

AN ANALYSIS OF THE ROLE OF INTERNATIONAL FINANCIAL MARKETS IN GLOBAL ECONOMIC STABILITY: AN ISLAMIC ECONOMICS PERSPECTIVE

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Abstrak

Pasar keuangan internasional memainkan peran strategis dalam mendorong pertumbuhan ekonomi global, namun juga membawa risiko volatilitas dan ketidakstabilan. Melalui pendekatan ekonomi syariah, penelitian ini menganalisis bagaimana prinsip-prinsip keuangan Islam, seperti larangan riba, gharar, dan maysir, dapat menawarkan solusi untuk menciptakan stabilitas dan keberlanjutan pasar global. Penelitian ini menggunakan pendekatan kualitatif deskriptif dengan metode studi literatur dengan data-data dari jurnal terkemuka yang relevan dengan tema penelitian, seluruh data dianalisis dengan menggunakan analisis isi (*content analysis*). Studi kasus Green Sukuk Indonesia menunjukkan bahwa integrasi prinsip syariah dalam keuangan internasional mampu menarik minat investor global sekaligus mendukung pencapaian tujuan pembangunan berkelanjutan (SDGs). Meskipun dihadapkan pada tantangan seperti dual compliance dan rendahnya tingkat literasi keuangan syariah, peluang pertumbuhan pasar sukuk syariah tetap besar, terutama dengan adanya tren investasi berbasis *Environmental, Social, and Governance* (ESG) dan inovasi fintech. Penelitian ini menyimpulkan bahwa ekonomi syariah dapat berkontribusi signifikan dalam mereformasi sistem keuangan global menuju arah yang lebih adil, transparan, dan berkelanjutan.

Kata Kunci : pasar keuangan internasional, ekonomi syariah, green sukuk, SDGs, ESG.

Abstract

International financial markets play a strategic role in driving global economic growth, but also carry the risk of volatility and instability. Through an Islamic economic approach, this research analyzes how Islamic financial principles, such as the prohibition of usury, gharar, and maysir, can offer solutions to create stability and sustainability of global markets. This research uses a descriptive qualitative approach with a literature study method with data from leading journals relevant to the research theme, all data is analyzed using content analysis. The case study of Green Sukuk Indonesia shows that the integration of sharia principles in international finance is able to attract global investors while supporting the achievement of sustainable development goals (SDGs). Although faced with challenges such as dual compliance and low levels of Islamic financial literacy, the growth opportunities of the Islamic sukuk market remain large, especially with the trend of Environmental, Social, and Governance (ESG) based investments and fintech innovations. This study concludes that Islamic economics can contribute significantly in reforming the global financial system towards a more fair, transparent, and sustainable direction.

Keywords: international financial markets, sharia economics, Green Sukuk, SDGs, ESG

INTRODUCTION

The current era of globalization has ushered in a new phase for international financial markets, marked by deepening integration among economies across the globe. Rapid advancements in information and communication technology have enabled the cross-border movement of capital and investments to occur within seconds. According to the Bank for International Settlements (BIS), the average daily turnover in global foreign exchange markets reached USD 7.5 trillion in 2022, reflecting the high intensity of activity in the international financial sector. This sector now serves as a critical backbone of the global economy, providing instruments and services that facilitate international trade and investment.

However, globalization has also brought about negative consequences, such as market instability, global financial crises, and widening economic inequality. The World Inequality Report 2022 reveals that the wealthiest 10% of the global population control 76% of total global wealth, indicating a deepening disparity. Much of the instability originates from the dominance of conventional financial practices based on interest (*riba*), excessive speculation (*maysir*), and uncontrolled uncertainty (*gharar*). Debt-based financial models without risk-sharing mechanisms further undermine the resilience of the global financial system to external shocks (Hassan & Marzban, 2021).

In response to these challenges, Islamic economics offers an alternative financial

paradigm rooted in the values of justice, transparency, and sustainability. By prohibiting *riba*, *gharar*, and *maysir*, and emphasizing real asset-backed transactions and fair risk-sharing, Islamic finance aims to create a more stable and ethical system. In an era of increasingly integrated global financial markets, exploring the application of Shariah principles has become an urgent necessity, as the global financial system often neglects ethical considerations, leading to instability and inequality (Sarea & Hanif, 2020).

