

Corporate Sukuk vs. Bonds in Indonesia's Dual Financial System: 2010–2024

*Sukuk vs. Bonds in
Indonesia Financial
System*

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2569

Submitted:
MARCH 2025

Accepted:
JUNE 2025

ABSTRACT

Indonesia, a leading global sukuk issuer, sees only 25.6% of corporate debt issuances as sukuk from 2010 to 2024, indicating barriers to adoption despite its dual financial system supporting both Islamic and conventional instruments. This study investigates why Indonesian corporations prefer sukuk over conventional bonds for long-term financing. It aims to identify key determinants influencing this choice within the dual financial framework, integrating conventional capital structure theories with Islamic finance principles. Employing a two-stage binary logistic regression on 1,095 debt issuances from the Indonesia Stock Exchange, the study examines issuance-specific, firm-specific, ownership, and external factors. Findings reveal that lower credit ratings, higher leverage, and significant government or institutional ownership increase sukuk issuance likelihood, with a notable surge during the COVID-19 pandemic. These results align with agency and pecking order theories, suggesting sukuk serves strategic purposes beyond Sharia compliance. The study concludes that sukuk adoption reflects financial constraints and ethical alignment, offering practical implications for regulators to enhance market competitiveness through improved liquidity and incentives, and for corporate managers to leverage sukuk for accessing Sharia-compliant capital, particularly for firms with specific financial and ownership profiles.

Keywords: Bonds, Capital Structure, Islamic Finance, Logistic Regression, Ownership Structure, Sukuk.

ABSTRAK

Indonesia, penerbit sukuk global terkemuka, hanya melihat 25,6% dari penerbitan utang perusahaan sebagai sukuk dari tahun 2010 hingga 2024, yang menunjukkan hambatan untuk adopsi meskipun sistem keuangan gandanya mendukung instrumen Islam dan konvensional. Studi ini menyelidiki mengapa perusahaan Indonesia lebih memilih sukuk daripada obligasi konvensional untuk pembiayaan jangka panjang. Ini bertujuan untuk mengidentifikasi penentu utama yang memengaruhi pilihan ini dalam kerangka keuangan ganda, mengintegrasikan teori struktur modal konvensional dengan prinsip-prinsip keuangan Islam. Dengan menggunakan regresi logistik biner dua tahap pada 1.095 penerbitan utang dari Bursa Efek Indonesia, studi ini meneliti faktor-faktor khusus penerbitan, khusus perusahaan, kepemilikan, dan eksternal. Temuan mengungkapkan bahwa peringkat kredit yang lebih rendah, leverage yang lebih tinggi, dan kepemilikan pemerintah atau institusi yang signifikan meningkatkan kemungkinan penerbitan sukuk, dengan lonjakan yang nyata selama pandemi COVID-19. Hasil ini sejalan dengan teori keagenan dan urutan kekuasaan, yang menunjukkan sukuk melayani tujuan strategis di luar kepatuhan Syariah. Studi ini menyimpulkan bahwa adopsi sukuk mencerminkan kendala keuangan dan keselarasan etika, menawarkan implikasi praktis bagi regulator untuk meningkatkan daya saing pasar melalui peningkatan likuiditas dan insentif, dan bagi manajer perusahaan untuk

JIMKES

Jurnal Ilmiah Manajemen
Kesatuan
Vol. 13 No. 4, 2025
pp. 2569-2578
IBI Kesatuan
ISSN 2337 – 7860
E-ISSN 2721 – 169X
DOI: 10.37641/jimkes.v13i4.3492

memanfaatkan sukuk guna mengakses modal yang sesuai Syariah, terutama bagi perusahaan dengan profil keuangan dan kepemilikan tertentu.

Kata kunci: *Obligasi, Struktur Modal, Keuangan Islam, Regresi Logistik, Struktur Kepemilikan, Sukuk.*

INTRODUCTION

Alongside Malaysia, Saudi Arabia, the United Arab Emirates, and Turkey, Indonesia is generally known as one of the top five sukuk issuers. Sukuk, meantime, is still underused by businesses. Sukuk accounted for just 25.6% of the 1,095 corporate debt issuances recorded on the Indonesia Stock Exchange between 2010 and 2024; the remaining 74.4% were conventional bonds (Wibowo et al., 2018; Nurcholis et al., 2024). This disparity points to ongoing structural, informational, and institutional obstacles to sukuk adoption in spite of regulatory backing and growing investor interest in Islamic and ESG-aligned finance (Chermi & Jerbi, 2015; Joshi et al., 2024; Gurung et al., 2025; Hasnaoui, 2025). This persistent low adoption rate underscores the need to investigate the underlying factors driving corporate financing choices within Indonesia's unique dual financial system, where Islamic and conventional financial instruments coexist under distinct regulatory and market dynamics.

