

**THE INFLUENCE OF SUKUK MARKET DEVELOPMENT AND
MACROECONOMICS ON FOREIGN DIRECT INVESTMENT INFLOWS
IN OIC COUNTRIES (2017-2023)**



THESIS

**SUBMITTED TO THE FACULTY OF ISLAMIC ECONOMICS AND
BUSINESS SUNAN KALIJAGA STATE ISLAMIC UNIVERSITY
YOGYAKARTA AS ONE OF THE REQUIREMENTS FOR OBTAINING A
BACHELOR'S DEGREE IN SHARIA ECONOMICS**

BY:

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FACULTY OF ISLAMIC ECONOMICS AND BUSINESS
STATE ISLAMIC UNIVERSITY OF SUNAN KALIJAGA YOGYAKARTA**

2026

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2026

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THESIS APPROVAL LETTER

THESIS APPROVAL LETTER

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Dear Dean of the Faculty of Islamic Economics and Business

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Assalamualaikum wr. wb.

After reading, reviewing, providing guidance and making the necessary corrections, I as the supervisor, am of the opinion that your thesis:

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Thesis Title : The Influence of Sukuk Market Development and Macroeconomics on Foreign Direct Investment Inflows in OIC Countries (2017-2023)

It can be submitted to the Faculty of Islamic Economics and Business, Sharia Economics Study Program, UIN Sunan Kalijaga Yogyakarta, as one of the requirements to obtain a Bachelor's degree in Economics. With this statement, I hope that the thesis mentioned above can be submitted promptly.

Yogyakarta, 08 January 2026

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STATEMENT OF AUTHENTICITY OF THESIS

STATEMENT OF AUTHENTICITY OF THESIS

The undersigned:

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I truthfully declare that my thesis, entitled: The Influence of Sukuk Market Development and Macroeconomics on Foreign Direct Investment Inflows in OIC Countries (2017-2023) is my personal work and to the best of the author's knowledge, it does not contain material published or written by others, except for materials properly cited as references.

If it is proven that this statement is not true, then the responsibility is fully mine.

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MOTTO

“Allah does not burden a person beyond his capacity.”

-Q.S Al-Baqarah: 286

“Indeed, with hardship comes ease, so when you have finished (one matter),
continue working hard (on another matter).”

-Q.S Al-Insyirah: 6-7

“I endangered my mother's life to be born into this world, so it's impossible for me
to be meaningless, and I make my father work every day until he is exhausted, so
I make sure his exhaustion is not in vain.”

-Unknown

“Life can be heavy, especially if you try to carry it all at once. Part of growing up
and moving into new chapters of your life is about catch and release.”

-Taylor Swift

“Once the tiresome journey is over, we'll be something the world has never seen.”

-Lee Chan

“Reality is more cruel than our imagination. But we are stronger than the person
we imagine ourselves to be.”

-Minghao

“There is no end to your dream journey, but it's okay to take a break today.”

-Woozi

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I dedicate this work first to myself for the resilience it took to keep moving forward when stopping seemed easier. This thesis is a personal milestone, a testament to my own perseverance and growth. I also owe everything to my parents, whose endless prayers and quiet strength have been my foundation. Their love continues to guide me, and I hope this achievement makes them proud.

Above all, I thank Allah for the guidance and ease granted throughout this journey, especially during moments of doubt. I am also deeply grateful to the kind souls around me, my family, friends, and mentors, who offered support when I needed it most. This accomplishment is shared with all who believed in me, even when I struggled to believe in myself

LITERACY GUIDELINES

In preparing this thesis, the transliteration of Arabic words follows the guidelines set forth in the Joint Decree of the Minister of Religious Affairs and the Minister of Education and Culture of the Republic of Indonesia No. 158 of 1987 and No. 0543b/U/1987.