One concrete implementation of Shariah-based principles in the context of global sustainable finance is the issuance of Green Sukuk by the Government of Indonesia. First launched in 2018 with an initial issuance of USD 1.25 billion, the total Green Sukuk issuance had surpassed USD 5.6 billion by 2024. The funds have been allocated to finance green projects such as renewable energy, sustainable natural resource management, energy efficiency, environmentally friendly transportation, green buildings, waste and water management, and climate resilience initiatives (Ministry of Finance, Republic of Indonesia, 2022). Indonesia's Green Sukuk exemplifies the synergy between Islamic finance and international Environmental, Social, and Governance (ESG) standards, while also expanding the base of international investors and strengthening national economic stability.

Nevertheless, the success of Green Sukuk also presents several challenges. One of the main issues is the need to meet dual compliance requirements—adherence to both Shariah principles and international standards such as

the Green Bond Principles and ESG criteria. In addition, low market literacy regarding Islamic financial products poses a barrier to expanding the investor base and increasing participation. Previous studies have extensively discussed the role of Islamic finance in enhancing market stability; however, few have analyzed its integration into international financial markets from both Shariah and ESG perspectives. This study fills that gap by focusing on how Indonesia's Green Sukuk embodies dual compliance—adhering simultaneously to Islamic principles and global sustainability standards.

Therefore, this study aims to analyze how Green Sukuk can uphold Islamic financial principles while also meeting international sustainability standards. The research will focus on the challenges of dual compliance, the effectiveness of green project financing, and investor responses to the instrument. Although various studies on Green Sukuk exist, there remains a gap in the literature regarding an in-depth analysis of the synergy between Shariah compliance and ESG standards.

THE ORETICAL REVIEW

The theoretical review includes an overview of previous studies that share similarities in subject matter or research problems, which may have relevance to the study being conducted. It should be typed in 11pt Times New Roman.

International Financial Marketing and Global Stability

The international financial market functions as a key mechanism for channeling

capital across countries, connecting surplus funds with those in need of financing. Through instruments such as stocks, bonds, derivatives, and sukuk, financial markets enhance investment efficiency and accelerate global economic growth (Ahmed & Kabir, 2020). However, financial globalization also introduces instability risks, as inter-country interconnections facilitate the rapid transmission of financial crises, as seen in the 1997 Asian crisis and the 2008 global financial crisis (BIS, 2023). Imbalances in capital flows, currency volatility, and speculative derivatives have exacerbated market instability, prompting the need for a new approach that prioritizes justice and sustainability in global financial management.

Principles of Islamic Economics in Global Finance

Islamic economics offers an alternative paradigm for managing global finance. Its core principles prohibit *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (speculation), while emphasizing justice (*'adl*), balance (*mizan*), and sustainability (*istidamah*) in economic transactions (Hassan & Marzban, 2021). Shariah-compliant financial instruments such as asset-backed sukuk ensure that every transaction is tied to productive economic activity, thereby minimizing speculative behavior often associated with crises in the conventional financial system. Additionally, the risk-sharing concept in Islamic finance fosters a more balanced relationship between fund providers and users.

The potential for integrating the Islamic financial system into global markets is

considerable. A study by Iqbal and Mirakhor (2022) shows that Shariah-based financial products, especially Green Sukuk, can serve as attractive instruments for financing sustainable projects such as green infrastructure and renewable energy. However, this integration faces challenges, including regulatory discrepancies across countries and low levels of Islamic financial literacy among global investors. Therefore, efforts to harmonize international Shariah standards and promote intensive market education are necessary to enable the broader growth of Islamic economics at the global level.

Integration of Islamic Finance and ESG Standards

The Islamic financial system offers several advantages that contribute to global economic stability. Its real asset-based transaction structure and risk-sharing principles help curb excessive speculation and moral hazard. Furthermore, the emphasis on transparency and clarity of rights and obligations in Shariah contracts strengthens accountability in every transaction (Al-Saidi & Masood, 2021). Another notable advantage is financial inclusivity, where Islamic finance opens access to underserved segments of the population, particularly in developing countries, who are often excluded from the conventional financial system.

Nonetheless, the implementation of Islamic economics in international markets faces significant challenges. Dual compliance adhering simultaneously to Shariah principles and international standards such as the Green Bond Principles (ICMA, 2022) adds

complexity to the issuance of Islamic financial instruments. Moreover, market volatility and the perception of high risk associated with sukuk from developing countries hinder the expansion of the global investor base. The lack of standardized international Shariah regulations also creates confusion among investors regarding the validity and structure of Islamic financial products (Sarea & Hanif, 2020).

