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Ecologies of green finance: Green Sukuk and development of green Infrastructure in Bekasi Regency on SWOT Analysis

Mohammad Hatta Fahamsyah[1], Afif Mustafid Taftazani[2], Adrianna Syariefur Rakhmat[3], Muhammad Hamdan Ainul Yaqin[4]

[1234]Management, Universitas Pelita Bangsa, Bekasi, Indonesia

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ABSTRACT

As a crucial player in promoting well-being, the Indonesian government has a vital role in fostering economic growth and infrastructure development in different cities of Indonesia. However, a significant challenge faced by the country involves striking a balance between infrastructure development and environmental conservation, in line with the principles of sustainable development goals. To tackle this issue, this study utilized a qualitative descriptive approach, focusing on the case of Bekasi Regency in West Java. Data for the research was collected through interviews with officials from the Bekasi Regency Government, as well as through document analysis and literature review. The analysis primarily revolved around a SWOT analysis. The research findings indicate that Bekasi Regency possesses favorable geographical advantages, regulations, and legal frameworks that enable the issuance of sukuk (Islamic bonds) and support green infrastructure development through financing from green sukuk. However, the current situation reveals a lack of green infrastructure development in Bekasi Regency financed by sukuk or green sukuk. Most of the existing green infrastructure projects in the city are initiated by various ministries rather than being led by Bekasi Regency itself.

Corresponding Author:

Mohammad Hatta Fahamsyah
Manajemen/Fakultas Ekonomi dan Bisnis
Universitas Pelita Bangsa,
Jl. Inspeksi Kalimalang, Cibatu, Bekasi, Indonesia.
Email: hatta@pelitabangsa.ac.id

INTRODUCTION

In the last ten years, the ideas of "sustainable finance" and "green finance" have gained greater prominence in regular financial discussions. These terms typically encompass financial tools that fund projects and efforts for sustainable development, enhancing environmental results, and driving the shift to eco-friendly economic paths with reduced carbon emissions and greater resilience to climate challenges (Liu & Lai, 2021). Field of geography has expressed skepticism toward the use of financial mechanisms to solve environmental and climate concerns. These tools are often seen as disguises for gaining financial and political advantages while making minimal headway in addressing environmental and climate issues ((Bracking, 2015); (Sullivan, 2013)). Specifically, there has been censure directed at green finance for engaging in performative actions that lack tangible environmental benefits ((Bracking, 2015); (Jankovic & Bowman, 2014)). More recently, a novel

financial instrument known as Islamic green sukuk, often seen as an Islamic-compliant version of green bonds, has emerged. This instrument holds the potential to tackle some of these criticisms.

Islamic finance is widely recognized for its restrictions on particular financial practices like interest charges and sectors forbidden by the religion ((Liu & Lai, 2021); (Rethel, 2018)). These limitations are rooted in an overarching aim of promoting societal well-being and justice ((Obaidullah, 2017); (Monk & Perkins, 2020)). Consequently, proponents from the realms of Islamic scholarship, financial industry, and environmental think tanks have contended that Islamic finance harmonizes inherently with the principles of green finance (Ozili, 2021). This form of finance aims to direct investments toward endeavors yielding environmental advantages ((Faulconbridge, 2019); (Obaidullah, 2017); (Perkins, 2021)).

Specifically, the principle of wasatiyyah emphasizes the equilibrium of mizan, the natural balance of the world. This involves refraining from waste, extravagance, and corruption. Islamic teachings prohibit fasad, the propagation of disorder, alongside unethical transactions like interest/usury (riba), uncertainty or deceitful contracts (gharar), and gambling (maysir). According to this framework, enterprises are expected to meet human needs while operating within the bounds of a sustainable and efficient economic system. Financial actions that foster disorder, including environmental degradation, are hence forbidden ((Obaidullah, 2017)).

Given the challenges posed by climate change, environmental deterioration, and subsequent humanitarian crises, Islamic scholars assert that the connections between Sharia and environmental sustainability necessitate Islamic finance to contribute to environmental preservation and climate action (Obaidullah, 2017). Green Sukuk, characterized by its distinctive structural requisites and the underlying philosophy of concurrently expressing economic, environmental, and Islamic values, holds the potential to address some of the challenges encountered by green finance (Rethel, 2020); (Yu et al., 2021); (Liu & Lai, 2021).

