

# The Role of Islamic Finance in Achieving the SDG Number 9: Build Resilient Infrastructure, Promote Sustainable Industrialization and Foster Innovation

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## Abstract

The purpose of this research is to investigate the role of Islamic financing in achieving the Sustainable Development Goals (SDGs), specifically Goal 9: develop resilient infrastructure, promote sustainable industrialization, and foster innovation. Using a library study approach to integrate data from secondary sources, this paper is aimed to demonstrate how Sukuk can be considered as one of the alternative strategies capable of mobilizing financial resources and encouraging investment in infrastructure development projects. The finding shows that Sukuk is a crucial factor in supporting SDG number 9 by financing infrastructure development projects that might result in sustainable industrialization and foster innovation that focuses on keeping up with technological advancement.

**Keywords:** *Islamic Finance, Sukuk, SDG, Infrastructure, Industrialization*

## INTRODUCTION

The 2030 Agenda for Sustainable Development is a plan of action to accomplish the Sustainable Development Goals for people, the planet, and prosperity On September 25, 2015, all United Nations member countries endorsed the Sustainable Development Goals. The Sustainable Development Goals (SDGs) are a series of 17 interconnected goals that focus on delivering everyone a better and more sustainable future by eliminating poverty, conserving the environment, enhancing education and health, and establishing development partnerships.



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Goal number nine, particularly, is set to obtain a quality infrastructure, along with promoting inclusive sustainable industrialization and fostering innovation. This goal has the value of crucial significance in strengthening the economy, specifically in the least developed countries. According to the United Nations (UN), it appears to be a comprehensive goal that includes constructing great infrastructure to assist economic development and human well-being such as clean water and access to the internet to scientific research and financial services. The progress and information from the UN in 2020 had mentioned that 80 % of the population in developing nations still lacks Internet connectivity, and 3 billion people globally lack access to basic clean water and sanitation (sdgs.um.org, 2020). This condition may arise as a result of aging infrastructure (telecommunications, transportation, water, garbage, and et cetera.) or a lack of infrastructure investment, which results in a low standard of living and can exacerbate poverty. As a result, many countries' primary goal has been to finance infrastructure in order to meet the requirements of their own populations.

The United Nations Development Programme (UNDP) has identified Islamic financing as the key to closing the financial gap for the Sustainable Development Goals (SDGs) (Salingan, 2018). Islamic finance is a financial system that follows the laws of Islamic jurisprudence (Abduh, 2016). Profit and risk sharing are key concepts of Islamic banking, as is the prohibition of interest or usury (Riba). According to Zarrouk (2015), Islamic finance has grabbed the attention of the United Nations since the SDGs are precisely aligned with the ideology of Islamic financing. As a result, Islamic finance has emerged as a new financing option for achieving the SDGs.

However, there are limitations to research studies on how Islamic finance can be used as a source of funding in the process of achieving SDGs, especially one focusing on goal number 9: build quality infrastructure that can lead to industrialization and stimulate innovation. Therefore, through study from various documented research outputs, the objective of this research is to qualitatively discover the relationship between Islamic finance and goal number 9 of the Sustainable Development Goals and to gain a better understanding of how the Islamic finance instrument, Sukuk in particular, might aid in the achievement of SDG 9.

The rest of the paper is structured as follows. Section two discusses the literature review which also includes definitions and basic information on the keywords of the paper. Section three presents the arguments on the importance of Islamic finance, particularly Sukuk, in achieving SDG 9 and

followed by the possible challenges in realizing it in section four. Before the final section, the conclusion, section five elaborates further on the significant role that can be played by Islamic finance through Sukuk upon the realization of SDG 9.

## LITERATURE REVIEW

### *Sustainable Development Goals: Goal 9*

Sustainable Development Goals is a conceptual structure that incorporates many potentially divergent policy goals in the economic, social, and environmental realms unlike the Millennium Development Goals (MDGs), the previous development agendas that focus on economic growth (Kroll, et al., 2019). SDGs have the concept of connecting the economic, social, and environmental problems in order to respond to the global challenge of sustainable growth and to create a better lifestyle for people in this world regardless of their origin, race and religion (Abduh, 2019).