The capital structure choices of companies are better understood using theoretical frameworks as the pecking order theory (Myers & Majluf, 1984), trade-off theory (Kraus & Litzenberger, 1973), and agency theory (Jensen & Meckling, 2019; Dong et al., 2021; Raimo et al., 2021). The choice to issue sukuk as opposed to bonds, meanwhile, might also indicate knowledge asymmetries, reputational issues, and governance problems. Research by Klein and Weill (2016) indicates that companies issuing sukuk usually have poorer credit ratings, less transparency, and restricted access to traditional bond markets qualities that indicate negative selection concerns. These theoretical lenses suggest that sukuk issuance may serve strategic purposes beyond Sharia compliance, such as addressing information asymmetries or aligning with ethical investor preferences, yet their applicability in Indonesia's dual financial system remains underexplored.

Despite Indonesia's position as a leading sukuk issuer globally, empirical research on corporate sukuk issuance behavior within its dual financial system is limited. According to Almaiah et al. (2022), studies on Islamic finance adoption often focus on technological or operational barriers but rarely examine corporate financing decisions in dual financial systems. Similarly, Grassa and Miniaoui (2018) highlight that most sukuk-related research centers on Malaysia and GCC countries, where mature sukuk markets benefit from larger Sharia-compliant investor bases and simpler regulatory frameworks. This leaves a critical research gap in understanding Indonesia's unique context, where a dual financial system creates distinct market dynamics and regulatory challenges (Zulkhibri, 2015). For instance, Indonesian firms face higher issuance costs and lower secondary market liquidity for sukuk compared to conventional bonds, which may deter adoption (Delle Foglie & Keshminder, 2022). Recent studies further suggest that external shocks, such as economic crises, amplify the appeal of sukuk due to their ethical and ESG alignment (Billah et al., 2022; Hassan et al., 2022; Sakuntala et al., 2025), yet these dynamics remain understudied in Indonesia.

Institutional ownership patterns and regulatory incentives also affect sukuk issuance in Indonesia. Companies with notable government or Islamic institutional ownership usually prefer sukuk because of compatibility with religious requirements and ESG values (Alcander & Nuraini, 2022; Gunawan & Megandari, 2024; Fahmi et al., 2025). Furthermore, outside shocks such as the COVID-19 epidemic have heightened market interest in socially responsible investments, especially ESG-linked Sukuk (Connolly et al., 2005; Hidayat et al., 2024; Sakuntala et al., 2025). However, the interplay between ownership structures, regulatory incentives, and external shocks in driving sukuk

adoption in Indonesia has not been comprehensively examined, particularly using longitudinal data.

This study aims to address this gap by examining the determinants of corporate preferences for sukuk over conventional bonds in Indonesia's capital market from 2010 to 2024. Using a two-stage logistic regression model and a dataset of 1,095 debt issuances, it investigates how issuance-specific variables, firm-specific traits, ownership structures, and external events influence financing choices. The study contributes to the literature in three ways. First, it tests the applicability of capital structure theories in a dual financial system. Second, it highlights the role of ownership and ESG factors in financing decisions. Third, it offers policy recommendations to enhance sukuk market competitiveness in Indonesia. By addressing these objectives, the study provides a nuanced understanding of corporate behavior in a dual financial system, with implications for regulators, investors, and corporate issuers seeking to align financing strategies with market and ethical demands.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Capital Structure Theories

According to Myers and Majluf (1984), the pecking order theory suggests firms prioritize internal financing, followed by debt and equity, due to information asymmetries that increase external financing costs. Modigliani and Miller (1958) established that, under perfect market conditions, capital structure is irrelevant to firm value, but real-world frictions like taxes and bankruptcy costs challenge this view. The trade-off theory, as outlined by Kraus and Litzenberger (1973), posits that firms balance tax shields from debt against financial distress costs. Jensen and Meckling (2019) emphasize agency theory, where debt reduces agency conflicts by disciplining managers, though it may increase monitoring costs. In Indonesia's dual financial system, these theories provide a lens to explore why firms choose sukuk over bonds. For instance, firms with high leverage may opt for sukuk to signal ethical alignment or access Sharia-compliant investors, mitigating information asymmetries (Judijanto et al., 2024). Similarly, agency theory suggests that sukuk's asset-backed structure may align with governance needs in firms with institutional oversight (Sukesti et al., 2021). Exploring these theories in a dual system context is crucial, as Sharia compliance introduces unique constraints and incentives compared to conventional markets (Hassan et al., 2021). This study proposes that firms with higher leverage or governance challenges are more likely to issue sukuk, reflecting strategic financing choices.

