

Corporate Sukuk Issuance and Firm Fundamentals: A Dynamic Causality Approach from Indonesia

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ABSTRACT

Research Originality: This study extends existing knowledge on corporate sukuk by moving beyond static determinant frameworks and examining the dynamic relationships between firm fundamentals and issuance behavior. The analysis offers new insights into the factors underlying sustained access to Sharia-compliant financing.

Research Objectives: This study investigates whether financial performance, capital structure, firm size, and asset growth predict the issuance behavior of Indonesian sukuk issuers.

Research Methods: Using quarterly panel data from the five most active issuers during 2015Q1-2024Q4, this study applies panel Granger causality and panel VAR with impulse response and variance decomposition.

Empirical Results: The findings reveal that firm size Granger-causes sukuk issuance, whereas return on equity, net profit margin, capital structure, and asset growth do not show Granger-causal effects at conventional levels. Issuance also exhibits strong persistence and responds more strongly to firm-size shocks than to other firm fundamentals.

Implications: These results suggest that policies to deepen the sukuk market should reduce issuance frictions, improve disclosure quality, and expand access to Sharia-compliant financing for mid-sized firms.

Keywords:

Islamic capital market; Sharia-compliant financing; panel Granger causality; panel VAR; financial fundamentals

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INTRODUCTION

The financial sector in Indonesia plays a strategic role in supporting national and regional economic growth through both conventional and Sharia-based financial systems. As a Muslim-majority country, Indonesia has substantial potential to strengthen Islamic finance through Sharia-compliant instruments that support ethical investment, financial diversification, and alternative corporate financing. In this context, sukuk have emerged as a key Islamic capital market instrument because they link investors with asset-based financing and provide firms with access to medium- and long-term funding (Suriani et al., 2021; Balli et al., 2022; Mseddi, 2023; Almaskati, 2022). Therefore, the expansion of Islamic financial instruments is not only relevant for religious compliance but also for strengthening financial inclusion, investment diversification, and long-term economic development.

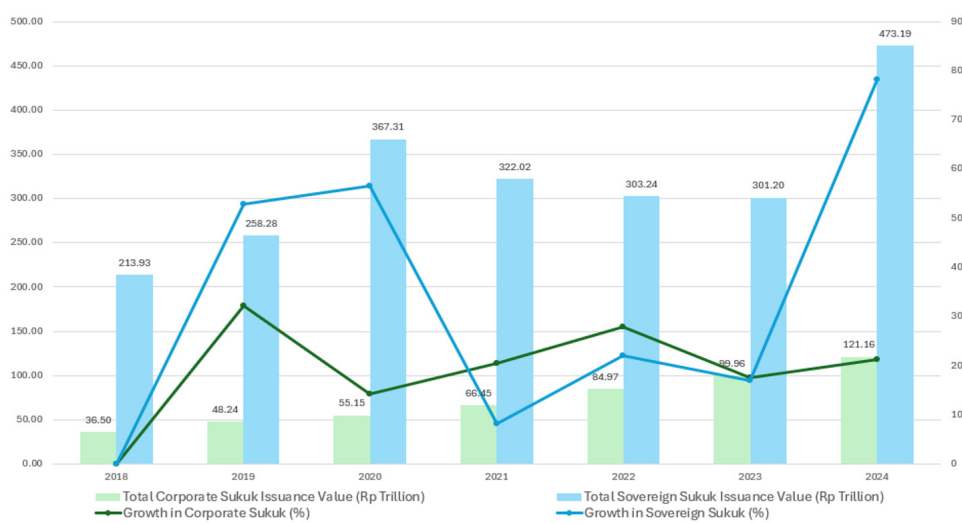
Despite the growing need for investment and financing instruments, the development of alternative Sharia-compliant securities remains important for broadening market participation and reducing dependence on conventional financing channels. Sukuk provide an alternative investment and financing instrument because they combine Sharia compliance, asset-based structure, and portfolio diversification benefits (Balli et al., 2022; Pirgaip et al., 2021; Saeed et al., 2021). The development of Islamic financial institutions has also encouraged the expansion of the Islamic capital market, which has become one of the most important segments of Islamic finance in Indonesia. In this context, the development of the sukuk market is closely related to macro-financial stability, institutional support, and monetary policy transmission (Suriani et al., 2021; Aman et al., 2021; Aziz et al., 2021). At the market level, sukuk development is also influenced by the strength of the financial system, macroeconomic conditions, and institutional support, which makes market deepening important for expanding domestic sukuk activity (Aman et al., 2021).