The current worldwide trend is to use nonrenewable resources sustainably and to build a world in which future generations can thrive. To attain this goal, countries from all over the world agreed on a set of millennium development goals. The MDGs' relative success resulted in a shorter-term vision with similar objectives, the Sustainable Development Goals (Sadiq and Mushtaq, 2015). The sustainable development goals are interconnected and integrative, global in nature and universally applicable, considering diverse country realities, capacities, and levels of development, as well as national policies and priorities.

SDG number 9 advocates for the construction of robust and sustainable infrastructure, as well as the promotion of inclusive and sustainable industrialization. UNDP (n.d.) mentioned that it also stresses the importance of research and innovation in addressing long-term social, economic, and environmental concerns. The objective incorporates three critical areas of sustainable development: infrastructure, industrialization, and innovation. The basic physical system and structures required for the operation of a society or enterprise are provided by the infrastructure. Industrialization drives economic growth, offers job possibilities, and so reduces income poverty, while innovation increases industrial sectors' technological capacities and prompts the creation of new skills. Goal 9 is critical to achieve globally because the world is moving into digitalization in every field of work, and people are

spending billions of dollars each year on growth and infrastructure. As a result, financing and implementing sustainable infrastructure practices is essential to decrease the environmental footprint, utilise clean technologies, and remain economically sustainable.

Moreover, the official UNDP website recorded that 2.3 billion people around the world still limited access to basic sanitary conditions, 2.6 billion people in developing countries do not have persistent electricity, and more than 4 billion people (per cent of whom are in developing countries) do not have internet connectivity, and the productivity of businesses has been reduced due to infrastructure constraints, particularly in low-income Africa. It demonstrates that SDG 9 innovation is more viable in developed countries such as the United States, the United Kingdom, and Japan, and the UN should consider how poorer or least developed countries such as Africa, Yemen, and Asia will finance innovation, as it is much more difficult to achieve in these countries.

### ***Islamic Finance***

Islamic finance is a financial system founded on shariah law. The fundamental principle of Islamic finance is that money has no intrinsic value and is simply a means of exchange; an individual or organization should not be able to generate income from money; financing under Islamic principles is typically based on the exchange of non-liquid assets with the goal of creating real assets and inventories (Biancone and Shakhathreh, 2015). Abduh (2016) explained that the main sources of shariah law are the *Quran* and *the Sunnah* which are the sayings and actions of the Prophet Muhammad conveyed orally in the form of *hadiths*. The secondary sources are Islamic jurisprudence which is also known as *fiqh*, interpretations of experts (*ijtihad*), analogical reasoning as applied to the deduction of juridical principles from the Quran and the Sunnah (*qiyas*) and the expert consensus of various schools of thought (*ijma'*). During the second half of the 20<sup>th</sup> century, the Islamic financial system began to develop when decolonization and new countries or nations created a population consisting of Muslim population leading to the establishment of Islamic banking.

According to Abduh (2016), Islamic financial markets provide several instruments and contracts to satisfy consumers and businesses in a variety of ways, including sales, trade financing, and investments. These instruments serve as the fundamental building blocks for developing a wide range of more

complex financial instruments, implying that there is significant potential for financial innovation and expansion in Islamic financial markets. Hashem (2019) and Abduh (2019) found that Islamic finance plays an important role in addressing the challenge of funding SDGs, and as a result, it provides different dimensions in dealing with small and medium-sized projects, massive infrastructure, and PPP (private, public, partnership) projects. Islamic finance encourages domestic resource mobilization, which is characterized as the framework for self-sustaining development, which is necessary for a country's economic growth, developing human capabilities, and eradicating poverty. One of the main financial instruments utilized in this dimension is Sukuk, which is mostly used for fundraising and investment operations.