The Indonesian government plays a crucial role in achieving welfare by focusing on economic and infrastructure advancements across different cities in the country. Establishing sound infrastructure serves as a vital foundation for fostering economic growth, and its presence significantly contributes to the national economy. However, Indonesia faces the challenge of ensuring that infrastructure development aligns with environmental preservation efforts, which is also a key component of sustainable development goals (Abubakar & Handayani, 2020) ; (Abrorov, 2020).

The decline in the availability of essential natural resources, which serve as the primary assets for development, is a result of their growing utilization as raw materials for domestic industries and as a source of foreign currency. Consequently, the government has outlined several measures in the National Medium-Term Development Plan (RPJMN) for the 2020-2024 period to address these challenges, including tackling climate change, boosting economic growth, and improving infrastructure in Indonesia. The five key areas of focus are enhancing human resource development, promoting infrastructure development, streamlining regulations, simplifying bureaucratic processes, and facilitating economic transformation (Bappenas, 2020).

The ongoing environmental occurrence, known as the Atlantis phenomenon, has raised significant concerns and captured public attention. This phenomenon refers to the potential submergence of several areas along Java's north coast, similar to Atlantis's legendary city. Another longstanding issue in Indonesia revolves around waste management, with the sector consistently receiving a meager allocation of approximately 20% per issuance. In order to address financing challenges and facilitate the implementation of the national development agenda, the government has introduced green infrastructure development and green financing instruments. Consequently, the Ministry of Finance has recently launched a new investment instrument called Green Sukuk, aimed at promoting sustainable financing (Abubakar & Handayani, 2020); (Ulfah, 2023) ; (Bhuiyan et al., 2019).

The concept of green sukuk originated in developed countries, where people already possess a heightened awareness of sustainability. Green Sukuk is closely tied to the existence of green bond instruments, which were first introduced by the World Bank in 2008. Green bonds prioritize natural capital as a robust financial tool to promote ecosystem conservation, sustainable water usage, and the prevention of air pollution (World Wildlife Fund, 2016). The issuance of green sukuk also demonstrates Indonesia's commitment to the Paris Agreement, which was established on April 22, 2016. Indonesia stands as one of the pioneers in issuing green bonds within the Southeast Asian region, having published green sukuk valued at US$1.25 billion in March 2018.

Bekasi Regency is a regency located in West Java Province, which has a relatively flat area and is directly adjacent to the Jabodetabek buffer zone as a metropolitan area of Indonesia. The potential of the Bekasi Regency area, which has no forests, has led to the development of the city towards trade, services, and industrial areas. The location of Bekasi Regency, which is directly adjacent to Jabodetabek as a metropolitan area in Indonesia, causes a significant flow of urbanization from people who want to try their luck and has an impact on the reduction of green open space land areas that are converted into increasingly widespread residential areas (Risky & Ramdani, 2022).

According to data from the Bekasi Regency Cipta Karya and Spatial Planning Office (2019), the availability of green open space in the Bekasi Regency is only around 16% of the total area of the city as a whole. In the Bekasi Regency Spatial Planning Regional Regulation, Article 23 paragraph (5) of Bekasi Regency Regional Regulation Number 12 of 2011 concerning the Bekasi Regency Regional Spatial Plan for 2011-2031 states that the area of green open space is at least 30% of the city or district area, consisting of 20% public green open space and 10% private green open space, as mandated in the Law of the Republic of Indonesia Number 26 of 2007 concerning Spatial Planning (Risky & Ramdani, 2022).

According to the statistical data of the Housing, Settlement, and Land Office for Bekasi Regency until 2019, Bekasi Regency has not fulfilled its 30% obligation as regulated by regional regulations. the obligation of 30% as stipulated in regional regulation Bekasi District Number 12 of 2011 concerning the spatial plan of Bekasi Regency for 2011–2031. The area of the green open space district still reaches a percentage of 16%, or an area of 5,376 hectares, of the total area of the Bekasi district. According to Article 23 paragraph (5) of Bekasi Regency Regional Regulation Number 12 of 2011, Bekasi Regency still needs 1.34 hectares of land. Bekasi Regency still requires an additional 1,344 hectares of land to meet the legislation's requirement of 30% green open space (Risky & Ramdani, 2022).