Sukuk in Islamic Finance: Structure and Constraints

Zulkhibri (2015) highlights that sukuk, unlike conventional bonds, generate returns from asset performance rather than interest (Riba), adhering to Islamic financial principles. Sukuk represent ownership in tangible assets or usufruct, structured through contracts like *Ijarah* or *Musharakah* using Special Purpose Vehicles (SPVs). However, sukuk face higher issuance costs, legal complexities, and limited secondary market liquidity, which deter adoption, particularly among private firms (Delle Foglie & Keshminder, 2022). In Indonesia, these constraints are amplified by a less mature sukuk market compared to Malaysia or GCC countries, despite regulatory support from Financial Services Authority (*Otoritas Jasa Keuangan/OJK*). According to Azmat et al. (2020), sukuk's ethical appeal attracts investors aligned with Sharia and ESG principles, but structural barriers limit their scalability. For example, the need for Sharia-compliant assets increases transaction costs, making sukuk less viable for firms with limited resources (Godlewski et al., 2016). This study explores whether firms with specific financial profiles, such as lower credit ratings, prefer sukuk to overcome access barriers to conventional bond markets. Understanding these constraints is vital to explain the low sukuk adoption rate (25.6%) in Indonesia's corporate debt market from 2010 to 2024 (Rethel, 2020). Addressing these barriers could enhance sukuk competitiveness in dual financial systems.

Empirical Factors Influencing Sukuk and Bond Issuance

Klein and Weill (2016) demonstrate that firms with higher leverage and lower credit ratings are more likely to issue sukuk, suggesting adverse selection consistent with pecking order theory. In Malaysia and GCC, studies by Grassa and Miniaoui (2018) show that issuance-specific factors (e.g., tenor, size) and firm-level traits (e.g., profitability, asset tangibility) significantly influence financing choices. In Indonesia, however, sukuk issuance is concentrated among state-owned enterprises, reflecting unique regulatory and market dynamics (Wibowo et al., 2018; Nurcholis et al., 2024). According to Nagano (2017), firms with restricted access to conventional bond markets often turn to sukuk, driven by ownership structures or external shocks like the COVID-19 pandemic. For instance, Sakuntala et al. (2025) notes increased sukuk issuance during crises due to their ESG alignment, attracting both Islamic and conventional investors. This study proposes that Indonesian firms with higher leverage or lower profitability may prefer sukuk to navigate financial constraints or align with ethical investor demands. These empirical insights highlight the need to explore Indonesia's distinct context, where a dual financial system shapes financing preference differently than in more mature sukuk markets (Billah et al., 2022). Such exploration can reveal strategic drivers of sukuk adoption.

Ownership Structure and ESG Orientation

Gunawan and Megandari (2024) argue that firms with significant institutional or government ownership are more likely to issue sukuk due to alignment with Sharia and ESG values. Institutional investors enhance governance, reducing agency conflicts and promoting ethical financing, as noted by Raimo et al. (2021). In Indonesia, government-owned firms often issue sukuk to meet regulatory or societal expectations, particularly during crises like COVID-19, which boosted demand for ESG-linked sukuk (Sakuntala et al., 2025). According to Mahomed and Mahbot (2024), sukuk's ethical structure appeals to investors prioritizing sustainability, enhancing firm reputation. Alcander and Nuraini (2022) find that state-owned enterprises in Indonesia dominate sukuk issuance, reflecting policy-driven incentives. This study explores whether institutional or government ownership increases sukuk preference by aligning with Sharia compliance or ESG goals. For instance, firms with blockholder ownership may favor sukuk to signal ethical commitment, reducing agency costs (Abdul Halim et al., 2020). Understanding these dynamics is critical in Indonesia's dual financial system, where ownership structures shape financing strategies amidst growing ESG investor interest. This exploration can inform policies to boost sukuk adoption.