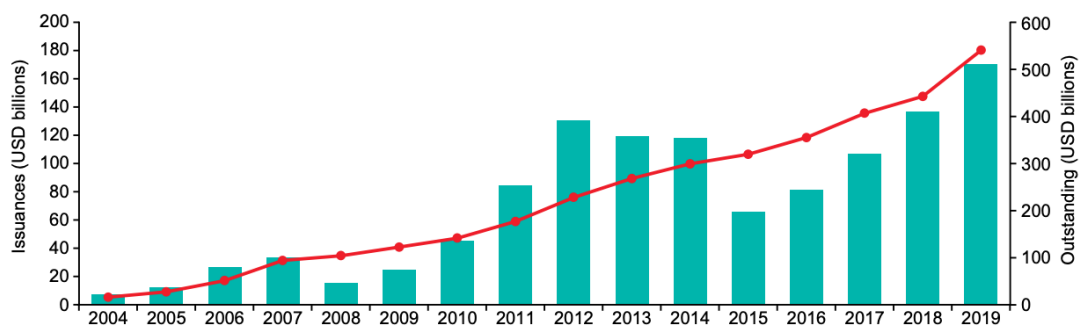
### **Sukuk**

AAOIFI (2015) defines Sukuk as certificates of equal value representing undivided interests in the ownership of tangible assets, usufructs, and services or (in the ownership of) the assets of specific projects or unique investment activity. Sukuk can be structured in 14 different ways, with three primary categories: equity-based, leased-based, and sale-based (AAOIFI, 2015). Sukuk Al-Musharakah and Sukuk Al-Mudharabah, an equity-based sukuk, Sukuk Al-Ijarah, a lease-based sukuk, and Sukuk Al-Murabahah, a sale-based sukuk, are the most extensively utilized sukuk.

Sukuk is ideal for funding sustainable infrastructures such as highways, ports, and airports. Green Sukuk is one such instrument that can be established as an advancement to support SDGs that lay the foundations for more climate-friendly investments (Alawode et al., 2018). However, in order for Islamic finance to attain its full potential and effectively aid the SDGs, a favourable framework must be developed in which the legal underpinnings of Islamic instruments are more resilient at the country level.

Hashem (2019) studied that Sukuk is the second-largest contributor to the Islamic finance industry, after Islamic banking, because they have expanded the Islamic financial market much further jurisdictions around the world, and that Sukuk is regarded as an important fund-raising tool by both Muslim and non-Muslim majority countries (Mauro *et. al.*, 2013). Looking back from 2001 to 2016, the first Ijarah Sukuk was issued by the Malaysian government, and the global market for Sukuk has expanded from USD\$15 billion in 2001 to USD\$281 billion in 2013, driven by Malaysia, which currently accounts for 60% of Sukuk issuance (IFSB, 2020). According to

the Islamic Financial Services Industry Stability Report (2020), the Sukuk market grew by double digits in 2019, with issuance increasing by more than 24% (Figure 1), with the majority of issuance centred in Malaysia, Saudi Arabia, Indonesia, and Turkey (Figure 2). Maierbrugger (2018) stated that Malaysia has issued 61% of infrastructure sukuk, followed by 30% in Saudi Arabia and 7% in UAE between 2002 and at the end of 2015 dominating the global market for infrastructure sukuk. There are also more than ten Asian countries issued infrastructure sukuk amounted USD\$73.1 billion within the same period. Moreover, the sukuk sector contributes 22.3% of worldwide IFSI worth and experienced strong growth in 2019, bringing its compound annual growth rate over the last 15 years (from 2004 to 2019) to 26%. The increase in sukuk issuance in 2019 was mostly driven by issuers from governmental entities, as well as corporates in the financial sector.