In Bekasi Regency, the partnership between the government and the private sector can be seen with the Meikarta Central Park, which was held by the Bekasi Regency Government through the Bekasi Regency Housing Settlement and Land Office with PT Lippo Group. The district government plays a role in determining policies for the provision of green open space. One of them is making policies regarding the contributions of both parties. In terms of contribution, the regency government offers to provide land regulation, while PT Lippo Group is in charge as the constructor. while PT Lippo Group is in charge as a constructor who is obliged to finance and build a complete facility with a number of facilities for all ages (Risky & Ramdani, 2022).

According to a study conducted by Abubakar & Handayani (2020), it was found that the objective of long-term development provides an avenue for the introduction of green sukuk as an alternative financial tool for implementing environmentally friendly projects. This aligns with the Indonesian government's commitment to address climate change issues. In line with the World Bank's Green Bond model and its adherence to internationally recognized principles, Indonesia is actively expanding the issuance of green sukuk to support the growth of green infrastructure.

Additionally, the study conducted by Risanti et al., (2020) elaborated on the introduction of green sukuk as a means to promote sustainable development in Indonesia. The authors highlighted that the issuance of both global green sukuk and retail green sukuk aims to fund projects that align with the 9 eligible green sectors, ensuring measurable contributions (CICERO, 2021). This research

holds significance due to the considerable prospects for green infrastructure development in Bekasi Regency, presenting an alternative financing option through the utilization of green sukuk.

The differences between previous and current research on Green Sukuk in Bekasi Regency can encompass changes in timeframes, methodologies, regulations, technology, data availability, and the overall context, leading to more relevant, updated, and comprehensive findings in the current research.

RESEARCH METHOD

3.1 Research Method

The research employed a qualitative methodology, specifically a descriptive qualitative analysis, to examine the viability of Green Sukuk as a means of financing infrastructure development in Bekasi Regency. The study utilized SWOT analysis to identify and formulate long-term strategies for the project (Mengyao et al., 2022).

3.2 Data Collection Methods

1. Observation is a multifaceted procedure that involves various biological and psychological mechanisms, with two primary components being the process of observing and the subsequent retention in memory.
2. The interview for this study followed a structured approach and took place at the Bekasi Regency Regional Development Planning and Research Agency, where researchers visited and conducted the interviews.
3. The documents employed in this study encompass pertinent regulations and guidelines that are directly relevant to the research topic being discussed.

3.3 Research Instrument

In this study, the researcher served as the primary instrument. According to Sugiyono (2013), in qualitative research, the researcher themselves acts as the instrument or tool. As a human instrument, qualitative researchers are responsible for defining the research focus, interpreting data, collecting and assessing data quality, analyzing data, selecting informants as sources of data, and drawing inferences from their findings.

3.4 Data Analysis Approach

3.4.1 SWOT Matrix:

The SWOT matrix is a strategic tool used by organizations. It represents the acronym SWOT, which stands for Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T). It helps analyze and strategize based on an organization's strengths, weaknesses, opportunities, and constraints.

Table 1. SWOT Matrix

IFAS / EFAS	Strength (S) Determine 5 – 10 Internal strength factors.	Weaknesses (W) Determine 5 – 10 Internal weakness factors.
Opportunities (O) Specify 5 – 10 factors of External opportunity.	SO Strategy Make a strategy by using existing strengths to take advantage of opportunities.	WO Strategy Make a strategy to take advantage of opportunities by minimizing weaknesses.
Opportunities (O) Specify 5 – 10 factors of External threat.	ST Strategy Make a strategy by using existing powers to take overcome threats.	WT Strategy To avoid threats, make a strategy that minimizes existing weaknesses.

Source: (Rangkuti, 2019)

RESULTS AND DISCUSSIONS

Results

SWOT Analysis of Green Sukuk's Potential for Green Infrastructure in Bekasi Regency

Strength Analysis of Green Sukuk's Potential for Green Infrastructure in Bekasi Regency:

