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EXTERNAL DETERMINANTS OF GLOBAL SUKUK ISSUANCE: A COMPREHENSIVE LITERATURE REVIEW

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Abstract:

The global sukuk market has experienced significant growth as a Shariah-compliant alternative to conventional bonds, yet its development is influenced by various external determinants. Despite considerable research on sukuk issuance, existing literature is fragmented, often analyzing macroeconomic, institutional, and financial factors in isolation. Additionally, the impact of external shocks, such as geopolitical risks and the COVID-19 pandemic, on sukuk issuance remains underexplored. This study aims to achieve three key objectives by systematically reviewing the external determinants of global sukuk issuance, analyzing past empirical studies, and examining critical themes, including geopolitical uncertainties and economic disruptions. This study employs a systematic literature review (SLR) methodology using Scopus AI, ensuring a structured approach to data selection, thematic classification, and synthesis of findings. Relevant academic sources were identified based on keywords such as "sukuk issuance determinants," "macroeconomic factors and sukuk," and "market risks in sukuk issuance," with a focus on high-impact journals from the past two decades. Findings reveal that macroeconomic stability, regulatory clarity, and investor confidence play crucial roles in sukuk market development. Institutional determinants, such as governance quality and regulatory frameworks, significantly shape market accessibility, while financial factors, including market liquidity and risk exposure, influence sukuk pricing and issuance decisions. External shocks, including geopolitical risks and the COVID-19 pandemic, have also impacted sukuk market stability and investor sentiment. Theoretically, this study consolidates fragmented research into a unified framework, improving the understanding of sukuk market dynamics. Practically, it provides valuable insights for policymakers, financial institutions, and investors seeking to optimize sukuk issuance strategies and

mitigate risks. Despite its contributions, the study is limited by its reliance on secondary data and variations in sukuk market structures across jurisdictions. Future research should incorporate empirical modeling to quantify the direct impact of external determinants on sukuk issuance, particularly in evolving global economic conditions.

Keywords:

External Determinants; Geopolitical Risks; Islamic Finance; Macroeconomic Factors; Sukuk Issuance

Introduction

The sukuk market globally has become an essential component in Islamic finance, providing a Shariah-compliant alternative to conventional bonds. Issuance in the past two decades saw tremendous growth, with the boom in demand by government issuers, corporates, and other banking organizations. But the market is also encompassed by a number of external factors that drive the movement of the market, issuance volume, and overall stability. There is a need to research and analyze the same with the aim of attaining security as well as sustainability in the global sukuk market.

The issuance of sukuk is largely based on the complex relationship of multiple external macroeconomic, institutional, as well as financial factors. Macroeconomic factors, such as the inflation rate, the stability of the exchange rate, as well as per capita GDP, have a great impact on the market activity as well as the behavior of the investors (Shintyawati et al., 2020). Factors associated with the quality of the governance, regulation, as well as compliance with Shariah, are the factors at the institutional level, supporting the environment required for investments (Smaoui & Khawaja, 2017). Further, market liquidity, exposure to risk, as well as the behavior of the investors, have a great impact on the issue's decision-making process for sukuk (Utami et al., 2019; Ashraf et al., 2021).

One major issue facing extant research is the distinct approach to examine determinants of sukuk market development. The available empirical studies have individually addressed macroeconomic determinants—i.e., exchange rate stability, per capita GDP, and inflation rates—without examining interdependent aspects between these and other institutional determinants including the strength of regulations, governance quality, and Shariah compliance (Smaoui & Khawaja, 2017; Paltrinieri et al., 2020). This is a distinct approach that prevents thorough understanding required to adequately price and respond to the intricacy involved in sukuk issuance.

Besides, sukuk market is significantly exposed to external global factors and systemically related external shocks, particularly the COVID-19 pandemic and rising global tensions. Though their effects on market conduct, investor sentiment, and perception regarding risk are obvious and meaningful, there are relatively few academic studies exploring their impacts (Ashraf et al., 2016; Sherif, 2020; Salisu & Vo, 2020). Special studies are consequently needed as a matter of urgency to better understand how these global shocks have specifically affected sukuk issuance trends.

Furthermore, market factors pertaining to underlying market risk, risk management, and investor sentiment persist to affect sukuk issue outcomes. Differentials in market liquidity between jurisdictions reduce market depth and access, and present severe hindrances to increased investor involvement. Additionally, risk management differences between issuers, driven by differences in market levels and sets of regulations, introduce sophistication and uncertainty to market operations (Naifar et al., 2016; Alam et al., 2013). Investor sentiment, being so interrelated with these market liquidity and risk problems, is highly sensitive to macroeconomic stability and institution quality perceptions, contributing to the decisional problems in the sukuk market (Utami et al., 2019).

This study aims to achieve three key objectives:

- (1) to review the external determinants affecting global sukuk issuance, including macroeconomic, institutional, and financial factors;
- (2) to review the influence of these determinants based on past empirical studies; and
- (3) to examine the connections of key themes such as geopolitical risks, the COVID-19 pandemic, external factors, and determinants.

By addressing these objectives, this study seeks to consolidate existing research and provide a comprehensive understanding of the factors shaping sukuk issuance trends.

This research presents a new contribution to the literature as it critically examines the external determinants of sukuk issuance. It synthesizes evidence from multiple sources in aggregating evidence-based findings, which can serve as a policy guide for government, financial sector players, and investors in developing sukuk market policies. It also pinpoints pressing sukuk market challenges and opportunities with a policy thinking roadmap as well as research directions.

The rest of the paper is laid out as follows: Section 2 describes the method. Section 3 discusses the results and the discussion according to the research aims. Lastly, Section 4 summarizes with policy recommendations as well as suggestions for future research.