Within the Islamic capital market, sukuk serve a strategic function by mobilizing investor capital and channeling it into productive corporate financing. Sukuk differ from conventional bonds because they require underlying assets and must comply with Sharia principles, including the prohibition of *riba*, *gharar*, and *maysir*, as regulated through DSN-MUI fatwas and relevant financial market regulations (DSN-MUI, 2004; Suriani et al., 2021). Previous studies have shown that sukuk contribute to capital market deepening, support long-term economic growth, and provide diversification benefits for investors (Balli et al., 2022; Pirgaip et al., 2021; Yıldırım et al., 2020). Corporate sukuk, in particular, are important because they connect public investors with non-bank corporate financing and provide medium- to long-term funding for companies that require capital for business expansion and strategic projects (Ashraf et al., 2021; Almaskati, 2022; Mseddi, 2023; Endri et al., 2022).

However, the development of corporate sukuk in Indonesia remains less dominant than sovereign sukuk, even though corporate sukuk were introduced earlier in the market. This condition indicates that the corporate sukuk segment still faces structural constraints, including issuer readiness, market access, information asymmetry, disclosure quality, sukuk risk management, and issuance costs (Aman et al., 2021; Aziz et al., 2021; Setiawan &

Suwandaru, 2024; OJK, 2024). Investor trust is also relevant in sukuk transactions because sukuk activity is sensitive to information asymmetry, issuer risk, and market confidence (Aziz et al., 2021). Corporate sukuk are also more exposed to issuer-specific risk, liquidity constraints, and market uncertainty than sovereign sukuk, and these risks may be reflected in pricing, yield spreads, and investor assessment of issuer quality (Saeed et al., 2021; Almaskati, 2022, 2023; Mseddi, 2023; Billah et al., 2024). As a result, firms with stronger financial and institutional capacity are generally more likely to access this market successfully. Hence, understanding the firm-level factors that shape corporate sukuk issuance is necessary to explain why some firms issue sukuk more actively while others remain constrained.

Figure 1. Total and Growth Sukuk of Sovereign and Corporate Issuance



Source: Author's calculation based on OJK Sukuk Statistics, 2018-2024

Several prior studies have examined sukuk from different perspectives. At the market level, Suriani et al. (2021) and Aman et al. (2021) show that sukuk development is closely related to macro-financial conditions, monetary policy transmission, and institutional support. Other studies examine sukuk risk, liquidity, yield spread, market connectedness, and investor confidence, showing that issuer risk, liquidity conditions, and market uncertainty influence sukuk performance (Aziz et al., 2021; Saeed et al., 2021; Almaskati, 2022, 2023; Mseddi, 2023; Billah et al., 2024; Mensi et al., 2024). At the firm level, previous research has focused on sukuk ratings, issuer characteristics, and the choice between sukuk and conventional bonds (Al Homsy et al., 2023; Laila et al., 2021; Wardiwiyo & Imron, 2022; Ashraf et al., 2021; Pribadi & Wibowo, 2019). However, these studies mostly use macroeconomic, rating, market reaction, or static determinant approaches. Limited evidence explains whether firm fundamentals dynamically predict corporate sukuk issuance over time.

From the corporate perspective, internal fundamentals are expected to influence the feasibility, timing, and scale of sukuk issuance. Financial performance reflects the firm's ability to generate profits and maintain its repayment capacity, which may shape investor confidence

and access to funding. Return on Equity and Net Profit Margin represent profitability and operating efficiency, and stronger financial performance may reduce perceived issuer risk and improve market confidence in corporate financing decisions (Saeed et al., 2021; Laila et al., 2021; Khan & Qasem, 2024). Capital Structure reflects the balance between debt and equity and determines whether a firm has sufficient capacity to absorb additional financing without increasing financial distress risk. Firms with more prudent leverage are generally better positioned to access external financing and maintain investor confidence (Rehan et al., 2023; Ferriswara et al., 2022; Khan & Qasem, 2024). Firm Size is also relevant because larger firms generally have stronger reputation, wider market access, better disclosure capacity, and more mature governance mechanisms, which may reduce information asymmetry and issuance costs (Al Homsy et al., 2023; Laila et al., 2021; Wardiwiyo & Imron, 2022). In addition, Assets Growth reflects business expansion and financing needs, especially when firms require medium- or long-term funds that are compatible with the underlying asset structure of sukuk. Asset expansion can create financing demand, but the decision to issue sukuk also depends on issuer readiness, governance, and market access (Pribadi & Wibowo, 2019; Ashraf et al., 2021; Rehan et al., 2023).