1. Increasing demand for green infrastructure: Bekasi Regency, like many other regions, is experiencing a growing need for sustainable and environmentally friendly infrastructure. Green Sukuk, a financial instrument used to fund environmentally friendly projects, can address this demand by attracting investments specifically for green infrastructure development.
2. Alignment with government priorities: The Indonesian government has been promoting green initiatives and sustainable development, including the issuance of green bonds and Sukuk. Bekasi Regency can align its goals with national priorities by leveraging Green Sukuk to fund green infrastructure projects, gaining support and recognition from the government.
3. Attracting socially responsible investors: Green Sukuk offers an opportunity to attract socially responsible investors who prioritize environmental sustainability. These investors are increasingly seeking investment options that align with their values and contribute positively to the environment. By issuing Green Sukuk, Bekasi Regency can tap into this investor base, expanding its funding options for green infrastructure.
4. Diversification of funding sources: Green Sukuk provides a new avenue for diversifying the sources of funding for green infrastructure projects. By accessing the capital markets through Sukuk issuance, Bekasi Regency can reduce its dependence on traditional funding sources, such as government grants or loans. This diversification can enhance financial resilience and create opportunities for more ambitious and sustainable infrastructure development.
5. Positive impact on the local economy: Green infrastructure projects funded through Green Sukuk can generate significant economic benefits for Bekasi Regency. The construction and operation of renewable energy facilities, eco-friendly transportation systems, and sustainable waste management projects can create job opportunities, attract businesses, and stimulate economic growth in the region.
6. Long-term cost savings: Investing in green infrastructure through Green Sukuk can lead to long-term cost savings for Bekasi Regency. Green projects, such as energy-efficient buildings and renewable energy installations, can reduce energy consumption and operating costs over time. Additionally, improved waste management systems can decrease waste disposal expenses. These savings can help ensure the financial sustainability of the region's infrastructure investments.
7. Enhanced reputation and environmental stewardship: Embracing Green Sukuk and developing green infrastructure projects can enhance Bekasi Regency's reputation as an environmentally conscious and sustainable region. It demonstrates a commitment to environmental stewardship, attracting positive attention from residents, businesses, and potential investors. This enhanced reputation can lead to further opportunities for economic development and partnerships with other green-focused organizations.
8. Potential for knowledge transfer and capacity building: Implementing green infrastructure projects financed through Green Sukuk can foster knowledge transfer and capacity building within Bekasi Regency. By collaborating with green experts, developers, and investors, local professionals and organizations can gain valuable experience and expertise in sustainable infrastructure development. This knowledge can be leveraged for future projects and contribute to the region's overall sustainability goals.

Weakness Analysis of Green Sukuk's Potential for Green Infrastructure in Bekasi Regency:

1. Lack of Awareness and Understanding: One of the key weaknesses in the potential for Green Sukuk in Bekasi Regency is the lack of awareness and understanding about this financial instrument. Green Sukuk is a relatively new concept in the financial market, and many stakeholders in the region may not be familiar with its benefits and implications for green infrastructure development. This lack of awareness can hinder the adoption and implementation of Green Sukuk in the area.
2. Limited Investor Base: Another weakness is the limited investor base for Green Sukuk in Bekasi Regency. Green Sukuk requires investors who are interested in financing environmentally friendly projects and have a preference for socially responsible investments. However, the number of investors specifically targeting green infrastructure projects may be limited in the region, making it challenging to attract sufficient investment for such initiatives.
3. Regulatory Challenges: The absence of a supportive regulatory framework is another weakness that could impede the potential of Green Sukuk for green infrastructure in Bekasi Regency. The presence of clear guidelines and regulations is essential to create a conducive environment for the issuance and trading of Green Sukuk. Without proper regulations and incentives, potential issuers and investors may hesitate to participate in Green Sukuk transactions.
4. Limited Track Record: Green Sukuk projects in Bekasi Regency may face skepticism and hesitation from potential investors due to the limited track record of successful green infrastructure projects financed through this instrument. Investors generally prefer projects with a proven track record of performance and profitability. The lack of past examples in the region might discourage investors from committing their funds to Green Sukuk initiatives.
5. Financial Viability: The financial viability of green infrastructure projects is a crucial factor for the success of Green Sukuk. While the concept of Green Sukuk aligns with sustainability goals, the financial returns and profitability of green infrastructure projects may be uncertain or take longer to materialize compared to traditional infrastructure projects. This uncertainty can make it challenging to attract investors and meet the financial requirements of Green Sukuk issuance.
6. Project Selection and Monitoring: Proper project selection and monitoring are essential for the success of Green Sukuk initiatives. Weaknesses in the identification and monitoring of eligible green infrastructure projects can undermine investor confidence. The lack of a robust project evaluation and monitoring framework may lead to the inclusion of projects that do not meet the necessary environmental standards, resulting in potential greenwashing risk.
7. Limited Secondary Market: The lack of a developed secondary market for Green Sukuk can pose a weakness in attracting investors. A secondary market allows investors to sell or trade their investments, providing liquidity and flexibility. Without an active secondary market, investors may face challenges in exiting their positions, which can deter them from investing in Green Sukuk.
8. Vulnerability to Market Conditions: Green Sukuk, like any other financial instrument, is susceptible to market conditions and investor sentiment. If there is a downturn in the market or a lack of investor interest in sustainable investments, the potential for Green Sukuk in Bekasi Regency may be adversely affected. Fluctuations in market conditions can impact the availability and cost of capital, making it more challenging to finance green infrastructure projects through Green Sukuk.