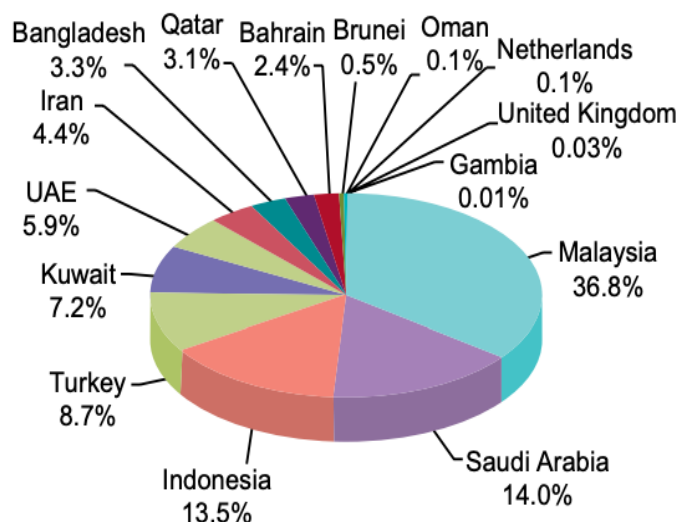
**Figure 1:** Global Sukuk Issuances and Sukuk Outstanding Trends (2004 - 19)

Source: Thomson Reuters Eikon, Bloomberg, cited from IFSB Stability Report

According to Maiga (2021), the sukuk market increased by 16.5% in 2020, when the market reached a new record of USD\$174.2 billion in total issuances in 2020 compared to USD\$157.80 billion in 2019. According to the IFSB Stability Report (2020), there has been a constant high percentage in sukuk based on the murabahah contract as shown in Figure 3. Sukuk issuance has broadened the types of shariah-compliant contracts available, shifting progressively toward greater use of alternative contracts such as wakalah contracts, whereas previously, sukuk issuance was mostly focused on murabahah and ijarah contracts. However, the sukuk issuance is majority still based on lease-type arrangement (murabahah) due to the guaranteed consistent returns. The chart also illustrates that mudarabah (profit-sharing) contracts continue to be used in a minor proportion; however, in 2019, the use of mudarabah contracts increased significantly, resulting in a considerable



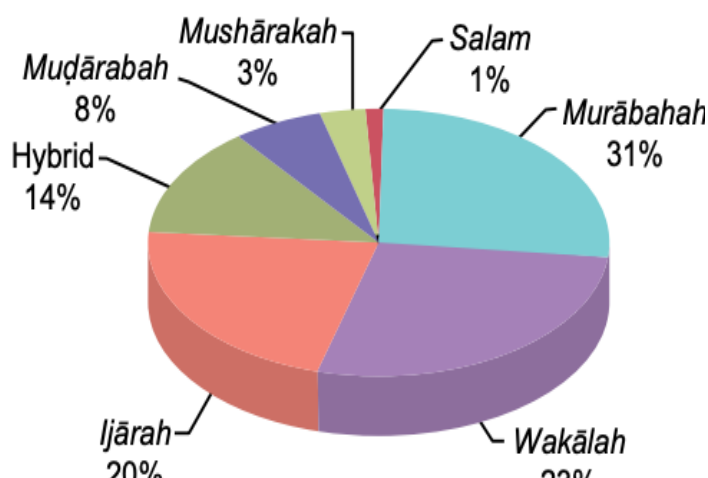
increase in sukuk based on mudharabah contracts compared to previous years. In the primary market, demand for sukuk issuances has remained strong as generally, the sukuk market has improved in 2020 compared with the performance in 2019.



**Figure 2:** Total Sukuk Issuances by Domicile (2019)

Source: Thomson Reuters Eikon, Bloomberg, cited from IFBI Stability Report

Due to the recent trend of interest in green sukuk issuance, it was also projected that sukuk will play a significant role in bridging the climate funding gap in 2020. However, the rapid shock caused by the widespread COVID-19 outbreak, as well as instability in global oil prices and production, have severely dampened the expectations.