Islamic economics holds great potential to contribute to a more just and sustainable global economic development. Instruments such as Green Sukuk promote investment in projects with environmental and social sustainability goals, aligned with the Sustainable Development Goals (SDGs). Additionally, the risk-sharing approach in Islamic financing enhances market resilience to external shocks and systemic crises. By broadening financing access and embedding economic justice in global transactions, Islamic economics could serve as one of the pillars for reforming the global financial system into a more ethical and inclusive framework.

METHOD

This study employs a descriptive qualitative approach using a literature review method aimed at exploring in depth the role of international financial markets in global economic stability from the perspective of Islamic economics. The data used in this research are derived from various relevant and reliable secondary sources, such as scholarly articles from leading journals published within the last five years (2021–2025), academic

books, data from the Ministry of Finance, and data from the Bank for International Settlements (BIS). Data sources were selected selectively, taking into account their credibility, timeliness, and relevance to the focus of this study. All collected data were analyzed using a content analysis approach.

The content analysis in this study follows three stages: (1) data collection and selection from credible journal sources published between 2021–2025, (2) thematic coding to identify recurring concepts such as risk-sharing, ESG integration, and dual compliance, and (3) interpretation and synthesis to draw analytical insights aligned with the objectives of the study.

DISCUSSION

The Role of Green Sukuk in Global Islamic Finance

The international financial market plays a strategic role in facilitating capital flows, accelerating cross-border investments, and driving aggregate global economic growth. Financial globalization enables developing countries to access international financing sources, increase foreign exchange reserves, and accelerate industrialization through instruments such as stocks, bonds, derivatives, and sukuk (Obaidullah, 2020; BIS, 2023). A case study of the Global Green Sukuk issuance by the Government of Indonesia serves as concrete evidence of how international financial markets can provide access to Shariah-compliant financing for sustainability-based national projects. This Green Sukuk issuance, targeting global investors and

adhering to Shariah principles, has supported clean energy projects, climate change mitigation, and environmental conservation, while demonstrating that Islamic financial principles can work in synergy with global development agendas (Ministry of Finance, Republic of Indonesia, 2022).

Furthermore, the success of Indonesia's Green Sukuk reflects how the integration of international financial markets with Islamic economic principles can optimize the mobilization of ethically-based funds for productive purposes. With strong international market acceptance, Indonesia raised USD 3.5 billion in 2022 through environmentally focused Shariah-compliant sukuk, attracting investors from the Middle East, Asia, and Europe (IFSB, 2023). This proves that innovation in Islamic financial products, when aligned with global standards such as the ICMA Green Bond Principles, can compete effectively amid the dominance of conventional instruments. This study illustrates the real role of international financial markets not only as a source of capital but also as a platform for promoting Shariah values on a global scale.

Challenges in Dual Compliance

On the other hand, engagement in international financial markets requires countries like Indonesia to maintain consistent Shariah compliance amidst evolving global regulations. For example, in issuing Green Sukuk, the government must ensure that the sukuk structure aligns with the DSN-MUI fatwas while simultaneously meeting international environmental impact reporting requirements. This challenge illustrates the

complexity of integrating Islamic finance into global markets. Nevertheless, through regulatory adaptation, transparent reporting, and effective communication with the international investor community, Indonesia has shown that harmonizing Shariah principles with global expectations is achievable—and can serve as a best-practice model for other countries seeking to develop their global Islamic finance markets (Sakurai & Chazi, 2021).

Thus, this case study affirms that international financial markets not only accelerate global economic growth but also create strategic opportunities to introduce Shariah-based financial instruments to the world. When developed with an innovative and values-based approach, Islamic economics can play a central role in shaping a more just, inclusive, and sustainable global financial system.

Despite the global attention garnered by Indonesia's Green Sukuk issuance, its implementation is not without challenges. One major challenge is ensuring dual compliance adhering simultaneously to Shariah principles and international standards such as the Green Bond Principles issued by the International Capital Market Association (ICMA, 2022). Even minor discrepancies between the sukuk structure and global standards can pose reputational risks and reduce investor confidence. Additionally, during the initial phases of issuance, Indonesia faced difficulties in establishing a Shariah-compliant green project verification mechanism that also met sustainability reporting expectations (Ministry

of Finance, Republic of Indonesia, 2022). Another challenge is the limited number of global investors who fully understand sukuk, particularly those based on Shariah principles, compared to conventional bonds.

