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# Foreign Investment, Sustainable Development, and Green Sukuk Issuance: Evidence from OIC Countries

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**ABSTRACT**

The development of sustainable finance has increased the importance of green financing instruments that support environmental sustainability while complying with Islamic financial principles. This study aims to examine the effects of FDI and Sustainable Development on green sukuk issuance in five member countries of the OIC, namely Indonesia, Bangladesh, Türkiye, Malaysia, and Nigeria during the 2015-2023period. This study employed a quantitative approach using secondary data comprising 424 green sukuk issuances recorded between 2015 and 2023 across the five countries, with green sukuk issuance measured as the natural logarithm of its annual issuance value (USD). Multiple linear regression analysis was conducted using JASP to evaluate the relationships among the variables. The empirical findings reveal that Foreign Direct Investment and Sustainable Development have positive and statistically significant effects on green sukuk issuance. These results indicate that higher foreign investment inflows and stronger sustainable development performance encourage the expansion of green sukuk as a financing instrument for environmentally sustainable projects. This study contributes to the literature by providing cross-country empirical evidence on the determinants of green sukuk issuance in OIC countries. The findings also provide practical implications for governments and financial regulators to strengthen investment policies, improve sustainable development strategies, and expand the role of green sukuk in financing sustainable economic development and supporting the transition toward a green economy.

***Kata Kunci:***
*Sukuk Hijau; Pembangunan Berkelanjutan; Keuangan Berkelanjutan; Negara-Negara OKI*

***ABSTRAK***

*Perkembangan sustainable finance meningkatkan pentingnya instrumen pembiayaan hijau yang mendukung keberlanjutan lingkungan sekaligus sesuai dengan prinsip keuangan Islam. Penelitian ini bertujuan untuk menganalisis pengaruh FDI dan Sustainable Development terhadap penerbitan green sukuk pada lima negara anggota OIC, yaitu Indonesia, Bangladesh, Türkiye, Malaysia, and Nigeria, selama periode 2015-2023. Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder yang mencakup 424 penerbitan sukuk hijau yang tercatat antara tahun 2015 dan 2023 di lima negara tersebut, di mana penerbitan sukuk hijau diukur sebagai logaritma natural dari nilai penerbitan tahunannya (dalam USD). Analisis dilakukan menggunakan regresi linier berganda dengan bantuan perangkat lunak JASP. Hasil penelitian menunjukkan bahwa Foreign Direct Investment dan Sustainable Development berpengaruh positif dan signifikan terhadap penerbitan green sukuk. Temuan ini menunjukkan bahwa peningkatan investasi asing dan pencapaian pembangunan berkelanjutan mendorong perluasan penerbitan green sukuk sebagai instrumen pembiayaan bagi proyek-proyek yang berorientasi pada keberlanjutan lingkungan. Penelitian ini memberikan kontribusi pada literatur dengan menyediakan bukti empiris lintas negara mengenai determinan penerbitan green sukuk di negara-negara OIC. Hasil penelitian juga memberikan implikasi praktis bagi pemerintah dan regulator keuangan dalam memperkuat kebijakan investasi, meningkatkan strategi pembangunan berkelanjutan, serta memperluas peran green sukuk sebagai instrumen pembiayaan pembangunan ekonomi berkelanjutan dan transisi menuju ekonomi hijau.*

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## INTRODUCTION

The development of sustainable finance has shifted the orientation of global investment from merely pursuing economic profits toward creating long-term value that considers environmental, social, and governance aspects (Junaedi, 2024; Xu et al., 2025). This transformation has encouraged the emergence of various innovative financing instruments capable of supporting the transition toward a low-carbon economy and the achievement of the Sustainable Development Goals (SDGs). Green sukuk have become one of the instruments that integrates sharia principles with the financing of environmentally friendly projects such as renewable energy, sustainable transportation, waste management, energy efficiency, and green infrastructure (Nugroho et al., 2024). Since its first issuance, green sukuk have experienced considerable growth in various countries, particularly among member countries of the Organization of Islamic Cooperation (OIC), because they are able to bridge the financing needs of sustainable development with the increasing investor demand for ethical and sustainable investment instruments (Aassouli, 2025; Franciosi, 2026).