Based on these considerations, this topic remains important because Indonesia's corporate sukuk market is still less developed than its sovereign sukuk market, limiting firms' access to Sharia-compliant long-term financing. Although previous studies have examined sukuk from macroeconomic, rating, market reaction, and static determinant perspectives, limited evidence explains how firm-level fundamentals dynamically predict and respond to corporate sukuk issuance over time. This study fills that gap by applying Panel Granger causality, PVAR, impulse response, and variance decomposition to examine the dynamic relationship between Financial Performance, Capital Structure, Firm Size, Asset Growth, and corporate sukuk issuance among active Indonesian issuers during 2015Q1-2024Q4. The novelty lies in showing not only causal direction but also persistence and shock-response mechanisms, particularly the dominant role of firm size. The findings are expected to support regulators, issuers, and investors in strengthening a more inclusive corporate sukuk market in Indonesia.

METHODS

This study uses a quantitative approach to examine the dynamic relationship between firm-level fundamentals and corporate sukuk issuance in Indonesia. The analysis focuses on corporate sukuk issuers registered with the Financial Services Authority (OJK). The observation period covers 2015Q1 to 2024Q4. This period was selected for three main reasons. First, the period provides a sufficiently long quarterly observation window to capture the development of corporate sukuk issuance after the strengthening of Islamic capital market regulation in Indonesia. Second, the 2015Q1-2024Q4 period allows the study to observe corporate sukuk issuance dynamics before, during, and after major economic shocks, including the COVID-19 pandemic, which may affect firms' financing behavior. Third, data availability during this period is relatively consistent across active corporate sukuk issuers, allowing the construction of a balanced quarterly panel dataset.

The population of this study consists of 45 corporate sukuk issuers registered with OJK. The sample was selected using purposive sampling based on several criteria. First, the company must be registered as a corporate sukuk issuer during the 2015Q1-2024Q4 observation period. Second, the company must have published financial reports or financial statements that are available and accessible during the observation period. Third, the company must be included among the most active corporate sukuk issuers to ensure sufficient variation in issuance behavior. Based on these criteria, five companies were selected as the final sample, namely PT Adira Dinamika Multi Finance Tbk, PT Aneka Gas Industri Tbk, PT Indosat Tbk, PT Perusahaan Listrik Negara (Persero), and PT XL Axiata Tbk. The panel data consist of five firms observed quarterly for 40 quarters, resulting in 200 firm-quarter observations.

Table 1. Operational Variables

Variables	Definitions	Measurements	Sources
LSIV	The value of corporate sukuk issued by each firm	Natural logarithm of sukuk issuance value	OJK and company reports
ROE	Firm ability to generate profit from shareholders' equity	Net income divided by total equity	Financial statements
NPM	Firm ability to convert sales into net income	Net income divided by sales	Financial statements
CS	Firm financing composition between debt and equity	Debt-to-Equity Ratio	Financial statements
LFS	Scale of company operations	Natural logarithm of total assets	Financial statements
AG	Change in firm assets over time	Year-over-year change in total assets	Financial statements

Source: Processed data (2026)

This study employs Panel Granger causality and Panel Vector Autoregressive (PVAR) models as the main analytical tools. Panel Granger causality is used to test whether past values of financial performance, capital structure, firm size, and asset growth help predict corporate sukuk issuance beyond its own past values (Granger, 1969). The PVAR model is then applied to capture dynamic interdependence among variables, where each variable can be influenced by its own lagged values and the lagged values of other variables in the system (Love & Zicchino, 2006; Lütkepohl, 2005).