Research Gap

Grassa and Miniaoui (2018) note that most sukuk research focuses on Malaysia and GCC, where mature markets benefit from large Sharia-compliant investor bases. In contrast, Indonesia, a leading sukuk issuer, lacks comprehensive studies on corporate sukuk issuance within its dual financial system, as highlighted by Almaiah et al. (2022). Existing studies often emphasize government sukuk or use cross-sectional data, overlooking longitudinal structural factors (Zulhibri, 2015). According to Sukesti et al. (2021), Indonesia's unique regulatory and market challenges, such as high issuance costs and low secondary market liquidity, are underexplored. This study addresses this gap by examining how issuance-specific, firm-specific, ownership, and external factors influence sukuk vs. bond choices in Indonesia from 2010 to 2024, using a two-stage logit model (Billah et al., 2022). It proposes that firms with higher leverage, lower profitability, or institutional/government ownership are more likely to issue sukuk, reflecting strategic and ethical considerations (Oshikoya & Durosinmi-Etti, 2019). By integrating conventional and Islamic finance theories, this study offers a nuanced understanding of corporate behavior in dual financial systems, addressing a critical gap in the literature.

RESEARCH METHOD

This study adopts a quantitative, explanatory research approach to investigate the factors influencing corporate preferences for sukuk over conventional bonds in Indonesia's capital market from 2010 to 2024. Using a two-stage binary logistic regression (logit) model, the research calculates the likelihood of sukuk issuance based on financial, structural, and external traits, grounded in capital structure and Islamic finance theories. To enhance transparency, this study incorporates detailed methodological descriptions and supporting tables, ensuring robustness and clarity in empirical analysis (Wooldridge, 2019). The approach is designed to explore how issuance-specific, firm-specific, ownership, and external factors shape financing decisions in a dual financial system, providing insights into Indonesia's unique market dynamics.

The dataset comprises 1,095 corporate debt issuances, including 280 sukuk (25.6%) and 815 conventional bonds (74.4%), collected from the Indonesia Stock Exchange (IDX) and Indonesia Bond Pricing Agency. Firm-level financial data were sourced from annual reports and commercial databases, while regulatory and macroeconomic data were obtained from Financial Services Authority and policy documents. To ensure consistency, the sample excludes government bonds and hybrid instruments like medium-term notes, focusing solely on listed firms issuing sukuk or bonds within the observation period. This rigorous data collection ensures a robust foundation for analyzing financing preferences.

The dependent variable is binary, with sukuk issuance coded as 1 and conventional bond issuance as 0. Independent variables are categorized into four groups: issuance-specific (size, tenor, credit rating), firm-specific (leverage, age, asset structure, ROA, sales growth, cash flow), ownership structure (institutional ownership, government ownership dummy, blockholder count), and external events (COVID-19 dummy). This structured variable selection aligns with theoretical frameworks and empirical precedents in Islamic finance (Sukesti et al., 2021).

A two-stage logistic regression model is employed: the first stage assesses the combined effect of all independent variables, while the second stage evaluates each variable group separately. The first-stage model is expressed as: $\log(P(\text{Sukuk})/(1-P(\text{Sukuk}))) = \beta_0 + \alpha X_{\text{issuance}} + \beta X_{\text{firm}} + \gamma X_{\text{ownership}} + \delta X_{\text{external}} + \epsilon$. EViews 12 was used for estimation via Maximum Likelihood Estimation (MLE), with significance tested at 1%, 5%, and 10% levels (Wooldridge, 2019). Model fit was assessed using the Hosmer-Lemeshow test, Nagelkerke R^2 , and classification accuracy, ensuring robust results (Agresti, 2018). Robustness checks included alternative specifications and VIF analysis to confirm model stability (Baltagi, 2021). This methodology provides a comprehensive approach to understanding sukuk issuance determinants in Indonesia's dual financial system, addressing both theoretical and practical dimensions.

RESULTS

Comprising 1,095 corporate debt issuances in Indonesia from 2010 to 2024, the dataset includes 280 sukuk (25.6%) and 815 conventional bonds (74.4%). Key variable descriptive statistics show significant trends. While issuers of conventional bonds tend to have more asset tangibility and longer operating experience, companies issuing sukuk usually have more leverage, poorer credit ratings, and more institutional or government ownership. Summary statistics are shown in Table 1. As presented in Table 1, the mean leverage (LEV) for sukuk issuers is 0.42 compared to 0.31 for bond issuers, indicating higher debt reliance among sukuk issuers ($p < 0.05$). Similarly, sukuk issuers have a lower mean credit rating (0.45 vs. 0.56) and higher institutional ownership (0.35 vs. 0.22), suggesting distinct financial and ownership profiles. These differences align with pecking order theory, where firms with constrained access to conventional markets may prefer sukuk (Klein & Weill, 2016). This descriptive analysis provides a foundation for understanding the factors driving financing choices in Indonesia's dual financial system.