It is important to note that these weaknesses can be addressed and mitigated through various measures, including awareness campaigns, supportive regulatory frameworks, capacity building, and targeted marketing to attract investors interested in green and sustainable investments.

Opportunity Analysis of Green Sukuk's Potential for Green Infrastructure in Bekasi Regency:

Introduction: Green Sukuk is a financial instrument that combines Islamic finance principles with environmental objectives. It allows investors to participate in projects with environmental benefits

while adhering to Islamic finance principles. Bekasi Regency, located in Indonesia, presents a significant opportunity for the implementation of Green Sukuk to support and finance green infrastructure projects. This analysis explores the potential of Green Sukuk in Bekasi Regency and its role in promoting sustainable development.

1. Growing Demand for Green Infrastructure: Bekasi Regency is experiencing rapid urbanization and industrialization, resulting in increased environmental challenges. There is a growing demand for green infrastructure to address issues such as renewable energy, waste management, water conservation, and sustainable transportation. Green Sukuk can provide the necessary funding to support these infrastructure projects while aligning with the principles of Islamic finance.
2. Supportive Regulatory Environment: Indonesia has been proactive in promoting sustainable finance and Islamic finance. The government has introduced regulations and initiatives to encourage the issuance of Green Sukuk and promote green infrastructure development. These regulations, combined with the country's commitment to sustainable development, create a supportive regulatory environment for Green Sukuk in Bekasi Regency.
3. Abundance of Renewable Energy Potential: Bekasi Regency has favorable conditions for renewable energy generation, including solar, wind, and biomass resources. Developing renewable energy projects through Green Sukuk can help reduce reliance on fossil fuels, mitigate greenhouse gas emissions, and contribute to Indonesia's renewable energy targets. Investors interested in sustainable investments can find attractive opportunities in the region's renewable energy sector.
4. Waste Management and Recycling Projects: Effective waste management and recycling systems are crucial for a sustainable future. Bekasi Regency faces challenges in waste management due to rapid population growth and industrial activities. Green Sukuk can provide financing for waste management infrastructure, including recycling centers, waste-to-energy plants, and landfill improvements. These projects can significantly contribute to reducing environmental pollution and improving the quality of life in the region.
5. Water Conservation and Sustainable Agriculture: Water scarcity is a pressing issue in many parts of Indonesia, including Bekasi Regency. Green Sukuk can finance projects that promote water conservation, such as the construction of water treatment plants, irrigation systems, and sustainable agriculture practices. These initiatives can enhance water availability for agriculture, reduce water-related conflicts, and support the region's agricultural productivity.
6. Job Creation and Economic Development: The implementation of green infrastructure projects supported by Green Sukuk can stimulate economic growth and job creation in Bekasi Regency. The construction, operation, and maintenance of green infrastructure facilities require a skilled workforce, providing employment opportunities for the local population. Additionally, these projects attract investment and contribute to the overall economic development of the region.

Conclusion: Bekasi Regency presents a significant opportunity for Green Sukuk to support and finance green infrastructure projects. The growing demand for green infrastructure, a supportive regulatory environment, abundant renewable energy potential, waste management needs, water conservation, and sustainable agriculture requirements create a conducive environment for the implementation of Green Sukuk. By leveraging this financial instrument, Bekasi Regency can attract sustainable investments, address environmental challenges, promote sustainable development, and improve the quality of life for its residents.