The development of the green sukuk market still faces various challenges, particularly related to the limited market size, low issuer diversification, and the uneven issuance across developing countries (Musari & El-Khamlichi, 2025; Wan Zahari, 2025). Compared with green bonds, the proportion of green sukuk in the global financial market remains relatively small, indicating that its development potential is still substantial. This condition indicates that the successful development of green sukuk is determined not only by regulatory readiness but also by macroeconomic conditions that can increase investor confidence and expand the financing capacity of sustainable projects (Delle Foglie & Keshminder, 2024; Seth & Tomar, 2026). Identifying the factors that can encourage the growth of green sukuk issuance has become an important issue for governments, regulators, and Islamic financial market participants in strengthening the sustainable finance ecosystem.

The study by Febrina (2025) identified Foreign Direct Investment (FDI) as an important factor in encouraging the development of green sukuk. Foreign investment inflows not only provide additional capital for national development but also bring technology transfer, productivity improvement, innovation, and business practices that are more sustainability-oriented. Higher FDI can expand the financing needs of green projects, thereby increasing the demand for financing instruments that comply with sustainability principles, including green sukuk. Countries that are able to attract foreign investment generally have larger infrastructure projects, clean energy initiatives, and economic development, requiring stable long-term financing sources (Qasim & Su, 2022). FDI inflows are not inherently synonymous with environmentally sustainable investment; whether foreign capital translates into demand for green financing instruments such as green sukuk depends on the sectoral composition of that investment and the strength of the host country's regulatory and sustainability framework (Agara Happy Febrina, 2025).

The level of sustainable development is also an important determinant in the development of financial instruments (Dubyna et al., 2024; Ozili & Iorember, 2024). Countries with higher levels of sustainable development generally have stronger commitments to environmental protection, social development, resource-use efficiency, and the achievement of the SDGs (Çağlar & Gürler, 2022; Reverte, 2022). This commitment increases the financing needs for green projects, thereby expanding the opportunity for green sukuk issuance as a financing instrument that combines sustainability principles with sharia values. Various studies have shown that green sukuk are able to support the financing of renewable energy, sustainable infrastructure, climate change mitigation, and accelerate the achievement of sustainable development goals (Manap, 2025; Saad, 2025). The higher the level of sustainable development in a country, the greater the opportunity for the green sukuk market to develop as part of the green finance ecosystem.

Empirical studies simultaneously examining the effects of FDI and Sustainable Development on green sukuk issuance in OIC countries remain relatively limited, particularly those employing a cross-country quantitative approach. Prior studies have generally examined FDI and green sukuk, or sustainable development and green sukuk, separately, and mostly through single-country case studies or qualitative and conceptual approaches (e.g., Agara Happy Febrina, 2025; Mahama & Yakubu, 2025; Wan Zahari, 2025). These studies provide valuable conceptual insight but are limited in their ability to quantify the simultaneous influence of FDI and sustainable development across multiple OIC countries. Positioned against this literature, the present study contributes by testing both determinants jointly within a single cross-country quantitative framework covering five OIC member countries. This gap indicates the need for research that provides empirical evidence on how foreign investment and sustainable development contribute to the development of green sukuk as a green financing instrument. Based on this background, this study aims to analyze the effects of FDI and Sustainable Development on green sukuk issuance in five OIC member countries during the 2015–2023 period. The findings are expected to enrich the literature on the determinants of green sukuk and provide input for governments and regulators in strengthening the development of the Islamic financial market to support the sustainable development agenda.

## LITERATURE REVIEW

### Green Sukuk as a Sustainable Finance Instrument

Sustainable finance has developed as a new approach in the global financial system that places environmental, social, and governance (Environmental, Social, and Governance/ESG) aspects as an important part of investment decision-making (Ziarmal, 2025). Financial instruments are evaluated not only based on the level of financial returns but also on their contribution to the creation of social value and environmental sustainability. Green sukuk have emerged as an innovation in the Islamic financial market that combines sharia principles with sustainable development objectives (Wan Zahari, 2025; Zulkhibri, 2017). Unlike conventional sukuk, which are generally used to finance specific assets or projects, green sukuk are specifically intended to finance projects that provide environmental benefits, such as renewable energy, low-carbon transportation, environmental conservation, and green infrastructure (Seth & Tomar, 2026).