**Figure 3:** Sukuk Issuance Structure (2019)

Source: Thomson Reuters Eikon, Bloomberg, cited from IFSB Stability Report

## **Sukuk for Infrastructure Development**

As the twenty-first century begins, infrastructure development has grown more significant, putting a larger emphasis on infrastructure finance in the Asia-Pacific area, which should be a critical priority in guaranteeing the successful completion of infrastructure projects in Asian countries (Chen, 2002). Due to the role of infrastructure in boosting economic growth and eradicating poverty, infrastructure development has traditionally been regarded as a critical public-sector activity. The scarcity of such infrastructure facilities is acknowledged as a critical structural weakness stifling economic growth and development. Chen (2002) added that infrastructure development cannot thrive without proper financing, and that massive capital funding is required in addition to relying on the government's national budget.

Islamic finance has the potential to play a critical role in assisting with the implementation of the SDGs (Abduh, 2019). According to Sadiq and Mushtaq (2015), Islamic Financial Institutions (IFIs) play an important role in achieving sustainable development goals in terms of inclusive financing and infrastructure development. From the standpoint of inclusive finance, shariah-based microfinance is the alternative that has previously achieved success. Meanwhile, from the standpoint of infrastructure development, public and private Sukuk issues have provided successful experience in raising funds for infrastructure development, and financial institutions are utilizing shariah-compliant syndicated financing for infrastructure ventures.

Rarasati et al. (2013) studied that infrastructure investment is suited to be financed with an Islamic financing scheme since the infrastructure is categorized as an asset and it does not comprise any operations that are prohibited by shariah law. Sukuk is one of the most inventive Islamic investment products, attracting Islamic banks, Islamic insurance organizations, and shariah-compliant funds that cannot invest in conventional securities. As indicated by Kammer et al., (2015), which is an International Monetary Fund (IMF) staff, Sukuk are construed as a suitable tool for infrastructure financing due to its characteristics of the risk-sharing property and also, the financing process is similar to public-private partnership financing in which the investors finance and own the assets that leads to true securitization and then at the maturity date, the asset is being transferred back to the government. Sukuk is also a tradable asset-backed instrument because it must be backed by a physical asset such as a building or equipment.

There are two major principles in Islamic finance: risk sharing and



socioeconomic. Issuing Sukuk as a source of investment capital has involved risk-sharing and participation in the social and monetary growth of emerging nations, making it a suitable financing strategy for infrastructure projects. Abdelkafi and Bedoui (2016) believes that Sukuk can provide specific benefits that can help infrastructure investment overcome various problems due to the shariah-based profit and risk-sharing. If the Sukuk is well-designed, it can represent an effective type of public-private partnership financing, allowing the public sector to buy or lease back infrastructure assets financed by private capital. Aside from Sukuk adhering to shariah principles, the major factor distinguishing Sukuk from conventional bonds is the underlying assets. The performance of the underlying assets is important in the Sukuk market as it evaluates the Sukuk value and determines the income stream of the Sukuk. This tool has the opportunity to attract Islamic investors, who are becoming an increasingly important source of financing for many developing countries.

There are significant opportunities for Sukuk to strengthen its role as a crucial source of finance for the global economy's development needs as the growing capital demand in the infrastructure sector increases (Biancone and Shakhathreh, 2015). Sukuk is a suitable vehicle for investors looking to deploy streams of capital while also having the ability to easily liquidate their investments if the need arises. As a result, Sukuk is among the finest options to finance massive corporations that are too large for a single party to finance. Moreover, Sukuk is a great approach for banks and Islamic financial organizations to manage liquidity. Purchasing Sukuk would be the primary method of getting rid of excess liquidity; conversely, acquiring Sukuk from the secondary market would be the primary method of increasing liquidity.