Methodology

This research employs the use of a systematic literature review (SLR) method using Scopus AI in analyzing the external determinants of sukuk issuances globally with the aims of: (1) to review the external determinants affecting global sukuk issuance, including macroeconomic, institutional, and financial factors, (2) to review the influence of these determinants based on past empirical studies, and (3) to examine the connections of key themes such as geopolitical risks, the COVID-19 pandemic, external factors, and determinants.

To achieve these objectives, extensive search with Scopus AI utilizing advanced search capabilities as well as machine learning functionality was conducted in an attempt to identify relevant literature. Keywords such as "sukuk issuance determinants," "macroeconomic factors and sukuk," "institutional influences on sukuk markets," and "market risks in sukuk issuance" were used to filter academic articles from high-impact finance and Islamic banking journals. The selection criteria targeted empirical and theoretical research articles published in peer-reviewed journals within the last twenty years. Policy reports by international financial institutions and regulatory bodies were also reviewed to supplement the findings with the latest perspectives on trends in the sukuk market. This was augmented by a keyword

search based on the following keywords: ("sukuk" OR "Islamic bond" OR "sharia compliant bond") AND ("global" OR "international" OR "worldwide") AND ("issuance" OR "offering" OR "launch" OR "sale") AND ("determinants" OR "factors" OR "influences" OR "drivers") AND ("external" OR "outside" OR "foreign" OR "macro"). This dual approach ensured comprehensive coverage of literature addressing the research objectives.

The literature was then categorized into major thematic domains, in compliance with the research aims and in a structured pattern. A lot of care went into the research focusing on geopolitical risks, the impact of COVID-19, external factors, and the factors of the issue of sukuk. To assess the validity and the dependability of the findings, comparative research based on evidence from the ground was carried out through the use of tools presented by Scopus AI. This helped to determine research trends, consistent outcomes, and gaps in the current research. Through the use of algorithm-based methodology, the current research ensures the exhaustive and evidence-based integration of the latest research into the determining factors in the case of the sukuk phenomenon.

By conducting this systematic literature review with the aid of Scopus AI, this study contributes to both theoretical and practical discourse. Theoretically, it consolidates fragmented research into a unified framework that enhances understanding of sukuk market dynamics. Practically, the study offers valuable insights for policymakers, financial institutions, and investors seeking to optimize sukuk issuance strategies and mitigate external risks. The findings of this research are expected to inform future academic inquiries and support decision-making in global sukuk markets.

Result and Discussion

This section is a conclusive analysis of the sukuk market's external factors, bringing together theoretical models with empirical evidence. It reviews the macroeconomic, institutional, as well as the financial factors shaping the sukuk market's trends, as well as the implications of the disruptions from the outside world, the COVID-19 crisis, as well as political uncertainty. By bringing together earlier empirical research, the discourse points out the relevant patterns, impediments, as well as the future directions in the sukuk market, as well as the relevant policy suggestions for policy-makers, investors, as well as other players in the financial sector.

The analysis starts with the analysis of macroeconomic factors, explained by GDP per capita, inflation, and exchange rate stability, and how they influence trends in the issuance of sukuk through the transmission channel to market activity and investor confidence. The analysis continues to examine the institution factors, symbolized by the governance structure, Shariah compliance, and regulation, and how they influence the overall stability of the market in the issuance of sukuk. Lastly, the financial factors, represented by market liquidity, risk, and investor sentiment, are examined in terms of how they impact the pricing and size of the issue of sukuk.

Moreover, this research examines the effect of external disruptions, in the form of the COVID-19 epidemic and geopolitical tensions, on the emergent patterns in the sukuk market. This segment assesses the effect of such global events on investor sentiment, market volatility, and trend in issues, and also provides some lessons in the resistance shown by the sukuk during economic downturns.

Through the synthesis of diverse perspectives, the current section aims to consolidate diverse research into a consistent structure, and in so doing, provide an in-depth understanding of the factors in the sukuk phenomenon. The results would be the basis justifying the provision of research and proposals in the future as well as long-term growth in the sukuk market under changing economies.

To Review the External Determinants Affecting Global Sukuk Issuance, Including Macroeconomic, Institutional, and Financial Factors

The macroeconomic factors of sukuk issue have the biggest role in shaping market movement. According to empirical research, per capita GDP is the biggest factor affecting sukuk issue since more advanced economies have more evolved sukuk market mechanisms (Basyariah et al., 2021). Inflation level is also found to be a significant factor; changes in this factor can create uncertainty for issuers as well as investors, thus affecting the demand for sukuk instruments (Shintyawati et al., 2020). Inflation is found to have a contradictory relationship with sukuk issue; whereas there is evidence from some studies supporting the use of sukuk as a hedge for inflation, other research claims inflation pressures can be problematic for sukuk issue (Smaoui & Khawaja, 2017).

Institutional factors dominate the sukuk sector. Governance quality and the regulation schemes act as vital factors in developing confidence among investors as well as shaping market conditions at large (Aziz et al., 2021). According to empirical research, the more advanced the legal protections, the more transparent the regulation schemes, as well as the more effective the judicial system is, the more likely the country is to have sukuk investments flowing in (Utami et al., 2019). In addition, confidence among the populace regarding the Islamic financial solutions also heavily contributes to the process of sukuk issuances since investors usually seek the optimal Shariah-permissible schemes (Borhan & Ahmad, 2018).

Financial factors, including market liquidity as well as exposure to risk, contribute considerably toward the trends underpinning sukuk issuances. Increased market liquidity inspires issuers to engage with the sukuk market; in turn, financial uncertainty—reflected through large levels of foreign debt obligations—is found to hinder volumes of issuances (Mohd Roslen et al., 2024). Additionally, the categorization of sukuk as asset-based or asset-backed contributes considerably toward investors' preferences as well as the overall market's performance (Sherif & Erkol, 2017).