The development of green sukuk is supported by the increasing need for financing instruments that are able to address the challenges of climate change and the limited availability of public funding sources (Delle Foglie & Keshminder, 2024). Green sukuk have attractive characteristics because it not only offers an alternative investment based on ethical values but are also consistent with the principles of maqashid al-shariah, which emphasize the balance between economic, social, and environmental interests (Ilhamiwati et al., 2025). Green sukuk have the potential to become a strategic instrument in accelerating the transition toward a green economy, particularly in Muslim countries that have substantial financing needs for sustainable development (Mohamed et al., 2021; Hassan et al., 2022).

**Foreign Direct Investment and Green Sukuk Development**

Foreign Direct Investment (FDI) is one of the external financing sources that makes an important contribution to economic growth and infrastructure development in a country (Nugroho et al., 2025). In addition to providing additional capital, foreign investment also contributes to technology transfer, strengthens industrial capacity, and introduces more efficient and sustainability-oriented business practices. In the context of sustainable finance, increasing FDI inflows can create demand for long-term financing instruments that support green projects. Countries with higher levels of foreign investment tend to have greater development activities, requiring alternative financing mechanisms such as green sukuk to support investment in clean energy, sustainable transportation, and environmentally friendly infrastructure (Humta et al., 2026; Timur et al., 2025).

The relationship between FDI and green sukuk can also be explained from the perspective of institutional signaling and financial market development. Foreign investment inflows usually reflect investor confidence in economic stability, institutional quality, and a country's development prospects. This condition can enhance the credibility of the domestic financial market and strengthen the capacity of both governments and the private sector to issue green financing instruments (Agara Happy Febrina, 2025). Countries that successfully attract international investment generally have more developed financial ecosystems and are better prepared to adopt sustainable financing innovations (Agara Happy Febrina, 2025). Higher FDI is expected to become one of the driving factors for the development of the green sukuk market, particularly in OIC countries that are strengthening their green development agenda.

Sustainable Development dan Green Sukuk.

**Sustainable Development and Green Sukuk**

Sustainable development has become one of the main agendas of global development aimed at achieving a balance between economic growth, environmental protection, and social welfare (Mahama & Yakubu, 2025). The implementation of sustainable development requires substantial financial support, particularly to finance projects related to climate change mitigation, clean energy, natural resource management, and sustainable infrastructure development. In this context, green sukuk have become one of the relevant instruments because they are able to provide financing that is consistent with sustainability principles while meeting investor demand for investment instruments that have positive environmental impacts (Izzati et al., 2025; Wan Zahari, 2025). Countries with higher levels of sustainable development tend to have stronger environmental policies and greater demand for green financing.

The relationship between sustainable development and green sukuk is also associated with increasing government commitment to achieving the Sustainable Development Goals (SDGs). The implementation of sustainable development policies encourages countries to develop innovative financing instruments that can reduce the gap between green investment needs and government budget capacity. Green sukuk has become one of the mechanisms capable of connecting the Islamic capital market with the sustainability agenda through the financing of projects that generate positive environmental and social impacts (Reverte, 2022; Saad, 2025). Green sukuk issuance can strengthen climate financing strategies and increase the participation of the financial sector in supporting low-carbon development (Hosen, 2023; Marwan & Ali, 2025). Therefore, the higher the level of sustainable development in a country, the greater the likelihood that the country will develop the green sukuk market as part of its sustainable development financing strategy.

**Research Framework**

The research framework proposes that FDI and Sustainable Development are the primary determinants of green sukuk issuance in OIC countries. Higher levels of foreign investment are expected to increase the demand for long-term financing of sustainable infrastructure and environmentally friendly projects, thereby encouraging greater green sukuk issuance. Likewise, countries with stronger sustainable development performance are more likely to promote green financing initiatives, creating favorable conditions for the expansion of the green sukuk market. Based on these theoretical relationships, this study examines the direct effects of FDI and Sustainable Development on green sukuk issuance.