Green Sukuk is a new instrument for the government to raise funds to run sustainable development projects. Green Sukuk will focus mainly on funding green infrastructure projects such as flood containment and city main drainage management (Ramadhan and Widyaningsih, 2019). Green Sukuk is a unique instrument that needs to comply with both shariah and green compliance. Islamic Financial Services Industry Stability Report (2020) stated that green Sukuk issuances are likely to increase in the future years as part of efforts to address climate change and satisfy national and international development goals. Malaysia and Indonesia were the early adopters of green Sukuk insurance, with Malaysia issuing the first green Sukuk in 2017 and Indonesia releasing the first in 2018. Saudi Electricity Company raised USD\$1.2 billion for low-carbon and climate-resilient infrastructure by issuing green Sukuk of over USD\$1.3 billion.

According to Ali (2005), business entities prefer to use Sukuk Al-ijarah contracts to inject cash into their businesses, particularly to capitalize on their ventures. Government authorities see this Sukuk as a helpful tool for raising funds for government fiscal income and long-term financing of large national projects. As a result, Sukuk Al-Ijarah became the latest product on the Islamic financial markets, gaining acceptability among Shariah experts and attracting significant investors and Islamic financial institutions. Abu Bakar (2021) highlighted that the Brunei government, the Autoriti Monetari Brunei Darussalam (AMBD), issued Sukuk once a month up to \$100 million per issuance and offered \$14.33 billion in short-term Sukuk Al-Ijarah to contribute to the growth of economic diversification, including infrastructural development. Furthermore, AMBD has taken steps to promote sustainable finance in Brunei by facilitating the issuance of green Sukuk to fund renewable energy projects. Akhlas (2021) reported that the Indonesian government is planning to issue USD\$1.96 billion worth of Sukuk to finance the country's costly infrastructure projects and spur economic growth. The Sukuk will finance 870 development projects such as infrastructure development of national parks, bridges, laboratories, schools and airports. As a result, Sukuk is key for Islamic Financial Institutions to achieve financial inclusion and infrastructure growth.

### **The Identified Challenges in the Issuance of Sukuk as Infrastructure Investment**

Sukuk is prominent as one of the most important vehicles for financing a project, particularly one involving infrastructure. However, as mentioned by Abdullah et al., (2014), a thorough assessment is required to structure the Sukuk issuance by identifying risks connected with supporting infrastructure projects. There are nine (9) common risks connected with Sukuk issuances, which are legal and regulatory risk, liquidity risk, market risk, credit and counterparty risk, operational risk, institutional risk, and capital risk.

Tariq and Dar (2007) highlighted that shariah compliance risk is considered a crucial risk associated with the issuance of Sukuk for funding infrastructure projects, as shariah-compliance contracts have specified requirements during the Sukuk issuance to ensure investor confidence given the competitive nature of the market, that raises significant challenges and risk during the issuance process. The challenging components are focusing on financing infrastructure projects and constructing appropriate Sukuk

structures in accordance with the needs and regulations of the shariah board, which is both time-consuming and expensive even before the money is raised.

Sukuk Al-Ijarah is the most commonly used structured instrument due to its flexibility, simplicity, and easiness to trade (Abdulkareem and Mahmud, 2019). However, there are risks associated with issuing Sukuk Al-Ijarah, such as credit risk associated with rent default. Sukuk Al-Ijarah needs a fixed rate of rental, which raises credit risk because fixed rates induce more issuers to delay rent payments (Hanefah *et. al.*, 2013). Ismail (2013) conducted another assessment on the risk of Sukuk issuance to finance an infrastructure project. The study provided a case study of the development of Kuala Lumpur International Airport 2 (KLIA 2), for which Malaysia Airport Holdings Bhd issued Sukuk in the form of discounted paper and coupons. The largest risk that investors faced when investing in these instruments was project risk, which meant that there was no certainty that the project would generate enough cash flow to cover both the sukuk's coupon and principal payments.