The connection with the COVID-19 pandemic and geopolitical risk increases the complexity of the sukuk issuance. Political instability and economic downturns have in the past impacted sukuk volumes (Smaoui & Khawaja, 2017). COVID-19 notably tainted sukuk markets in the short term but also underscored the strength of the Islamic finance industry in delivering crisis-driven moral investments.

The present study highlights the intricate relationship between the factors affecting the trend in the case of sukuk. Future research would be geared toward the combination of the factors in a unified model with the view of enhancing the market's stability as well as forecast ability.

To Review the Influence of Sukuk Determinants Based on Past Empirical Studies

Empirical investigations have repeatedly confirmed the role of the macroeconomic factors in the sukuk issuances volume. Research shows there is a positive relationship between per capita

levels of GDP and the growth of the sukuk market since more advanced economies have more advanced financial systems through which sukuk issuances can be facilitated (Basyariah et al., 2021). Additionally, a stable exchange rate makes investors more confident, thereby fuelling the sukuk demand (Shintyawati et al., 2020). Inflation is the only factor with conflicting results; whereas according to some research, inflation discourages investors as a result of the uncertainty created, according to other research, inflation promotes the sukuk as a hedge against inflation pressures (Smaoui & Khawaja, 2017).

Institutional factors have been recognized as significant factors of sukuk-related trends. It is argued that the presence of strong governance mechanisms, clearly delineated regulation mechanisms, as well as effective Shariah compliance processes is more likely to be associated with higher sukuk issuances (Aziz et al., 2021). Stronger legal protections coupled with pro-investor policies ensure market stability, which consequently fosters the more extensive use of sukuk (Utami et al., 2019). Economic transparency as well as social trust have also been recognized as essential institutional factors in supporting market confidence as well as market liquidity (Borhan & Ahmad, 2018).

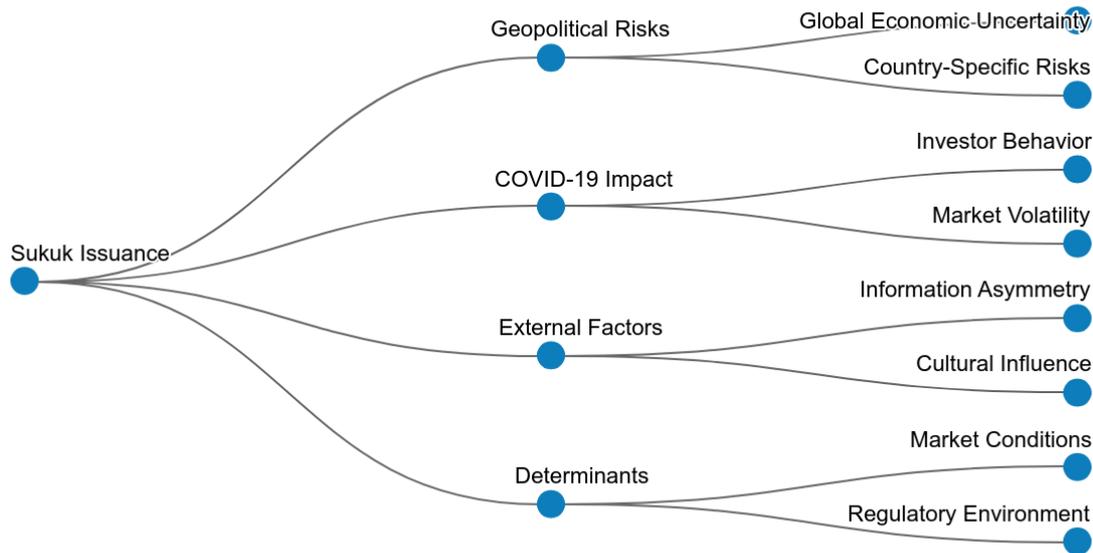
Financial factors, ranging from market liquidity through investors' attitudes, underpin the sukuk phenomenon. According to research, higher market liquidity makes sukuk investments more attractive; at the same time, it can repel would-be issuers considering market entry (Mohd Roslen et al., 2024). In turn, research also shows the classification of sukuk as asset-based or asset-backed affecting investors' perceptions as well as the market's overall market dynamics considerably (Sherif & Erkol, 2017).

External shocks, including geopolitical uncertainties as well as the COVID-19 outbreak, have impacted sukuk issuance patterns profoundly. Economic as well as political uncertainty in the main sukuk issuing countries created fluctuations in volumes of issuances (Smaoui & Khawaja, 2017). At the same time, whereas the COVID-19 crisis at first dented the sukuk markets, later it created more demanding ethical as well as resilient financing.

In summary, the evidence strongly supports the claim that macroeconomic factors, institutional factors, and fiscal dynamics all impact the noted trends in sukuk. It's essential to see future research integrate the above into a theoretical model to increase predictive accuracy and guide policymaking.

Connections of Key Themes (Geopolitical Risks, the COVID-19 Pandemic, External Factors, and Determinants)

The graph shows the most significant factors influencing sukuk issuances across the globe. The factors have been classified under four primary themes: Geopolitical Risks, the Impact of COVID-19, External Factors, and Determinants.



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Linkages Between Sukuk Issuance and Geopolitical Risks

Geopolitical risks have a significant influence on sukuk issuance by impacting investor confidence as well as financial stability as a whole. Literature has shown that international geopolitical risks (GPRs), which include political conflicts, war, and terrorism, negatively influence the performance of the sukuk market due to heightened investment risk (Zakaria et al., 2024). As geopolitical tensions rise, investors tend to move towards safer financial assets, and therefore sukuk demand drops, with the issuance also going down. The relationship identifies the susceptibility of Islamic financial markets to external economic and political fluctuations.

The COVID-19 pandemic brought a new element of geopolitical risk, as lockdowns, border restrictions, and limitations on international trade had a major impact on the accessibility of the sukuk market (Zakaria et al., 2024). At the peak of the crisis, many issuers faced restrictions in accessing international markets, largely because of economic uncertainty and supply chain disruptions. These conditions had an impact on the issuance of sukuk, leading investors to reassess their risk exposure during market volatility.