*$H_1$: FDI has a positive and significant effect on green sukuk issuance.*

*$H_2$: Sustainable development has a positive and significant effect on green sukuk issuance.*

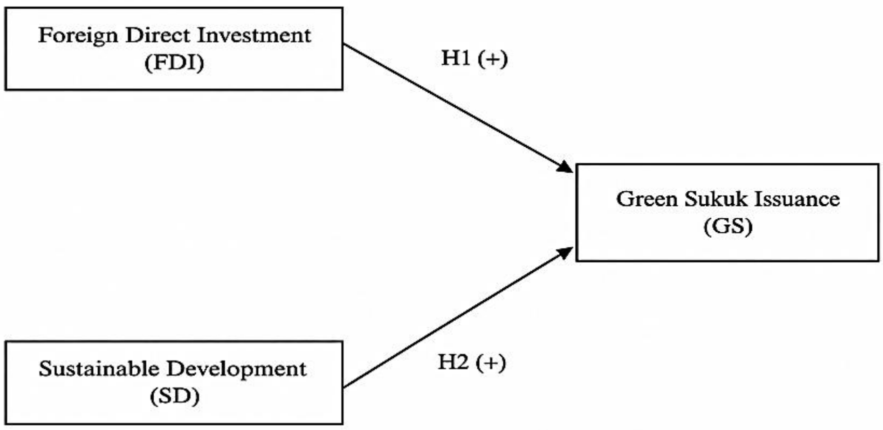


**Figure 1. Research Framework**

## METHOD

This study employed a quantitative research approach using secondary data to examine the effects of Foreign Direct Investment (FDI) and Sustainable Development (SD) on green sukuk issuance in five OIC member countries: Bangladesh, Indonesia, Malaysia, Türkiye, and Nigeria. These countries were selected based on data availability from the LSEG Refinitiv database, particularly their recorded green sukuk issuance activity during the 2015–2023 period and the availability of complete macroeconomic and sustainable development data. Other OIC member countries were excluded because of the absence of recorded green sukuk issuance or incomplete data for the variables examined. The observation period covered 2015–2023 and resulted in 424 individual green sukuk issuances as the unit of analysis. Thus, the dataset represents issuance-level observations rather than a balanced country-year panel. The FDI and Sustainable Development variables, which are measured annually at the country level, were matched to each green sukuk issuance according to the issuing country and year. The sample was determined using purposive sampling based on the availability and completeness of the required data. Data were obtained from internationally recognized databases, including the LSEG Refinitiv database and the World Bank.

Given that the unit of analysis is the individual green sukuk issuance, while FDI and Sustainable Development are measured at the country-year level, multiple issuances from the same country and year may share identical values for the explanatory variables. Accordingly, the dataset contains repeated country-year observations and should not be interpreted as a conventional balanced panel dataset. The analysis therefore focuses on the association between country-level FDI and Sustainable Development conditions and issuance-level green sukuk values. A pooled multiple linear regression model was employed to estimate these relationships. This approach provides an initial empirical assessment of the proposed relationships, although it does not explicitly control for unobserved country-specific heterogeneity.

To test the proposed hypotheses, multiple linear regression analysis was conducted using JASP statistical software. Prior to the regression analysis, descriptive statistics were employed to summarize the characteristics and distribution of the variables, while Pearson correlation analysis was performed to examine the bivariate relationships among the variables. The regression model was then estimated to assess the effects of FDI and Sustainable Development on green sukuk issuance. Statistical significance was evaluated at the 1%, 5%, and 10% levels. The coefficient of determination ($R^2$) was used to assess the explanatory power of the regression model. Green sukuk issuance was measured using the natural logarithm of annual issuance value in USD to reduce scale differences and improve the comparability of issuance observations, while FDI (% of GDP) and the Sustainable Development Index were retained in their original measurement units.

The study did not employ a formal robustness analysis, such as alternative model specifications, fixed-effects estimation, or random-effects estimation. Consequently, the findings should be interpreted as evidence of the estimated relationships within the observed issuance-level sample rather than as definitive evidence that accounts for all unobserved country-specific effects. Further research may strengthen the analysis by applying panel-based or other estimation techniques that explicitly address country-level heterogeneity and the repeated country-year structure of the data.