## **DISCUSSION**

The United Nations has designed SDG 9 with the objective to boost economic development. In order to achieve the objective, investments in infrastructure and sustainable industrial development are important. The goal is also to focus on social development, where increasing human abilities in their expertise in industry and technology might become one of the most important solutions to tackle the numerous economic, social, and environmental issues that the world is facing today. SDG 9 includes three dimensions of sustainable development, each having its own significance and connection to the others. Infrastructure provides the primary and basic services required to operate in a society; industrialization stimulates economic growth by creating new job opportunities; and innovation occurs as a development of new skills, which advances the technological capabilities of the industrial sector, leading to sustainable industrialization that fosters innovation.

Infrastructure, as the basic foundational service, plays a prominent part in development because it is recognized as the key to promoting sustainable and inclusive economic growth. This is in line with one of SDG 9's targets, target 9.1, which calls for developed infrastructure to be accessible and distributed widely across society, creating opportunities for

everyone. Infrastructure has an impact not just on the economy, but also on the environment and society. Economically, it has the potential to boost the economy by having infrastructure that can connect communities from rural to urban locations by building a bridge or railways. It may also encourage and provide more opportunities for education and employment to all people. It assists countries in becoming more efficient since it allows workers greater mobility and facilitates commodities transportation. In order to accomplish optimal development on a planet while reducing climate change impacts and protecting natural resources, infrastructure must be environmentally friendly. By constructing infrastructures such as roads, railroads, and other modes of transportation, it is possible to minimize the number of cars on the road, hence lowering carbon emissions and air pollution. On the other side, it might be argued that it may have a detrimental influence on the environment owing to the process of developing resilient infrastructure, which requires clearing land, which is deforestation, and this is in conflict with the goals of lowering pollution and carbon emissions.

Focusing on the social impact of infrastructure, it allows people to obtain a number of services that might assist them to improve their living standards, such as electricity supplies and sewerage systems, which will eventually result in clean water and sanitation, perhaps lowering maternal mortality. It also makes it easier for populations in rural locations to access retail services, such as going to the supermarket and purchasing goods, healthcare services, such as getting to the nearest clinics and hospitals, and easier transportation to engage in the workforce. These demonstrate that having resilient infrastructure and sustainable industrialization, which is SDG number 9, could also help in achieving other goals in SDG such as goal number 1: no poverty, goal number 2: zero hunger, goal number 3: good health and well-being, goal number 4: quality education and goal number 6: clean water and sanitation. Sustainable industrial development is one technique that is critical for injecting money into the economy and generating employment for future generations. It also promotes effective resource usage, as the loss of natural resources has long been foreseen. Prioritizing sustainable industrialization as one of the global goals serves as a primary driver of climate change mitigation and poverty eradication. This could also be accomplished by encouraging innovation, which promotes technical advancement.

All goals of SDGs are expected to be achieved by 2030, and in order to do so, numerous stakeholders including both public (government) and private sectors (companies, businesses, financial institutions, civil society

and nonprofits) must be involved and work together. However, the success of these parties in supporting the SDGs is dependent on the degree to which stakeholders may influence its direction and the level of interest. The process of implementing the SDGs would necessitate significant, inventive, and effective financing such as the understanding of the scale and types of investment that are needed to achieve the SDGs. It is more than just generating money; it is also focusing on how to overcome the financial gap, whereby according to the report from World Bank (2016), SDGs are currently facing a USD\$2.5 trillion financial gap per year.

This indicates that the SDGs are not totally on track. Therefore, choosing an efficient long-term investment is critical for financing the SDGs. There have been numerous approaches taken to assist the SDGs, with Islamic finance being one of the most important innovative financing options. Islamic financing has been widely known globally as it encourages risk-sharing, avoids inappropriate speculations and limits debt to the value of assets. These principles also support activities related to social inclusion, environmental stewardship, and prosperity. However, this is far from being achieved because, in practice, contributions to support these activities are significantly below the industry's capability, including in Muslim countries. As a result, concrete measures must be implemented to increase the contribution of Islamic financial institutions to the accomplishment of the SDGs.