In light of geopolitical uncertainty, regulation agencies and financial institutions have stressed the need for enhanced risk reduction measures in sukuk markets. Zakaria et al. (2024) argue that sukuk issuers should disclose extensive risk reduction processes to foster investors' confidence and encourage ongoing market participation. Strengthening regulation mechanisms and enhanced disclosure in the financial sector can mitigate geopolitical uncertainty and attract investors.

Furthermore, geopolitical threats also emphasize the role of sukuk issuances expansion as a measure to counter market concentration in politically volatile areas. By extending the diversity of sukuk issuances beyond the traditional political hotspots, issuers can avoid the negative impact of political uncertainty. Having political stability in certain countries can largely

contribute toward the market's resistance toward sukuk default, thereby making sukuk investments more appealing.

In short, geopolitical risks are significant challenges to the sukuk market; nevertheless, market diversification and customized regulatory adjustments can reduce such risks. Future studies can look into how the sukuk market can be supported against geopolitical upsets through more robust risk management techniques and policy interventions. An overview of sukuk issuance and geopolitical risks is outlined in the corresponding Table 1.

Table 1: The Summary Of Sukuk Issuance And Geopolitical Risks

Authors	Title	Year	Source Title	Cited By
Zakaria N.B.; Musa K.; Kabir M.R.; Sobhani F.A.; Abdillah M.R.	The Impact Of Geopolitical Risk And COVID-19 Pandemic Stringency On Sukuk Issuance In Malaysia	2024	Journal Of Islamic Accounting And Business Research	1

The Link Between Sukuk Issuance, Geopolitical Risks, and Global Economic Uncertainty

Geopolitical risks have a considerable influence upon sukuk issue trends through the amplification of financial risk as well as the riskiness of investments. It is confirmed through the results of numerous studies using empirical research, which indicate how rising geopolitical tensions, war, as well as terrorism, have a dampening effect upon sukuk issue through investors being risk-averse (Zakaria et al., 2024). As geopolitical uncertainty grows, investors seek more riskless investments, thereby depressing sukuk issue volumes.

Global economic uncertainty is also responsible for the increased volatility of sukuk markets, particularly so when financial distress is present. Economic policy uncertainty and global financial crises have been shown to exert a negative effect on sukuk returns, particularly when the market is under bear conditions (Naifar & Hammoudeh, 2016). More specifically, the GCC sukuk market is very sensitive to international uncertainty, influencing investors' sentiment as well as risk perception, thus influencing the issuance pattern.

Financial risk factors such as the stability of foreign debt service as well as the volatility of the exchange rate also contribute to sukuk market instability under geopolitical uncertainty (Mohd Roslen et al., 2024). Evidence from the literature shows long-term sukuk market growth is impacted by financial stress since investors turn risk-averse when they experience uncertainty in world liquidity as well as the movement of the exchange rate.

Notwithstanding the political risk created through political uncertainty, the low default risk asset-backed structure ensures the asset-backed sukuku as a highly reliable asset. Empirical evidence suggests that sukuku attract investors in search of economic stability,

particularly in situations in which conventional bonds carry high default risks (Khanfar & Khanfar, 2023). This resilience also contributes toward the image of the sukuk as a reliable tool in the case of the economy's crisis.

In short, while geopolitical threats and international economic uncertainties pose challenges to sukuk issuance, they also underscore the need for better regulatory systems and risk mitigation strategies. Policymakers and regulators must come up with policies that prioritize resilience in a bid to protect sukuk markets from outside interference, thus guaranteeing extended stability and promoting investor confidence.

The Link Between Sukuk Issuance, Geopolitical Risks, and Country-Specific Risks

Geopolitical risks at the country level play a major role in sukuk issuance by determining investor confidence and market stability. Research shows that increased geopolitical tensions, regional instability, and financial uncertainty result in decreased sukuk issuance as investors turn risk-averse (Zakaria et al., 2024). Moreover, changes in country-level political stability influence regulatory conditions and economic growth, which in turn influence sukuk market growth.

In Malaysia, the stability of the country's foreign debt servicing, the volatility of the exchange rate, and the liquidity conditions in the international environment all provide unbalanced contributions to the issue of the sukuk (Mohd Roslen et al., 2024). Low financial stability discourages investors from approaching the sukuk market, while the policy uncertainty of the country is most often the cause of the uncertainty in the demand for the sukuk.

Indonesia presents the counterargument, whereby sukuk issue is a necessary instrument of development financing. By mitigating reliance on borrowing from the international world, Indonesia tapped sukuk markets for the purposes of stabilizing the economy as well as financing infrastructure schemes (Setiawan & Suwandaru, 2024). This is evidence of how national-level policies as well as budget policies spur sukuk market growth uniquely from nation to nation.

Notwithstanding geopolitical threats, sukuk is economically a highly effective tool, even more so in economies with strong regulation as well as macro mechanisms. In strong economies, the sukuk market is continuing to be attractive even with the rising threats in the geopolitical dimension, reflecting the role of governance as well as the role of fiscal openness in the sustainability of the market confidence.

In conclusion, geopolitical risk at the country level varies with the economic as well as the financial environment of each country. Policymakers should aim at improving the regulatory regimes as well as supporting the macroeconomic stability in the efforts to counter the negative role of geopolitical uncertainty as well as ensure the growth of sukuk.

Linkages Between Sukuk Issuance and COVID-19 Impact

The COVID-19 pandemic hit sukuk issuances hard with wide market disruptions being seen. A study indicates the lockdown measures, borders closure, as well as the limitation of traveling, in the leading sukuk-issuing jurisdictions such as Malaysia saw issuances volumes drop (Zakaria et al., 2024). Economic deterioration saw the decrease in investors with the resultant decrease affecting the sukuk market's overall liquidity.