Before estimating the dynamic model, this study conducts panel unit root tests to ensure the stationarity of the data. The Im, Pesaran, and Shin (IPS) test and the Phillips-Perron (PP) Fisher-type test are used to examine whether the variables contain a unit root (Im et al., 2003; Phillips & Perron, 1988). Stationarity testing is important because non-stationary data may produce biased or spurious estimation results in autoregressive time-series and dynamic panel analysis (Lütkepohl, 2005). After the stationarity properties are confirmed, the optimal lag length is determined using standard information criteria,

including LR, FPE, AIC, SC, and HQ. The selected lag length is then used in the Panel Granger causality test and PVAR estimation to ensure consistency across the empirical analysis. The empirical model in this study is specified as follows:

Model 1: Panel Granger Causality Model

$$LSIV_{it} = \alpha_i + \sum_{j=1}^p \beta_j LSIV_{i,t-j} + \sum_{j=1}^p \gamma_j ROE_{i,t-j} + \sum_{j=1}^p \delta_j NPM_{i,t-j} + \sum_{j=1}^p \theta_j CS_{i,t-j} + \sum_{j=1}^p \lambda_j LFS_{i,t-j} + \sum_{j=1}^p \phi_j AG_{i,t-j} + \varepsilon_{it} \quad (1)$$

where $LSIV_{it}$ denotes the logarithm of corporate sukuk issuance value for firm i at time t . ROE_{it} represents return on equity, NPM_{it} represents net profit margin, CS_{it} represents capital structure, LFS_{it} represents the logarithm of firm size, and AG_{it} represents asset growth. The term α_i captures firm-specific effects, p denotes the optimal lag length, j denotes the lag order, and ε_{it} is the error term. This model allows the study to test whether past movements in firm fundamentals contain useful information for predicting future corporate sukuk issuance.

Model 2: Panel Vector Autoregressive Model

$$Y_{it} = \alpha_i + \sum_{j=1}^p A_j Y_{i,t-j} + \varepsilon_{it} \quad (2)$$

where Y_{it} is a vector of endogenous variables consisting of $LSIV$, ROE , NPM , CS , LFS , and AG . In this specification, α_i represents firm-specific effects, A_j represents the coefficient matrix at lag j , p denotes the selected optimal lag length, and ε_{it} is the error term. This model treats all variables as endogenous, allowing the study to capture the dynamic interdependence between corporate sukuk issuance and firm fundamentals rather than assuming a one-way static relationship.

After estimating the PVAR model, this study applies Impulse Response Function (IRF) and Forecast Error Variance Decomposition (FEVD). IRF is used to trace how corporate sukuk issuance responds to shocks in financial performance, capital structure, firm size, and asset growth over future periods. FEVD is used to identify the relative contribution of each variable's shock to variations in corporate sukuk issuance. Therefore, the combination of Panel Granger Causality, PVAR, IRF, and FEVD provides a more comprehensive framework for explaining the dynamic behavior of corporate sukuk issuance in Indonesia during the 2015Q1-2024Q4 period.

RESULTS AND DISCUSSION

The empirical results show three main findings. First, Firm Size is the only firm-level fundamental that significantly Granger-causes corporate sukuk issuance. Second, ROE, NPM, Capital Structure, and Asset Growth do not significantly predict sukuk issuance. Third, the PVAR results show that sukuk issuance is highly persistent and mainly driven by its own past movements. These findings indicate that corporate sukuk issuance in Indonesia is more closely related to issuer scale and market readiness than to short-term profitability, leverage, or asset expansion.

Table 2 presents the descriptive statistics of Sukuk Issuance Value, Return on Equity,

Net Profit Margin, Capital Structure, Firm Size, and Asset Growth. The panel consists of 200 firm-quarter observations from five active corporate sukuk issuers during 2015Q1-2024Q4. Sukuk Issuance Value averages 1.80 trillion, with a standard deviation of 1.65 trillion, indicating variation in issuance values across firms and quarters. The descriptive results show heterogeneous financial characteristics across active corporate sukuk issuers. This heterogeneity is relevant because sukuk issuance requires issuer credibility, disclosure capacity, and sufficient underlying assets. Larger firms generally have stronger institutional capacity, broader market access, better disclosure quality, and lower information asymmetry, which may support their ability to issue sukuk (Al Homsy et al., 2023; Laila et al., 2021; Wardiwiyo & Imron, 2022).