**Table 1. Operational definition of variables**

| Variable | Type | Operational Definition | Measurement | Data Source |
|---|---|---|---|---|
| Green Sukuk (GS) | Dependent | Annual issuance of green sukuk used to finance environmentally sustainable projects. | Value of annual green sukuk issuance (USD) | Islamic Finance Development Indicator (IFDI) |
| Foreign Direct Investment (FDI) | Independent | Net inflows of foreign direct investment reflecting foreign capital participation in the domestic economy. | FDI net inflows (% of GDP) | World Bank, World Development Indicators |
| Sustainable Development (SD) | Independent | National achievement in sustainable economic, social, and environmental development. | Sustainable Development Index (SD Index) score | Sustainable Development Report |

Source: Compiled by the authors (2026).

Note: To address differences in scale, Green Sukuk (GS) issuance value was transformed using the natural logarithm prior to estimation, whereas FDI (% of GDP) and the Sustainable Development (SD) Index were used in their original units without logarithmic transformation.

## RESULT AND DISCUSSION

### Overview of Green Sukuk Issuance

The dataset consists of 424 green sukuk issuances recorded between 2015 and 2023 across five OIC member countries, namely Indonesia, Bangladesh, Nigeria, Turkiye and Malaysia. The issuance activities were predominantly undertaken by corporate institutions, while agency issuances represented a relatively smaller proportion of the market. Differences in both issuance frequency and issuance value indicate that the development of the green sukuk market remains uneven across the selected countries, with Malaysia and Indonesia accounting for the largest share of market activity.

**Table 2. Distribution of green sukuk issuance across selected OIC countries (2015–2023)**

| Issuing Country | Institution Category | Total Issuances | Green Sukuk Value (Million USD) |
|---|---|---|---|
| Malaysia | Corporate | 401 | 7,936.00 |
| Indonesia | Agency | 13 | 9,848.00 |
| Malaysia | Agency | 5 | 1,625.00 |
| Türkiye | Corporate | 2 | 7.29 |
| Bangladesh | Corporate | 1 | 247.90 |
| Indonesia | Corporate | 1 | 12.07 |
| Nigeria | Corporate | 1 | 0.60 |

Source: Processed from LSEG Refinitiv database (2026)

Table 2 demonstrates that green sukuk issuance among the selected OIC countries remains highly concentrated. Malaysia recorded the highest number of corporate issuances, while Indonesia accounted for the largest issuance value through agency issuances. In contrast, Bangladesh, Nigeria, and Türkiye exhibited relatively limited issuance activities during the observation period. These findings indicate that the development of the green sukuk market varies considerably across countries, reflecting differences in market maturity, institutional participation, and the scale of sustainable financing initiatives.

## Descriptive Statistics and Correlation Analysis

Descriptive statistics and Pearson correlation analysis were conducted to provide an overview of the data characteristics and examine the relationships among the study variables. Descriptive statistics summarize the distribution of each variable through the mean, standard deviation, minimum, and maximum values, while the Pearson correlation matrix is used to identify the strength and direction of the linear relationships among variables. In addition, the correlation coefficients serve as an initial assessment of potential multicollinearity before estimating the regression model.

**Table 3. Descriptive Statistics and Pearson Correlation Matrix**

| Variables | Obs. | Mean | S.D. | Min | Max | GS | FDI | SD |
|---|---|---|---|---|---|---|---|---|
| GS | 424 | 15.9 | 1.58 | 12.7 | 21.4 | 1 | | |
| FDI | 424 | 2.54 | 1.15 | 0.45 | 5.45 | 0.1108 | 1 | |
| SD | 424 | 68.25 | 1.03 | 54.5 | 70.2 | 0.1410 | -0.0865 | 1 |

Source: Authors' calculation using JASP.

The descriptive statistics indicate that the dataset consists of 424 observations from five OIC countries during the 2015–2023 period. GS has an average value of 15.90, while FDI and SD record mean values of 2.54 and 68.25, respectively. The Pearson correlation coefficients are relatively low, with the highest correlation reaching only 0.1410, indicating that the relationships among the independent variables are weak. Since all correlation coefficients are substantially below the commonly accepted threshold of 0.80, the data do not indicate the presence of multicollinearity and are therefore suitable for subsequent multiple linear regression analysis.

## Multiple Linear Regression Results

Multiple linear regression analysis was performed to examine the effects of Foreign Direct Investment and Sustainable Development on green sukuk issuance. Table 4 reports the estimated regression coefficients. Both explanatory variables exhibit positive and statistically significant coefficients, indicating that higher foreign investment inflows and stronger sustainable development performance are associated with greater green sukuk issuance among the selected OIC countries.