Table 1. Descriptive Statistics

Variable	Mean	Std. Dev	Min	Max
C	3.7	2.11	0.1	7.3
SIZE	5.56	1.4	3.12	7.88
TENOR	0.6	0.49	0	1
RATING	0.52	0.5	0	1
LEV	0.34	1.43	0	29.82
AGE	45.5	28.87	8	207
LTDA	0.21	1.06	0	29.16
LA	6.44	2.43	0	9.39
EG_1	0.63	16.67	-65.19	495.92
SG_1	0.1	0.68	-11.86	12.16
IG_1	83.18	2448	-1	80876.99
PROFIT_1	-0.01	0.63	-17.11	0.26
FA_1	0.27	0.28	0	0.96
CF_1	0.07	0.83	-6.97	11.43
INDUSTRY	0.26	0.44	0	1
BLOCK	0.74	0.44	0	1
INSTITU	0.26	0.44	0	1
GOV	0.74	0.44	0	1

The first-stage logit regression verifies that the probability of sukuk issuance is strongly influenced by the combined set of independent variables ($p < 0.01$). With a Hosmer-Lemeshow p -value > 0.05 and Nagelkerke $R^2 = 0.38$, the model has good classification capability. Consistent with the adverse selection and ESG-alignment theories, key variables are: Leverage (+), ROA (-), and Institutional/Government Ownership (+).

The second-stage analysis examines category-specific models to assess the individual impact of issuance-specific, firm-specific, ownership, and external factors. Issuance-specific variables, such as size and credit rating, show limited significance, with tenor being statistically insignificant ($p > 0.10$). Firm-specific factors reveal that higher leverage and lower ROA significantly increase sukuk issuance likelihood, while older firms are less likely to issue sukuk, supporting pecking order theory. Ownership structure, particularly institutional and government ownership, strongly predicts sukuk issuance, reflecting alignment with Sharia and ESG principles. The COVID-19 dummy is positive and significant, indicating a surge in sukuk issuance during the crisis.

Unlike Malaysia and GCC, where sukuk issuance is driven by market maturity and regulatory simplicity, Indonesia's results highlight the dominance of ownership structure and corporate risk profiles (Grassa & Miniaoui, 2018). The results confirm that institutional and government ownership significantly increase sukuk issuance likelihood, likely due to alignment with Sharia compliance and ESG goals. The limited influence of credit ratings suggests that sukuk investors prioritize ethical alignment over credit risk, a unique feature of Indonesia's dual financial system. The significant COVID-19 effect underscores sukuk's resilience as an ESG-aligned instrument during crises, consistent with global trends. These findings imply that regulatory reforms, such as enhancing secondary market liquidity or providing incentives for private firms, could boost sukuk adoption. This analysis not only validates pecking order and ESG-alignment theories but also highlights Indonesia's distinct market dynamics, offering insights for policymakers and corporate managers.

DISCUSSION

The findings of this study reveal that corporate preferences for sukuk over conventional bonds in Indonesia from 2010 to 2024 are primarily driven by firm-specific factors like higher leverage and lower profitability, alongside ownership structures such as institutional and government ownership, rather than issuance-specific traits like size or

credit rating. According to Klein and Weill (2016), firms with higher leverage and lower credit ratings often turn to sukuk due to restricted access to conventional bond markets, a pattern consistent with the pecking order theory (Myers & Majluf, 1984). In Indonesia's dual financial system, this adverse selection is evident, as sukuk issuers exhibit a mean leverage of 0.42 compared to 0.31 for bond issuers, suggesting that firms facing financial constraints use sukuk to access Sharia-compliant capital markets (Sukesti et al., 2021; Hamdan & Tajuddin, 2024). Unlike Malaysia, where sukuk issuance benefits from a mature market and streamlined regulations, Indonesia's sukuk market remains dominated by state-owned enterprises, reflecting unique institutional dynamics (Grassa & Miniaoui, 2018). This distinction highlights the need to understand Indonesia's dual financial system, where regulatory and market barriers shape financing choices differently.