Table 2. Summary Statistics

Variables	Mean	Std. Dev.	Min	Max	Observations
SIV	1.80	1.65	0.07	6.68	N = 200
ROE	4.1275	8.7978	-17.1800	66.5900	
NPM	5.6312	7.5685	-15.1700	31.9500	
CS	201.2679	129.0121	43.3180	607.6300	
FS	327.00	581.00	3.49	1,720.00	
AG	1.6960	9.2511	-29.6100	72.0500	

Source: Processed data (2026)

Before estimating the dynamic model, this study conducted panel unit root tests using the Im, Pesaran, and Shin test and the Phillips-Perron test. The results show that all variables are stationary at level. LSIV, ROE, NPM, CS, LFS, and AG reject the unit-root null hypothesis, meaning that the variables can be treated as $I(0)$. This result supports the use of Panel Granger causality and PVAR estimation in levels without requiring a cointegration framework.

Table 3. Panel Unit Root Test Results

Variables	Im-Pesaran and Shin (IPS)	Phillips-Perron (PP)
	$I(0)$	$I(0)$
LSIV	0.0000***	0.0000***
ROE	0.0000***	0.0000***
NPM	0.0000***	0.0000***
CS	0.0490**	0.0006***
LFS	0.0009**	0.0021***
AG	0.0000***	0.0000***

Note: ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

The stationarity result is important because non-stationary variables may produce misleading inferences in dynamic econometric analysis (Lütkepohl, 2005). Since all variables are stationary, the relationship between corporate sukuk issuance and firm fundamentals can be examined directly without differencing the variables (see Table 3). This helps preserve the economic interpretation of firm-level dynamics. After confirming stationarity, the optimal lag length was selected using standard information criteria, including LR, FPE, AIC, SC, and HQ. The results indicate that SC and HQ support lag 2, while LR, FPE, and AIC suggest higher lag orders. This study follows the HQ criterion and uses two lags for the Panel Granger causality and PVAR estimation (see Table 4).

Table 4. Lag Length Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-3326.096	NA	1.39e+09	38.08110	38.18960	38.12511
1	-2116.337	2322.737	2079.123	24.66671	25.42626	24.97480
2	-2016.029	185.7139	998.3832	23.93175	25.34234*	24.50393*
3	-1984.271	56.61847	1051.673	23.98024	26.04188	24.81650
4	-1936.551	81.80665	925.9676	23.84629	26.55897	24.94663
5	-1886.476	82.40897*	796.9880*	23.68544*	27.04915	25.04986

Note: The sign (*) is the optimum lag based on the criteria

The use of two lags is appropriate for quarterly panel data because it captures short-run dynamic adjustment while maintaining model parsimony. This is important because corporate financing decisions may not respond immediately to changes in profitability, leverage, firm size, or asset growth. Firms may require time to evaluate market conditions, prepare issuance documentation, and meet Sharia-compliant issuance requirements.

Panel Granger causality tests were conducted to assess whether past values of one variable improve the prediction of another variable beyond its own history (Granger, 1969). The tests use an F/Wald framework to evaluate the joint significance of lagged regressors in each equation. The Panel Granger causality results (Table 5 and Figure 3) show that Firm Size significantly Granger-causes corporate sukuk issuance at the 1 percent level. This indicates that past values of Firm Size contain useful information for predicting future corporate sukuk issuance. In contrast, ROE, NPM, Capital Structure, and Asset Growth do not significantly Granger-cause corporate sukuk issuance. These findings suggest that sukuk issuance among active Indonesian issuers is more strongly shaped by firm scale than by short-term changes in profitability, leverage, or growth.

This finding supports the view that larger firms have stronger reputational capital, broader investor access, better disclosure capacity, and greater ability to bear issuance costs. This result is consistent with Al Homsy et al. (2023), Laila et al. (2021), and Wardiwiyo and Imron (2022), who show that issuer-level characteristics influence sukuk ratings and investor assessment. This result also supports Ashraf et al. (2021) and Utami