**Table 4. Multiple Linear Regression Results**

| Predictor | Estimate (β) | t | p |
|---|---|---|---|
| Intercept | -7.780 | -1.35 | 0.179 |
| Foreign Direct Investment | 0.297 | 4.03 | < .001 |
| Sustainable Development | 0.312 | 3.18 | 0.002 |

Note. Dependent variable: Green Sukuk Issuance.

The regression results presented in Table 4 indicate that both independent variables have positive and statistically significant effects on green sukuk issuance. FDI shows a positive coefficient ($\beta = 0.297$; $t = 4.03$; $p < 0.001$), suggesting that greater foreign investment inflows are associated with higher levels of green sukuk issuance. Similarly, Sustainable Development exhibits a positive and significant relationship with green sukuk issuance ($\beta = 0.312$; $t = 3.18$; $p = 0.002$). These findings provide empirical support for both proposed hypotheses, indicating that increases in foreign investment and sustainable development performance are associated with greater issuance of green sukuk in the selected OIC countries.

In economic terms, the coefficient for Sustainable Development ($\beta = 0.312$) is marginally larger than that for FDI ($\beta = 0.297$), indicating that, within this sample, sustainable development performance is a slightly more influential predictor of green sukuk issuance than foreign investment inflows. Substantively, a one-unit increase in the Sustainable Development Index score is associated with a larger increase in (log) green sukuk issuance value than a one-percentage-point increase in FDI net inflows (% of GDP). For OIC countries seeking to expand their green sukuk markets, this implies that sustained investment in sustainable development performance—alongside efforts to attract foreign investment may yield comparatively strong returns in terms of green sukuk market growth, particularly for countries such as Bangladesh, Nigeria, and Türkiye that currently show limited issuance activity relative to Malaysia and Indonesia (see Table 2).

## Model Summary

Table 5 presents the overall performance of the regression model. The model explains 27.8% of the variation in green sukuk issuance ($R^2 = 0.278$), suggesting that Foreign Direct Investment and Sustainable Development provide a moderate level of explanatory power for differences in green sukuk issuance across the observed countries.

**Table 5. Model Summary**

| Model | R | $R^2$ | Observations |
|---|---|---|---|
| Model 1 | 0.527 | 0.278 | 424 |

Note. Dependent variable: Green Sukuk Issuance.

Table 5 summarizes the overall performance of the regression model. The coefficient of determination ($R^2$) is 0.278, indicating that 27.8% of the variation in green sukuk issuance can be explained by Foreign Direct Investment and Sustainable Development. The remaining variation is likely attributable to other factors not included in the model. Based on 424 observations, the model demonstrates a moderate explanatory capacity and provides an adequate basis for examining the determinants of green sukuk issuance across the selected OIC countries.

**Foreign Direct Investment and Green Sukuk Issuance**

The empirical findings indicate that FDI has a positive and significant effect on green sukuk issuance in the selected OIC countries. This result suggests that greater foreign investment inflows are associated with the expansion of green sukuk as a financing instrument for environmentally sustainable projects. Foreign investors generally require long-term financing mechanisms capable of supporting infrastructure development, renewable energy, and other sustainable investments. As investment activities increase, demand for financing instruments that comply with sustainability principles also rises, making green sukuk an increasingly relevant source of funding. This finding confirms that FDI not only contributes to capital accumulation but also encourages the development of sustainable financial markets.

The positive relationship between FDI and green sukuk issuance is consistent with the role of foreign investment in facilitating technology transfer, improving productivity, and introducing sustainability-oriented business practices. International investors increasingly consider environmental and sustainability standards in their investment decisions, encouraging host countries to expand financing instruments that support green economic activities. Green sukuk provide an appropriate financing mechanism because they combine Sharia principles with environmental objectives, enabling governments and corporations to mobilize capital for projects aligned with sustainable development. This finding supports the argument of Nugroho et al. (2025), who emphasize that FDI contributes not only to economic growth but also to infrastructure development and investment capacity. It also reinforces the findings of Humta et al. (2026) and Timur et al. (2025), who argue that countries receiving larger foreign investment inflows tend to require more sustainable financing instruments to support environmentally friendly infrastructure projects.