Market sentiment also largely accounted for the sukuk returns in the pandemic. Evidence confirms sukuk markets reacted more intensely toward the events of COVID-19, with market conditions being characterized as being bearish amplifying the level of the volatility even more (Naifar, 2023). Thus, investors turned risk-averse, with their preference tilting toward low-risk investments, even hindering the expansion of sukuk market.

In spite of the pandemic caused by COVID-19, sukuk remained a resilient financing instrument, more precisely for infrastructure development. During periods of economic downturn, the government and companies employed sukuk issuance as a financing instrument for essential projects, thus reducing dependence on traditional financing vehicles (Usman & Sa'ad, 2023). This is a demonstration of the resilience of sukuk as a financing instrument during periods of crisis.

The pandemic served only to underscore the necessity for improving market regulation as well as market strategies when there is risk mitigations. Zakaria et al. (2024) identify the necessity of constructing transparency, improving investors' education, as well as regulation tightening in efforts to lure as well as keep investors when there is economic decline. Stronger regulation would be able to improve the market's resilience when dealing with disruptions from the world.

In conclusion, the COVID-19 crisis impacted sukuk issuances significantly, predominantly market access, investors perception, as well as the economy's stability. Meanwhile, the crisis also proved the resilience of sukuk as a financing tool. Upgrading the regulation of the capital market as well as investors awareness can avoid the risk factors associated with sukuk issuances in the future since sukuk market growth is persistent in the post-pandemic economy. A snapshot of sukuk issuance and COVID-19 impression is depicted in the table 2.

Table 2: The Summary Of Sukuk Issuance And COVID-19 Impact

Authors	Title	Year	Source title	Cited by
Usman A.A.; Sa'ad A.A.	Sukuk's Role in Financing Infrastructural Development During the Covid-19 Pandemic in Nigeria	2023	Contributions to Management Science	0
Naifar N.	Sukuk returns dynamics under bullish and bearish market conditions: do COVID-19 related news and government	2023	Applied Economics Letters	6

	measures matter?		
Bin-Nashwan S.A.; Muneeza A.	Investment decisions in digital sukuk in the time of COVID-19: do tax incentives matter?	2023	Journal of Sustainable Finance and Investment 15
Zakaria N.B.; Musa K.; Kabir M.R.; Sobhani F.A.; Abdillah M.R.	The impact of geopolitical risk and COVID-19 pandemic stringency on Sukuk issuance in Malaysia	2024	Journal of Islamic Accounting and Business Research 1

The Link Between Sukuk Issuance, COVID-19 Impact, and Investor Behavior

The COVID-19 crisis affected investors in sukuk marketplaces extensively, their risk perception, as well as investments. In the COVID-19 crisis, investors took the risk-averse role, restructuring their investments toward conservative as well as risk-free investments like sukuk (Nosita & Amrulloh, 2023; Himanshu et al., 2021). This is because there is higher uncertainty in the economy as well as the need for risk-free investments.

Investor sentiment also suffered from the spread of COVID-19 as COVID-19-related announcements dominated the directions of the sukuk market. Sukuk returns have been seen to have reacted asymmetrically with COVID-19-related announcements, with the restriction of traveling as well as the lockdown affecting the investors' confidence level (Naifar, 2023). Nonetheless, despite the initial uncertainty, sukuk markets have been seen to be somewhat more resilient compared with traditional bonds.

Governments have also been using the sukuk tool as a mobilization tool toward national-level efforts at recovery. Mobilization of the people toward the efforts toward the revival of the economy is the targeted aim with the introduction of the Sukuk Prihatin in Malaysia. Factors toward the SP, according to empirical evidence, comprised the attitudes of the investors, social norms, as well as the perception of control toward the outcome (Bin-Nashwan & Muneeza, 2023; Bin-Nashwan et al., 2022). This is proof of the role the government-backed sukuk is poised to contribute toward mobilization efforts at the level of investors.

The behavior at the stage dictated the market trends considerably. Indecisiveness and uncertainty characterized the behavior of the investors at the stage, with the investors having the inclination for low-risk investments, with the adoption of sukuk whose default risk was low compared with other modes of finance at the stage (Parveen et al., 2023). This is significant in explaining the significant role the behavior of the investors at the stage assumed in influencing the investors' behavior.

In summary, the COVID-19 crisis hit the investors in the sukuk market tough with the switchover to risk-averse investments as well as the market behavior. Cognitive bias, the uncertainties created in the economy through the crisis, as well as the actions of the government, all came together in influencing the pattern of investments. Future research works would be necessary in investigating how the investors' preference in the economies after the crisis came about with changing how the sukuk market would be able to continue being attractive with the investors under varied economies.

The Link Between Sukuk Issuance, COVID-19 Impact, and Sukuk Market Volatility

The COVID-19 crisis subjected the world's capital market to historically atypical challenges, but the market's resultant volatility in the sukuk market was relative. Historical facts indicate the sukuk market came out strong compared to the traditional bond market with no market volatility fluctuations occurring in the times of the crisis (Danila, 2023). Compared with the equity market whose market volatility came about as a result of the spread of fears among investors as well as uncertainty, the sukuk market represented a sure bet for investments, thereby supporting the market as a haven.

In spite of all this, the virus exerted indirect influences in terms of movement of investments as well as supply. Implementation of tight lockdown measures as well as political uncertainty created a flight from risky parts of investments, with certain sukuk being seen to be going with the trend (Zakaria et al., 2024). Most issuers thus found it difficult to issue new sukuk, particularly the hard-hit areas in conducting businesses as well as conducting economic transactions.

The media role also influenced the behavior of the sukuk market during the crisis. Based on research, the press coverage of COVID-19 influenced the sukuk returns but not their volatility; the confidence of the investors was more dependent on the news cycle than the inherent market uncertainty (Umar et al., 2024). It is thus implied from the same that even though the investors' confidence fluctuated, the inherent risk structure of sukuk was not affected at all by the crisis.