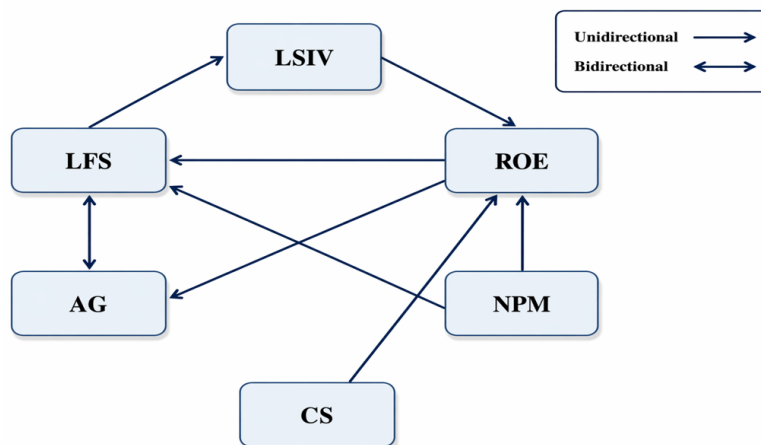
(2025), who emphasize that firm characteristics and governance affect sukuk issuance decisions. However, this study extends previous evidence by showing that Firm Size has dynamic predictive power over corporate sukuk issuance, not merely a static association.

Table 5. Panel Granger Causality Test Results

Causality Direction	F-Statistic	Prob.	Causality Direction	F-Statistic	Prob.
Causality					
LSIV → ROE	2.57448	0.0789*	ROE → AG	5.91691	0.0032***
LFS → LSIV	5.54759	0.0046***	NPM → LFS	2.38419	0.0950*
NPM → ROE	6.67443	0.0016***	AG → LFS	13.08480	0.0000***
CS → ROE	4.11258	0.0179**	LFS → AG	19.11640	0.0000***
ROE → LFS	5.86346	0.0034***	Total significant directions		9
No Causality					
ROE → LSIV	1.07485	0.3435	ROE → CS	1.89406	0.1534
NPM → LSIV	0.67600	0.5099	CS → NPM	0.86699	0.4219
LSIV → NPM	1.76040	0.1748	NPM → CS	0.97100	0.3806
CS → LSIV	1.15986	0.3158	LFS → NPM	0.73063	0.4830
LSIV → CS	0.37626	0.6869	AG → NPM	0.42523	0.6543
LSIV → LFS	0.13212	0.8763	NPM → AG	2.11661	0.1233
AG → LSIV	0.52826	0.5905	LFS → CS	0.17158	0.8425
LSIV → AG	0.07117	0.9313	CS → LFS	0.13156	0.8768
ROE → NPM	0.06160	0.9403	AG → CS	0.31064	0.7334
LFS → ROE	0.90731	0.4054	CS → AG	0.16569	0.8474
AG → ROE	0.71696	0.4896	Total non-significant directions		21

Note: ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Figure 3. Panel Granger Causality Results



Source: author's compilation (2026)

The insignificant effects of ROE and NPM indicate that stronger profitability does not automatically lead firms to issue sukuk. Profitable firms may rely on internal funding, while sukuk issuance requires additional considerations such as asset availability, disclosure quality, Sharia compliance, issuance costs, and market timing. Capital Structure also does not significantly predict sukuk issuance, suggesting that leverage conditions alone are not sufficient to explain issuance behavior. Similarly, Asset Growth does not significantly Granger-cause sukuk issuance, implying that expansion does not necessarily translate into sukuk financing. These results indicate that corporate sukuk issuance depends more on issuer scale and market readiness than on short-term financial indicators. This interpretation is consistent with sukuk market studies showing that issuance and performance are shaped not only by firm fundamentals, but also by liquidity, market connectedness, and risk transmission across financial markets (Almaskati, 2023; Billah et al., 2024; Mensi et al., 2024).

The PVAR estimation strengthens the Panel Granger causality results. The Impulse Response Function shows that an own shock to corporate sukuk issuance generates a persistent positive response (see Figure 4). This indicates that sukuk issuance exhibits strong path dependence, meaning that firms with prior issuance experience are more likely to maintain access to the sukuk market in subsequent periods. This persistence may reflect investor familiarity, accumulated market experience, and lower repeated issuance costs.