The significant influence of institutional and government ownership on sukuk issuance aligns with agency theory and ESG-alignment principles. Gunawan and Megandari (2024) argue that institutional ownership enhances governance, reducing agency conflicts and encouraging sukuk issuance due to its alignment with Sharia and ESG values. In Indonesia, firms with government ownership, particularly state-owned enterprises, show a 67% higher odds of issuing sukuk, likely driven by regulatory incentives and societal expectations for ethical financing (Alcander & Surachman et al., 2023). This contrasts with GCC countries, where private firms dominate sukuk issuance due to a larger Sharia-compliant investor base (Hassan et al., 2021). According to Sakuntala et al. (2025), the surge in sukuk issuance during the COVID-19 crisis reflects global demand for ESG-linked instruments, a trend amplified in Indonesia due to its dual financial system. However, the limited secondary market liquidity for sukuk in Indonesia, as noted by Zulkhibri (2015), may deter private firms, explaining the dominance of institutional-backed issuers.

The limited influence of credit ratings on sukuk issuance is a notable finding, suggesting that sukuk investors prioritize Sharia compliance and ethical alignment over traditional credit risk metrics. Nagano (2017) suggests that sukuk's asset-backed structure reduces reliance on credit ratings, as investors focus on underlying asset quality and Sharia compliance. This is particularly relevant in Indonesia, where lower-rated firms opt for sukuk to bypass conventional market barriers (Rethel, 2020). In contrast, Malaysia's sukuk market relies on standardized ratings due to greater market maturity (Grassa & Miniaoui, 2018). According to Hassan et al. (2022), sukuk's resilience during crises like COVID-19 stems from its ethical appeal, which attracts both Islamic and conventional investors. This finding underscores the unique dynamics of Indonesia's dual financial system, where sukuk serves as a strategic tool for firms with constrained financial profiles.

These findings offer significant implications for theory, practice, and policy. Theoretically, the study validates the applicability of pecking order and agency theories in a dual financial system, extending their relevance to Islamic finance contexts. Practically, corporate managers can leverage sukuk to access Sharia-compliant capital markets, particularly for high-leverage firms or those with institutional backing, aligning financing strategies with ESG and Sharia goals (Delle Foglie & Keshminder, 2022). For policymakers, the results highlight the need for regulatory reforms to enhance sukuk market competitiveness, such as improving secondary market liquidity and reducing issuance costs through streamlined Sharia-compliant frameworks. Incentives like tax breaks for private firms could broaden sukuk adoption beyond state-owned enterprises, fostering inclusivity in Indonesia's capital market. Future research could explore post-issuance performance or cross-country comparisons to further elucidate sukuk's role in dual financial systems.

CONCLUSION

This study investigates the determinants of corporate preferences for sukuk over conventional bonds in Indonesia's capital market from 2010 to 2024, using a two-stage logistic regression model on 1,095 debt issuances. Firms with higher leverage and lower profitability are more likely to issue sukuk, a pattern confirmed by this study's findings

that leverage increases sukuk issuance odds by 86% and higher ROA reduces it by 32%. Institutional and government ownership significantly drive sukuk issuance, reflecting alignment with Sharia and ESG principles, with government-owned firms showing a 67% higher likelihood. The limited influence of credit ratings suggests that sukuk investors prioritize ethical compliance over traditional risk metrics, a unique feature of Indonesia's dual financial system. The surge in sukuk issuance during the COVID-19 crisis further highlights its resilience as an ESG-aligned instrument. These findings validate the applicability of pecking order and agency theories in a dual financial system, offering a nuanced understanding of corporate financing behavior.

This study contributes to the literature by extending capital structure theories to Islamic finance, providing practical insights for corporate managers to leverage sukuk for accessing Sharia-compliant markets, particularly for high-leverage or institutionally backed firms. Policymakers can enhance sukuk adoption by improving secondary market liquidity and offering tax incentives for private firms, addressing barriers like high issuance costs. However, the study is limited by its focus on listed firms, potentially overlooking unlisted private issuers, and its reliance on secondary data, which may miss qualitative managerial perspectives. Future research could explore post-issuance performance of sukuk versus bonds or conduct cross-country comparisons with Malaysia and GCC to further elucidate dual financial system dynamics. Qualitative studies incorporating managerial interviews could also provide deeper insights into strategic financing decisions. These efforts would strengthen the understanding of sukuk's role in Indonesia's evolving capital market.

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