Sukuk market performance also found itself under the influence of government interventions as well as measures of economic stimuli. Central banking support for liquidity as well as fiscal stimuli measures, directed at stabilising the market for finance, helped in keeping confidence in the sukuk market (Naifar, 2023). Sukuk market measures helped keep sukuk investors from being highly diverted from their confidence, keeping the market going even in the crisis.

In conclusion, despite the wide disruptions occasioned by the COVID-19 crisis, its instant impact on sukuk market volatility was largely minimal. Sukuk market resilience under the crisis is a reflection of their value as a dependable tool of investment when there is uncertainty. Future research would be more inclined toward the long-term impact of the shifts in the economy under the crisis toward sukuk issue directions as well as market resilience.

Linkages Between Sukuk Issuance and External Factors

The issuance of sukuk is quite prone to other factors influencing investors' behavior as well as market movement. The magnitude of the issue is quite prone to the factors of the economy at the macro level, such as inflation as well as the value's stability of the currency (Shintyawati et al., 2020). In all, the factors impact market liquidity as well as the risk assessment, thus affecting the issue of sovereign as well as corporate sukuk.

The attributes of sukuk, such as yield, maturity, and firm-specific characteristics, also play a role in issuance patterns. Research shows that the age of the firm and the inflation rate are key determinants of the sukuk type being issued (Utami et al., 2019). Such attributes affect investor demand and sukuk pricing in comparison to traditional bonds.

Market mechanisms and market practices have a large role in the determination of the sukuk case's dynamics. According to the research, the determinants of the sukuk prices in the corporates case have the same similarity with the traditional prices of the bonds, indicating the market mechanisms as well as the investors' expectations have the essence of the healthiness of the sukuk market (Ayturk et al., 2017). It is indicated here the market in the sukuk case is more interconnected with the international economy.

Risk valuation is the biggest contributing factor to the issue of sukuk, with long-term anticipated economic conditions as well as maturity terms influencing the preferences of investors (Setiawan & Suwandaru, 2024). Risks are considered when investors invest in sukuk, specifically developing economies whose policy regimes as well as policies alter.

Investor decision-making processes also highlight the role of external determinants in sukuk issuances. Returns, types of contracts, and market behavior drive the investment process (Novika & Rahayu, 2024). These investor actions and the external determinants are recognized as contributing toward the provision of the big picture of the dynamic sukuk market structure as well as the resilience of the sukuk market toward external economic shocks. A snapshot of sukuk issuance and external factors is depicted in Table 3.

Table 3: The Summary Of Sukuk Issuance And External Factors

Authors	Title	Year	Source title	Cited by
Ayturk Y.; Asutay M.; Aksak E.	What explains corporate sukuk primary market spreads?	2017	Research in International Business and Finance	14
Utami D.E.; Trinugroho I.; Sergi B.S.	What determines Sukuk issuance type in Indonesia?	2019	International Symposia in Economic Theory and Econometrics	3
Shintyawati R.A.; Doktoralina C.M.; Nurhasanah; Anah S.	The volume of issuance of government Islamic securities SR-007 series, 2015-2018	2020	International Journal of Financial Research	1

Setiawan R.A.; Suwandaru A.	Risk of 2024 Islamic securities (sukuk) and a proposed reforms for development: the Indonesian experience	Journal of 1 Sustainable Finance and Investment
Novika F.; Rahayu S.	Clustering 2024 Sukuk Using the K-Means Algorithm for Allocation of Investors Based on Investment Risk Profile	E3S Web of 0 Conferences

The Link Between Sukuk Issuance, External Factors, and Information Asymmetry

Information asymmetry is a considerable problem in the sukuk case as it affects the views as well as the actions of the issuers as well as the investors. Issuers with large capital prices who need large capital tend to issue sukuk compared to the issue of debentures, particularly when there is extensive information asymmetry (Nagano, 2017). This is because the openness as well as the risk-bearing characteristics of the sukuk mitigate the concerns premised upon the imbalance of the information level at the level of the investor compared to the level at the issuers.

The selection of the multiple sukuk is highly dependent upon the level of the market's asymmetric information. Historical evidence portrays the evidence for the theory indicating the exposure of the firm with excessive asymmetric information emits certain sukuk, more specifically the sukuk with the objectives of tightening the governance mechanisms as well as the investors' interest safeguarding (Nagano, 2022). This evidence is evidence indicating the inherent requirement of the sukuk serves to curb the imbalance with the market's asymmetric information.

External macroeconomic conditions, including inflation levels and exchange rate stability, also influence the role of information asymmetry in sukuk issuance (Shintyawati et al., 2020). Economic conditions determine investor confidence, and during uncertain times, sukuk markets can be more appealing to conservative investors who prefer Shariah-compliant instruments that focus on ethical financing and risk-sharing.

Societal trust is the vital ingredient in the decline of the harmful impact of the issue of gaps in the problem of sukuk. Research evidence is evidence of the presence of the fact that marketplaces with trust issue more volumes of sukuk even with the issue of gaps in information

(Aziz et al., 2021). Evidence indicates the presence of the role of investors' perception as well as trust in affecting the market even with the issue of gaps in information.

Moreover, sukuk rating also addresses the issue of the risk of asymmetric information since investors can possess necessary information on the risk profiles of sukuk instruments. Sukuk rating factors, as per studies, have major contributions towards increased transparency as well as the reduction of the risk of asymmetric information (Ismail & Arundina, 2019; Borhan & Ahmad, 2018). Sukuk market can be able to reassure investors with greater confidence as well as greater financial inclusion through the solutions on these issues of transparency.