These findings are also consistent with the institutional signaling perspective discussed in the literature. Higher FDI inflows often reflect stronger investor confidence in a country's economic stability and future development prospects. Such confidence increases the credibility of domestic financial markets and creates favorable conditions for the issuance of innovative financial instruments, including green sukuk. This result is in line with Agara Happy Febrina (2025), who argues that foreign investment strengthens financial market development and improves the capacity of governments and private institutions to adopt sustainable financing innovations. Therefore, attracting foreign investment is not only important for increasing productive capital but also for accelerating the development of Islamic sustainable finance through the expansion of the green sukuk market.

**Sustainable Development and Green Sukuk Issuance**

The results also demonstrate that Sustainable Development has a positive and significant effect on green sukuk issuance. This finding indicates that countries with stronger sustainable development performance are more likely to expand the issuance of green sukuk. Sustainable development policies require substantial financial resources to support renewable energy, climate change mitigation, natural resource management, and sustainable infrastructure. Green sukuk provide an alternative financing mechanism capable of mobilizing long-term capital while ensuring that investment activities remain consistent with environmental and social objectives. Consequently, countries with greater commitments to sustainable development tend to create stronger demand for green financing instruments.

The positive relationship between sustainable development and green sukuk reflects the increasing integration between sustainability policies and Islamic financial markets. Governments pursuing the Sustainable Development Goals (SDGs) require innovative financing instruments capable of narrowing the financing gap for environmentally beneficial projects. Green sukuk fulfill this function by linking Islamic capital markets with sustainable investment initiatives. This finding is consistent with Mahama and Yakubu (2025), who argue that sustainable development requires substantial financing support, particularly for environmental and infrastructure projects. Likewise, Izzati et al. (2025) and Wan Zahari (2025) explain that green sukuk have become an appropriate financing instrument because they align sustainability objectives with Sharia principles, enabling governments to finance projects with positive environmental impacts.

The findings also support previous studies emphasizing the strategic contribution of green sukuk to sustainable development. Reverte (2022) and Saad (2025) argue that green sukuk strengthens the connection between sustainable development policies and Islamic capital markets by financing projects that generate environmental and social benefits. Similarly, Hosen (2023) and Marwan and Ali (2025) conclude that green sukuk play an important role in supporting climate finance and promoting low-carbon development. The present findings extend this evidence by demonstrating that sustainable development is not only an outcome supported by green sukuk but also a significant determinant of its issuance. As countries improve their sustainable development performance, opportunities for expanding the green sukuk market become increasingly substantial, strengthening the role of Islamic finance in achieving long-term sustainable development objectives.

## CONCLUSION AND RECOMMENDATION

This study examined the effects of FDI and Sustainable Development on green sukuk issuance in five member countries of the OIC, namely Bangladesh, Indonesia, Malaysia, Türkiye, and Nigeria, during the 2015–2023 period. The empirical results demonstrate that both variables have positive and significant effects on green sukuk issuance. These findings indicate that higher foreign investment inflows and stronger sustainable development performance contribute to the expansion of the green sukuk market. Foreign investment supports the financing capacity of sustainable projects, while progress in sustainable development increases the demand for financing instruments that are aligned with environmental and social objectives.

The findings also confirm the strategic role of green sukuk as an Islamic financial instrument that supports sustainable development. Countries capable of attracting foreign investment and implementing sustainable development policies tend to have more favorable conditions for expanding green sukuk issuance. These results contribute to the sustainable finance literature by providing cross-country empirical evidence from OIC member countries and highlighting that macroeconomic and sustainability-related factors jointly influence the development of the green sukuk market. The study therefore reinforces the importance of integrating investment promotion strategies with sustainable development policies to strengthen the role of Islamic capital markets in financing green economic transformation.

From a practical perspective, governments and financial regulators should formulate policies that encourage foreign investment while strengthening sustainable development initiatives to support the expansion of green sukuk issuance. Improving the investment climate, strengthening regulatory frameworks, enhancing ESG-based project pipelines, and expanding collaboration between the public and private sectors may increase investor confidence and stimulate the growth of the green sukuk market. Future studies are recommended to include a larger number of OIC countries, extend the observation period, and incorporate additional variables such as institutional quality, financial development, environmental performance, or climate policy to provide a more comprehensive understanding of the determinants of green sukuk issuance.

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