or the UAE's Ministry of Finance rather than from bureaucratic routines. UKIFC (2023) describes this as "prestige-driven legitimacy," where visibility substitutes for institutional depth.

From a Political Economy perspective (Strange, 1988; Helleiner, 2019), these contrasting logics reflect distinct state-market relations. Indonesia's green sukuk embody a strategy of fiscal prudence and accountability, signaling to investors that sustainability and fiscal responsibility can coexist. By integrating sukuk proceeds into the APBN, the government transforms Islamic finance into an instrument of policy credibility. In the Gulf, sukuk serve as tools of diversification and global branding, financing high-visibility infrastructure projects designed to reposition these economies for a post-oil future. The result is what Helleiner (2019) calls "finance as geopolitical signaling": in Indonesia, credibility; in the Gulf, prestige.

Communication practices reinforce these divergences. Indonesia maintains a structured and predictable reporting cadence through annual reports, OJK updates, and regular issuance schedules. This form of communication aligns with the IMF's (2022) concept of expectation anchoring, whereby transparency builds investor trust through routine disclosure. The Gulf's communication, in contrast, is episodic and event-driven. Sukuk are announced at international summits, creating bursts of visibility but limited consistency. ICMA, IsDB, and LSEG (2024) caution that while such symbolic signaling attracts attention, it may not sustain long-term credibility without regular disclosure.

Institutionally, Indonesia's model is characterized by multi-agency collaboration among the Ministry of Finance, OJK, and Bank Indonesia, reflecting what Indrawati (2024) terms "fiscal narratives of prudence." The Gulf model centralizes authority within sovereign wealth funds and ministries. While this enhances coordination and scale, it risks reducing institutional diversity and making sukuk legitimacy dependent on state prestige

rather than systemic trust. Table 3 summarizes these contrasts in narrative framing, signaling style, and institutional configuration.

Table 3. Comparative Narratives of Green Sukuk (Indonesia vs. Middle East)

Theme	Indonesia	Middle East (Saudi Arabia & UAE)
Growth Narrative	“Growth with Responsibility” – Integrated into APBN, climate-linked spending	“Diversification and Prestige” – Financing megaprojects, signaling global leadership
Signaling Credibility	Routine issuance and annual impact reports (MoF, OJK, BI)	Episodic issuance announced at global events (Vision 2030, COP28, Expo Dubai)
Institutional Layering	Multi-institutional (MoF, OJK, BI) with verification mechanisms	Centralized authority via sovereign funds and ministries

The issuance data corroborate these qualitative findings. Indonesia’s green sukuk have grown steadily from USD 1.25 billion in 2018 to a cumulative USD 12.6 billion by 2024 (MoF, 2023; The Diplomat, 2025). Saudi Arabia and the UAE, meanwhile, record larger but less frequent issuances—USD 3.5 billion in 2021 and USD 5.5 billion in 2023 for Saudi Arabia, and around USD 4 billion between 2022–2024 for the UAE—largely tied to megaprojects (PIF, 2023; LSEG, 2024). Figure 1 illustrates this pattern, with Indonesia’s line showing consistent upward growth and the Gulf’s chart marked by sharp episodic spikes.

CONCLUSIONS

This study concludes that green sukuk have evolved into distinctive macroeconomic instruments that reflect the institutional, political, and communicative frameworks of their respective issuers. In Indonesia, the development of green sukuk is deeply integrated within the state’s fiscal architecture, embedded in the APBN (state budget), and governed through systematic mechanisms of accountability such as annual Allocation and Impact Reports. This model reflects a narrative of “growth with responsibility,” where fiscal prudence and climate accountability reinforce one another. The institutionalization of sukuk through routine bureaucratic and reporting practices has contributed to Indonesia’s credibility in sustainable finance and demonstrated how green sukuk can function as tools of both environmental policy and fiscal management.

Conversely, in the Middle East — particularly in Saudi Arabia and the UAE — green sukuk are framed as strategic symbols within broader national transformation agendas such as Vision 2030 and megaprojects like NEOM and Masdar. Issuances often coincide with high-profile global events such as COP28, signaling prestige and diversification rather than fiscal integration. This model showcases how centralized authority and strong national branding can accelerate large-scale green finance initiatives, yet also underscores the need for stronger institutional mechanisms to ensure continuity and transparency.

The comparative findings reveal that Indonesia's steady, cumulative trajectory contrasts with the Gulf's episodic but high-impact pattern. Theoretically, this distinction validates the flexibility of institutional legitimacy — achieved either through procedural consistency or symbolic authority — and expands the understanding of how political economy and policy communication intersect in shaping sustainable finance instruments.

From a policy standpoint, the study suggests that the most effective model for global sustainable Islamic finance may lie in a hybrid approach. By combining Indonesia's emphasis on fiscal accountability and transparency with the Gulf's capacity for visibility and strategic branding, future green sukuk frameworks can balance credibility with influence. Such integration would not only strengthen investor confidence but also position Islamic finance as a leading force in achieving the global green transition.

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