The Link Between Sukuk Issuance, External Factors and Cultural Influence

Cultural considerations have a significant impact on sukuk issuance, affecting market participation as well as investor attitudes. Macro- and institutional factors shape sukuk issuance, but cultural and sharia considerations are just as important (Shintyawati et al., 2020; Ariyana et al., 2020). In most Islamic economies, sukuk is not merely a financial instrument but an instrument for bringing investment practices in line with religious values, further solidifying its position in economic development.

Sharia compliance levels have considerable impact when it comes to sukuk issuances, notably when the sukuk type is being chosen. Research has proved that firms with higher compliance with the principles of Sharia issue more equity-based sukuk such as mudharabah and musharakah compared to the use of debt-based forms (Utami et al., 2019). This is because there is compliance with the Islamic financial principles, which abhor the use of interest-based transactions.

The incorporation of sukuk in the economies of the Islamic world portrays the significant role they have in fostering long-term economic advancement. The study elaborates the sukuk phenomenon, as well as the positive relationship between the advancement of the economy in the Islamic world and propounding the role of the adoption of the societal factor in the reshaping of the market with regard to money (Naz & Gulzar, 2022). It emphasizes the role of sukuku in improving the provision of investments grounded in socioeconomic principles.

Outside conventional sukuk marketplaces, the emergence of socially responsible sukuk shows the expansion of social awareness as well as the environment's role in sukuk issuances. Green sukuk, in which the money raised is utilized for green investments, shows the way social values as well as moral concerns have the tendency to guide the structuring of financial instruments (Mahomed & Mahbot, 2024). This is evidence of the expansion of the world's movement toward ethical finance, wherein sukuk converges with religious as well as green concerns.

In summary, cultural influences have a profound effect on sukuk issuance, ranging from investor preferences to financial innovation. The prominence of Sharia compliance, economic growth in Islamic economies, and the emergence of ethical sukuk all reflect how cultural influence transcends religious motivations to wider economic and social contexts. These cultural dynamics need to be understood by policymakers and financial institutions looking to improve sukuk market participation and integration with the world economy.

Linkages Between Sukuk Issuance and Determinants of Sukuk Issuance

A variety of factors drive the issue of sukuk, ranging from the structure factors to the macroeconomic factors, as well as the firm-specific factors. Profitability, age, as well as the anticipated future performances of the firms, matter when the issue of sukuk is being considered (Homsy et al., 2023; Borhan & Ahmad, 2018; Santoso et al., 2022; Utami et al., 2019). Increased profitability as well as higher financial solidity give confidence to the investors, therefore the issue of sukuk is the preferable action from the firm.

The issuance of the sukuk is also subject to the mechanisms of Sharia compliance as well as mechanisms of corporate governance. Companies with sound mechanisms of Sharia supervision as well as adherence to the mechanisms of Islamic financial conduct issue the sukuk, specifically the equity-based sukuk such as the mudharabah (Utami et al., 2019). Governance mechanisms like government shareholding as well as separate boards also have a great impact on the issue's size as well as structure of the sukuk (Ashraf et al., 2021).

The macroeconomic variables have the role of being a significant catalyst in the sukuk issue. Exchange rate stability, inflation, as well as international yield of the bonds, is essential in affecting the behavior of the investors as well as affecting prices compared to the traditional bond (Balli et al., 2021). In turn, the macro factors as well as investors' requirement also perform the role of significant factors in affecting the local as well as international market's requirement.

Structural determinants, like sukuk forms and credit rating, also contribute critically to the issue decision. Decision-making regarding the use of murabaha versus musharakah sukuk is firm- as well as investor-related, affecting marketability as well as prices (Borhan & Ahmad, 2018; Ashraf et al., 2021). In addition, sukuk credit rating, as dictated by the firms' financial health, maturity terms, as well as market conditions, critically influences investors' confidence as well as issue volumes (Ayturk et al., 2017).

In conclusion, the issue of sukuk is influenced by the interplay of firm characteristics, governance, macroeconomic environment, and sukuk-related environment. It is necessitated by policymakers, banks, and investors, who desire to facilitate the growth of the sukuk market. Subsequent research can attempt the changing nature of sukuk issue, with emphasis on the new era of uncertainty in the economy and changing regulation. Table 4 is a snapshot of sukuk issuance and sukuk issuance determinants.

Table 4: The Summary Of Sukuk Issuance And External Factors

Authors	Title	Year	Source title	Cited by
Ayturk Y.; Asutay M.; Aksak E.	What explains corporate sukuk primary market spreads?	2017	Research in International Business and Finance	14
Borhan N.A.; Ahmad N.	Identifying the determinants of Malaysian	2018	International Journal of Islamic and	18

	corporate Sukuk rating		Middle Eastern Finance and Management International Symposia in Economic Theory and Econometrics Pacific Basin Finance Journal	
Utami D.E.; Trinugroho I.; Sergi B.S.	What determines Sukuk issuance type in Indonesia?	2019	3	
Ashraf D.; Rizwan M.S.; Azmat S.	Not one but three decisions in sukuk issuance: Understanding the role of ownership and governance	2021	11	
Balli F.; Ghassan H.; Al Jeefri E.H.	Sukuk and bond spreads	2021	12	Journal of Economics and Finance
Santoso B.; Widodo W.; Akbar M.T.; Ahmad K.; Setianto R.H.	The Determinant of Sukuk Rating: Agency Theory and Asymmetry Theory Perspectives	2022	1	Risks
Homsi M.A.; Muhamad Sori Z.; Mohamad S.	Determinants of Sukuk credit rating: evidence from issuing firms in Malaysia	2023	4	Journal of Islamic Accounting and Business Research

The Link Between Sukuk Issuance, Determinants of Sukuk Issuance and Market Conditions

Market conditions also have a significant role in determining sukuk issuance, affecting the liquidity, pricing, and appeal of sukuk instruments. Macroeconomic variables like inflation, exchange rates, and interest rate differentials have a great impact on the level of sukuk issue, as in the Indonesian market, for instance, in which interbank rates have a direct impact on the sukuk's liquidity level (Ariyana et al., 2020). Macroeconomic conditions also control investors' confidence level as well as market participation, influencing the supply as well as the demand of sukuk.