Sukuk is one method of financing the SDGs, specifically SDG 9, where Sukuk issuance aids in the development of resilient infrastructure, which can contribute to sustainable industrialization, as well as stimulating innovation, which speeds up the process of keeping pace with technological advancement. The issuance of Sukuk is another technique of raising funds that have become a vital part of the continuing evolution of Islamic finance, due to this, Sukuk has been utilized globally by governments and corporations in Brunei, Malaysia, Indonesia, Singapore, Saudi Arabia, United Arab Emirates, United Kingdom and Hong Kong to support infrastructure improvements, corporate expansion, and other socioeconomic endeavours.

As explained earlier, Sukuk is an alternative financing vehicle that is comparable to conventional bonds. The distinction is that Sukuk is shariah-compliant that does not incorporate interest as the returns paid to the investors are the portion of the actual profit generated from sale and partnership contracts or rental income generated from lease contracts, it attracts both Islamic and non-Islamic investors, and it provides a lot of opportunities for non-Islamic countries or corporations to invest through

Sukuk, the Sukuk are solely used to finance precisely shariah-compliant activities, therefore, investors are not concerned about the issue of uncertainty. Due to these characteristics of Sukuk, this instrument can assist in long-term large-scale financing.

Sukuk Al-Ijarah became a stable type of Sukuk that might be a worldwide phenomenon for investors. Lease-based finance is also commonly utilized in businesses or corporations to fund infrastructure projects because it is a significant source of medium- and long-term financing. Furthermore, the issuance of Sukuk Al-Ijarah encourages the private sector to be less reliant on bank loans because the cost of obtaining funds through Sukuk is substantially lower than the cost of obtaining funds through loans. One of the targets of accomplishing SDG 9 by 2030 is to develop smart technology and scientific research that can significantly help to reduce environmental challenges.

Green Sukuk has emerged as a critical component in these accomplishments. Green Sukuk is economically similar to a standard Islamic bond, Sukuk; the main distinction is that green Sukuk proceeds can only be used to fund environmentally-sustainable infrastructure projects relating to renewable energy production, waste disposal management, sustainable agriculture, the construction of energy-efficient buildings, natural resource management or other endeavours that benefit the environment or alleviate climate change issues. The global economy must adapt to more environmentally friendly activities by assisting climate-vulnerable countries; nevertheless, green Sukuk are not very well-known as Sukuk, and they only represent a small percentage of Sukuk issuance in the Sukuk market. More consideration should be addressed to the Islamic finance industry, as the issuance of green Sukuk can have a significant impact on the overall sustainable development goals, not just SDG 9 but also on other SDGs such as SDG 13 on climate change.

## **CONCLUSION**

Through Sukuk, Islamic finance is believed to play a key role in reaching Sustainable Development Goals number 9. It can be observed that Sukuk can help to enable a structural change towards more innovative and technologically focused industrial activities and resilient infrastructure by 2030, resulting in a higher standard of living for everyone. Sukuk Al-Ijarah is the most common type of Sukuk in financing projects relating to infrastructure development.



Green Sukuk also plays an important part in achieving SDG 9 by focusing on infrastructure development for environmentally sustainable projects. The issuance of Sukuk is primarily done in countries with advanced Islamic finance, but other countries have begun to use Sukuk as a source of funding, which is a promising sign of the Islamic finance industry striving to become the first option of financing internationally.

There are risks involved with Sukuk issuance, but it is manageable because Sukuk issuance is not simply based on the government or corporate, but there are global guidelines on the method, procedures, and standards for Sukuk issuance that satisfy the shariah-compliant rules. Therefore, this study recommends, firstly, for public and private sectors to explore and implement Sukuk as the primary source of funding for infrastructure projects. Second, to assist least developed countries (LDCs) in utilizing Islamic funds to improve their standard of living through infrastructure and industrialization and third, to use green Sukuk as one of the financing sources in environmentally friendly development projects.

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