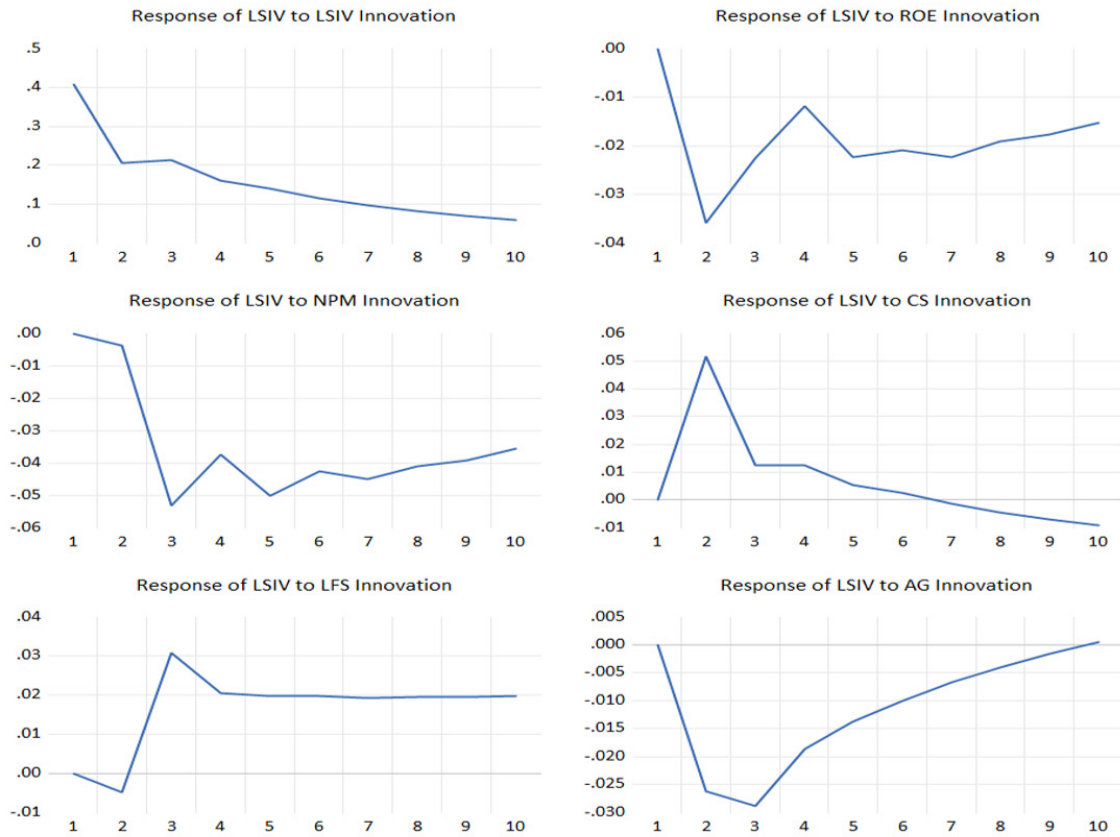
The response of corporate sukuk issuance to Firm Size shocks also becomes positive after the initial adjustment. This result indicates that larger firms are more capable of accessing the corporate sukuk market because they generally have stronger asset bases, better financial capacity, and higher credibility among investors. These characteristics help firms meet the structural and regulatory requirements of sukuk issuance, particularly because sukuk is closely related to asset-based or asset-backed financing mechanisms. Larger firms also tend to have better readiness in preparing documentation, disclosure, and investor communication. This interpretation is consistent with studies showing that sukuk issuance depends on issuer characteristics, governance readiness, asset capacity, and market credibility (Ashraf et al., 2021; Almaskati, 2022; Mseddi, 2023).

By contrast, shocks to ROE and NPM are followed by negative responses in corporate sukuk issuance. This suggests that unexpected profitability improvements do not necessarily encourage firms to issue sukuk. One possible explanation is that firms with stronger profitability may have more internal funds and less immediate need for external financing. Shocks to Capital Structure generate a temporary positive response, but the effect gradually declines. Meanwhile, Asset Growth shocks produce a temporary negative response that fades over time, indicating that expansion alone does not guarantee sukuk issuance unless supported by sufficient scale, credible disclosure, and financing readiness.

The Forecast Error Variance Decomposition results show that corporate sukuk issuance is mostly explained by its own shocks. In period 1, all variation in LSIV is

explained by its own innovation. By period 10, LSIV still explains 92.2224 percent of its own forecast error variance. This confirms that corporate sukuk issuance among active issuers is highly persistent and self-driven.