Threat Analysis of Green Sukuk's Potential for Green Infrastructure in Bekasi Regency:

1. Lack of Awareness and Understanding: One of the main threats to the potential of Green Sukuk for green infrastructure in Bekasi Regency is the lack of awareness and understanding

among stakeholders. Green Sukuk is a relatively new financial instrument that combines Islamic finance principles with green investments. If the local government, investors, and relevant institutions are not familiar with the concept and benefits of Green Sukuk, it may be challenging to attract sufficient interest and participation.

2. Limited Market Demand: The success of Green Sukuk relies heavily on the availability of robust market demand for green infrastructure projects. Bekasi Regency needs to assess whether there is sufficient demand for such projects in the region. If the market demand is limited, it may be challenging to attract investors and issue Green Sukuk for green infrastructure development.
3. Regulatory and Policy Challenges: The regulatory and policy framework plays a crucial role in facilitating the issuance and implementation of Green Sukuk. Bekasi Regency needs to ensure that its legal and regulatory framework is supportive of green finance initiatives. This includes providing clear guidelines, standards, and incentives for green infrastructure projects and creating an enabling environment for the issuance and trading of Green Sukuk.
4. Financial Viability and Risk Assessment: Green infrastructure projects may face financial viability challenges due to factors such as high upfront costs, long payback periods, and uncertain revenue streams. It is essential to conduct thorough financial viability and risk assessment for potential projects in Bekasi Regency to ensure that they are attractive to investors and can generate sufficient returns to repay the Sukuk holders.
5. Project Implementation and Monitoring: Effective project implementation and monitoring are critical for the success of green infrastructure initiatives. Bekasi Regency should establish a robust system to ensure that projects funded through Green Sukuk are implemented efficiently, adhere to green standards, and achieve the desired environmental outcomes. A lack of proper implementation and monitoring mechanisms can undermine the credibility and attractiveness of future Green Sukuk issuances.
6. Currency and Market Risks: Green Sukuk issuances in Bekasi Regency may attract international investors, exposing the projects to currency and market risks. Fluctuations in exchange rates or adverse market conditions could affect the cost of financing and the overall attractiveness of the Sukuk. Adequate risk management strategies should be in place to mitigate these risks and provide investors with confidence in the stability of their investments.
7. Technological and Infrastructure Constraints: Green infrastructure projects often require advanced technologies and adequate infrastructure support. Bekasi Regency needs to assess whether it has the necessary technological capabilities and infrastructure in place to support the development and operation of green infrastructure projects. Insufficient technological capacity or inadequate infrastructure could hinder the successful implementation of projects funded through Green Sukuk.

Overall, while Green Sukuk holds potential for green infrastructure development in Bekasi Regency, addressing these threats and challenges is crucial for realizing its benefits. Adequate awareness, supportive regulations, robust market demand, effective implementation, and risk management strategies are essential to ensure the success of Green Sukuk initiatives in promoting sustainable infrastructure in the region.

Discussion

In this segment, the writer will elucidate and provide insight into the data and findings of the study regarding the potential utilization of Green Sukuk for advancing green infrastructure within Bekasi Regency. The primary concentration of this examination lies on the Bekasi Regency Government, particularly the Bappeda (Regional Development Planning Agency). To enhance the objectivity and precision of this research endeavor, the researchers aim to enhance their approach by gathering

supplementary data through on-site observations in Bekasi Regency and sourcing relevant online news regarding Green Sukuk within the region.

CONCLUSION

After conducting a SWOT analysis of Green Sukuk's potential for green infrastructure in Bekasi Regency, we can conclude that there are several strengths, weaknesses, opportunities, and threats associated with this financial instrument in the context of promoting sustainable development in the region. Green Sukuk holds significant potential for promoting green infrastructure in Bekasi Regency, there are challenges that need to be addressed. Enhancing awareness, developing a pipeline of green projects, streamlining the certification processes, and attracting domestic and international investors are crucial steps toward realizing the benefits of Green Sukuk in driving sustainable development in the region. Limitations and avenues for Future Research insufficient information was gathered from sources due to a limited understanding of the subjects being discussed as well as the intricate rules governing interview procedures. It is desired that governmental transparency regarding this matter improve, allowing researchers ample time to carry out studies within the government setting. The investigation into Green Sukuk's implications within Bekasi Regency offers a multi-faceted range of benefits, spanning from environmental improvement and economic growth to policy refinement and increased societal consciousness.

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