The low level of global Islamic financial literacy also narrows the demand base for sukuk. According to the Islamic Financial Services Board (2023), only around 20% of global asset managers report having a deep understanding of Islamic financial instruments. This gap results in higher promotional and educational costs for issuers. Additionally, global market volatility and exchange rate fluctuations present further challenges, as investors often associate sukuk from emerging markets with higher risks than bonds from developed countries (Sakurai & Chazi, 2021). Hence, domestic macroeconomic stability is also a key factor in maintaining the attractiveness of Green Sukuk in international financial markets.

Opportunities in ESG and Fintech Integration

Amid these challenges, there are significant opportunities to expand the role of Green Sukuk in international financial markets. First, the global trend toward Environmental, Social, and Governance (ESG)-based investing creates strong potential for integration between sustainability principles and Islamic finance principles (Thomson Reuters, 2021). Green Sukuk, which combines Islamic ethical values with environmental sustainability goals, can appeal to the growing ESG investor segment in both developed and Muslim-majority countries. Data from the Global Sustainable Investment

Alliance (GSIA, 2023) show that ESG-related assets reached USD 41 trillion in 2023, reflecting enormous potential to be tapped.

Second, the success of Indonesia's Green Sukuk paves the way for other countries, especially members of the Organization of Islamic Cooperation (OIC), to replicate this model. With its phased issuance experience and strengthened sustainability reporting, Indonesia is well-positioned to serve as a reference hub for green sukuk issuance in Asia and globally. Furthermore, the support of multilateral institutions such as the Islamic Development Bank (IsDB) in facilitating Shariah-compliant green financing continues to expand opportunities for cooperation among Islamic countries (IsDB, 2022).

Third, the use of financial technology (fintech) offers new pathways for expanding sukuk market access, including digital sukuk issuance platforms. Digitalizing the issuance and distribution processes can reduce costs, speed up transactions, and reach global retail investors who were previously difficult to access. This innovation aligns with the direction of international Islamic financial market development toward greater inclusivity and efficiency (Oseni & Ali, 2022).

Implications For Global Economics Stability

This case study concludes that active participation in international financial markets through Green Sukuk instruments has strategic implications for strengthening global Islamic economics. First, it proves that Shariah principles can be integrated into global financial standards without compromising their core values. Second, it expands the reach of

Islamic economic principles through practical solutions to global challenges such as climate change and development inequality. Third, it enhances the position of Muslim-majority countries as innovators in the global sustainable finance market.

To fully optimize these opportunities, there is a need for harmonization of international Shariah standards, increased global Islamic financial literacy, and continuous innovation in Islamic financial products. As a pioneer in Green Sukuk issuance, Indonesia can continue to expand its initiatives through international collaboration, stronger domestic regulation, and the development of a supportive Shariah fintech ecosystem to help grow the global sukuk market.

CONCLUSION

International financial markets significantly contribute to global economic growth through capital integration and financial innovation. However, the dominance of conventional systems based on interest, speculation, and uncertainty often triggers economic instability. As a solution, Islamic economics offers an approach that emphasizes justice, transparency, risk-sharing, and the avoidance of *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (speculation), which is believed to enhance the resilience of the global financial system. Indonesia's Green Sukuk issuance stands as a successful example of applying Shariah principles in global markets, while also demonstrating its attractiveness to international investors through the integration

of sustainability values (ESG). This success opens up opportunities for the global expansion of Islamic finance.

Nevertheless, challenges such as standard harmonization, low financial literacy, and the need for transparency and innovation must still be addressed. Therefore, cross-sector collaboration is essential to build an inclusive and competitive Islamic finance ecosystem. In this context, Islamic economics is not only an alternative to global financial instability but also a driver for establishing a more just, sustainable, and socially-oriented economic system—with Indonesia well-positioned to lead this transformation through its Green Sukuk experience.

Recommendations: (1) The government should strengthen regulatory harmonization between Shariah compliance and international sustainability standards. (2) Investors are encouraged to increase awareness and understanding of Islamic financial instruments, particularly Green Sukuk. (3) Academics should expand interdisciplinary studies exploring the intersection of Islamic finance and global ESG frameworks. Limitations and Future Research: This study is limited to a qualitative literature-based approach focusing on Indonesia's experience. Future research could employ quantitative or comparative analyses among OIC countries to assess the global impact of Islamic financial integration.

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