Figure 4. IRF: LSIV Responses to Shocks in ROE, NPM, CS, LFS, and AG



Source: Processed data (2026)

Table 6. Forecast Error Variance Decomposition (Periods 1, 5, and 10)

Period	S.E.	LSIV	ROE	NPM	CS	LFS	AG
FEVD OF LSIV							
1	0.406874	100.0000	0.0000	0.0000	0.0000	0.0000	0.0000
5	0.561593	94.9065	0.7707	2.1421	0.9601	0.5664	0.6543
10	0.605030	92.2224	1.1668	4.1216	0.8703	1.0103	0.6084

Source: Processed data (2026)

Table 6 also shows that the contribution of firm fundamentals to LSIV variation remains relatively limited. By the tenth period, the largest external contribution comes from NPM at 4.1216 percent, followed by ROE at 1.1668 percent, LFS at 1.0103 percent, CS at 0.8703 percent, and AG at 0.6084 percent. These results suggest that short-run variations in firm fundamentals account for only a small portion of fluctuations

in corporate sukuk issuance. However, Firm Size remains empirically important because it is the only firm-level variable that significantly Granger-causes corporate sukuk issuance. Therefore, the FEVD result should be interpreted alongside the Panel Granger causality evidence: sukuk issuance is largely self-driven, whereas firm scale provides the strongest directional signal for future issuance behavior.

Overall, the empirical results show that corporate sukuk issuance in Indonesia is a scale-sensitive financing decision. Firm Size is the only firm fundamental that significantly predicts corporate sukuk issuance, whereas profitability, capital structure, and asset growth do not have significant predictive power. This finding suggests that access to the corporate sukuk market is more strongly determined by issuer scale, asset base, disclosure capacity, and market reputation than by short-term financial indicators. This result complements previous studies on sukuk and Islamic capital markets. Many determinants of financial market effects and sukuk development include macro-financial conditions, monetary policy transmission, firm fundamentals, and institutional support (Suhendar & Suriani, 2025; Suriani et al., 2018, 2021, 2024). Aman et al. (2021) emphasize the role of trust and market confidence in sukuk activity, as do Aziz et al. (2021). In contrast, this study provides firm-level dynamic evidence that issuer scale is a key predictor of corporate sukuk issuance. The findings also extend Al Homsy et al. (2023), Laila et al. (2021), Wardiwiyo and Imron (2022), Ashraf et al. (2021), and Utami (2025), which highlight issuer characteristics, sukuk ratings, governance, and financing decisions, by showing that Firm Size not only matters for issuer assessment but also predicts the continuity of sukuk issuance over time.

The insignificant effects of ROE, NPM, Capital Structure, and Asset Growth indicate that corporate sukuk issuance should not be understood merely as a response to profitability, leverage adjustment, or business expansion. Instead, sukuk issuance requires broader issuer readiness, including sufficient asset base, credible reporting, regulatory compliance, and investor confidence. From a policy perspective, this implies that efforts to deepen Indonesia's corporate sukuk market should focus on reducing issuance barriers for mid-sized firms by improving disclosure standards, lowering fixed issuance costs, broadening investor participation, and strengthening pipelines of eligible issuers. This policy direction is consistent with evidence that sukuk market development depends on institutional support, investor confidence, liquidity, and financial risk conditions (Aman et al., 2021; Aziz et al., 2021; Almaskati, 2023; Mohd Roslen et al., 2025).

CONCLUSION

Corporate sukuk issuance in Indonesia during the 2015Q1- 2024Q4 period is mainly shaped by firm scale and issuance persistence. The Panel Granger causality results show that Firm Size significantly predicts corporate sukuk issuance. At the same time, Return on Equity, Net Profit Margin, Capital Structure, and Asset Growth do not have significant predictive effects. The PVAR results also indicate that sukuk issuance

is largely driven by its own past movements, meaning that firms with previous issuance experience tend to maintain stronger access to the sukuk market. These findings confirm that corporate sukuk issuance is not primarily determined by short-term profitability, leverage, or asset expansion, but by issuers' structural capacity, particularly firm size, asset base, disclosure capability, and market credibility. Therefore, the Indonesian Government and financial market authorities should strengthen a more inclusive corporate sukuk market by reducing issuance barriers for mid-sized firms, simplifying issuance procedures without weakening Sharia compliance, improving disclosure standards, and expanding investor participation. Corporate issuers should also integrate sukuk into long-term financing strategies supported by strong asset quality, credible reporting, and prudent capital structures. These measures are expected to expand corporate sukuk issuance beyond large repeat issuers and support the long-term development of Indonesia's Islamic capital market.

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