The maturity level of sukuk market also shapes the pattern of issuances. Sukuk versus traditional bonds diversification, with the elapse of time, narrowed down reflecting the maturity of more advanced sukuk marketplaces (Almaskati, 2023). Being more advanced marketplaces, investors have more trust in sukuk instruments, with more predictable issuance pattern as well as risk premium decline.

The issuance of sukuk depends on the nature of the particular company, such as profitability levels and governance structure. Empirical evidence is directed towards the firms that are most profitable and governance structure-based having the potential to issue sukuk, particularly when there is the need for accessing other funds (Utami et al., 2019). Perception regarding the quality of the issuing company, the rating of sukuk, and the maturity profile also influence the investor's choice at large (Ayturk et al., 2017).

In conjunction with overall macroeconomic conditions and issuance-related concerns of the firms, compliance with the teachings of Shariah as well as regulation mechanisms considerably drive issue levels of sukuk. Countries with favorable regulation mechanisms as well as well-established Shariah governance mechanisms have the highest chances of having higher issue levels of sukuk since the law promotes investors' confidence (Shintyawati et al., 2020). Government-backed sukuk also tend to be more market stabilizing as well as encourage higher levels of investors' participation (Setiawan & Suwandaru, 2024).

In conclusion, the sukuk issue is primarily dependent on market conditions, according to the factors at the macro level, market maturity, health of corporates, as well as regulation. Understanding the aforesaid factors is sufficiently equipping the policymaker, the investor, as well as the financial institution with the necessary steps for the improvement of the resistance as well as longevity of the market. Future studies would investigate the relationship of the regulation as well as the market with the aim of improving the internationalization of the sukuk market.

The Link Between Sukuk Issuance, Determinants of Sukuk Issuance and Regulatory Environment

The regulatory regime conditions the sukuk issue pattern in the issue of sukuk, affecting the structure in the law, the governance, as well as the mechanisms of investor protection. A regime with a favorable structure fosters investors' confidence, market stability, as well as enforces Shariah-conforming behavior in the conduct (Ghezal et al., 2022; Yang, 2022). Where regulation is favorable as well as transparent, the issue size usually follows suit through the magnetism of domestic as well as international investors to the clarifying regulation.

Regulatory frameworks also vary across jurisdictions, impacting the ease of sukuk issuances. In the GCC and Malaysia, there is the existence of well-established supervising regulators with well-delineated guidelines for issuances as well as Shariah governance models. In other developing economies like China, there is limited existence of well-established legal and supervising infrastructure supporting sukuk issuances, indicating the imperatives of legal reforms (Homsy et al., 2023; Yang, 2022).

Ownership structure as well as governance mechanisms also interact with the policy of regulation to drive sukuk issue trends. Research shows that more government-owned firms tend to issue sukuk, especially under regimes supporting the growth of the Islamic finance sector

(Ashraf et al., 2021). In addition, the level of compliance with Shariah as well as the quality of governance drive sukuk credit rating, which in turn influences investors as well as market prices (Borhan & Ahmad, 2018).

Regulatory requirements in the market also influence sukuk risk profiles and investment choices. Under weak regulatory regimes, information asymmetry and adverse selection discourage investments in sukuk, and companies prefer traditional bonds (Klein & Weill, 2016). In contrast, legal protection and regulatory transparency decrease the risk of investments, making sukuk market liquidity and appeal more attractive (Ghezal et al., 2022).

In conclusion, regulation forms the backbone of sukuk issue factors, affecting market entry, investors' confidence, as well as the governance structure. Legal regimes need to be improved, Shariah governance enhanced, as well as regulation be transparent with regard to the growth of the sukuk market. Future research have to examine the evolving role of regulation in sukuk issue mechanics as well as cross-border sukuk investments.

Conclusion

The current study extensively explored the determinants affecting the issue of international sukuk with a specific focus given to the role of macroeconomic conditions, governance mechanisms, as well as the economic performance. Major conclusions reveal the significant role of macroeconomic stability, governance mechanisms, market behavior, as well as the views of investors in shaping the pattern of sukuk issue. In addition, geopolitical uncertainties as well as the disruptions in the world economy as represented through the COVID-19 crisis came as other determinants influencing the functional mechanisms of the sukuk market.

Theoretically, this research blends heterogeneous research into a collective model, enriching the understanding of the dynamics in the sukuk market. Through the integration of findings from different empirical research, this study enriches the body of financial research by bridging gaps in the macroeconomic, institution, and fiscal factors influencing the issue of sukuk. The research also underscores the importance of transparency in regulation and Shariah governance in enhancing market stability and investor confidence.

From a practical point, the research provides useful recommendations to policymakers, financial institutions, and investors. Regulators could use the findings to develop policies to increase market liquidity, enhance the frameworks, and offset risks associated with economic volatility. Investors and financial institutions could also use the research to develop improved strategies in the case of sukuk investments, optimize issue timing, and skilfully assess market risks.

Despite its contributions, this study has limitations. The reliance on secondary data from past empirical studies may introduce biases, and variations in sukuk market structures across different jurisdictions limit the generalizability of findings. Additionally, while the study highlights the role of external shocks, future research should conduct empirical analyses to quantify their direct impact on sukuk issuance.

Future research could also look into the dynamic implications linked to the shifts in the regulation frameworks in the sukuk market, particularly in the emerging economies. Additionally, research into the long-term implications resulting from global events, including

the COVID-19 pandemic, to the solidity of the sukuk market could provide useful insights. Expanding the research methodology to involve the use of empirical modelling and quantitative analysis could enhance the validity of findings, and in turn, support policymaking and investment decisions in the sukuk market.

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