A. Single Consonant

Arabic script	Name	Latin script	Explanation
ا	alif	not represented	not represented
ب	bā'	b	be
ت	tā'	t	te
ث	ṣā'	ṣ	es (with a dot above)
ج	jim	j	je
ح	ḥā'	ḥ	ha (with a dot below)
خ	khā'	kh	ka and ha
د	dāl	d	de
ذ	ẓāl	ẓ	zet (with a dot above)
ر	rā'	r	er
ز	zāi	z	zet
س	sīn	s	es
ش	syīn	sy	es and ye
ص	ṣād	ṣ	es (with a dot below)
ض	ḍād	ḍ	de (with a dot below)
ط	ṭā'	ṭ	te (with a dot below)

ظ	zā'	z	zet (with a dot below)
ع	'ain	'	inverted comma above
غ	gain	g	ge
ف	fā'	f	ef
ق	qāf	q	qi
ك	kāf	k	ka
ل	lām	l	el
م	mīm	m	em
ن	nūn	n	en
و	wāwu	w	w
هـ	hā'	h	ha
ء	hamza h	'	apostrof
ي	yā'	Y	ye

B. Double Consonants due to Syaddah are Written as Double Letters

ممتعددة	written	<i>muta'addidah</i>
عدة	written	<i>'iddah</i>

C. *Tā' Marbutāh* at the End of a Sentence

- a. Written with *h* if pronounced *Sukun*.

حكمة	written	<i>ḥikmah</i>
جزية	written	<i>jizyah</i>

- b. When followed by the definite article '*al*' and the two words are read separately, it is written with an *h*.

كرامة الولياء	written	<i>karāmah al-auliya'</i>
---------------	---------	---------------------------

- c. When *Tā'marbutāh* is followed by *fathāh*, *kasrah*, or *dāmah*, it is written as *ny t* or *h*.

زكاة الفطرة	written	<i>zakatā al-fitrāh</i>
-------------	---------	-------------------------

D. Short Vowels and Their Application

Every *tā' marbūṭah* letter is transliterated into the letter 'h', both when it is at the end of a single word and when it is in the middle of a series of words (for example, when followed by the article 'al-'). However, this rule does not apply to words borrowed from Arabic that have become part of the Indonesian vocabulary, such as *shalat*, *Zakah*, and so on, unless the original spelling is explicitly desired.

-----	fathah	written	a
-----	kasrah	written	i
-----	ḍammah	written	u
فعل	fathah	written	fa'ala
ذكر	kasrah	written	zūkira
يذهب	ḍammah	written	yaḥhabu

E. Long Vowels

1	fathah + alif جاهلية	written	ā <i>jāhiliyah</i>
---	-------------------------	---------	-----------------------

2	fathah + yā'mati تنسى	written	ā tans ā
3	kasrah + yā'mati كريم	written	i karim
4	ḍammah + wāwu mati فروض	written	ū furūḍ

F. Double Vowels

1	fathah + yā'mati بينكم	written	ai bainakum
2	fathah + wāwu mati قول	written	au qaul

G. Consecutive short vowels in a single word are separated by an apostrophe

أَنْتُمْ	written	a'antum
أَعَدَّتْ	written	u'iddat
لَنْ شَكَرْتُمْ	written	la'in syakartum

H. The definite article alif + Lam

- a. If followed by a *Qamariyyah* letter, it can be written using the initial letter “al”.

القرآن	written	<i>al-Qur'ān</i>
القياس	written	<i>al-Qiyās</i>

- b. If followed by a *Syamsiyyah* letter, it is written according to the first letter of that *Syamsiyyah*.

السماء	written	<i>al-Samā'</i>
الشمس	written	<i>al-Syams</i>

I. Writing Words in Sentences

Written according to their spelling

ذوى الفروض	written	<i>ẓawī al-furūd</i>
أهل السنّة	written	<i>ahl as-sunnah</i>

PREFACE

All praise be to Allah, the Most Gracious, the Most Merciful. The grateful author offers thanks to Allah SWT for His abundant mercy and guidance, which enabled the successful completion of this thesis entitled “The Influence of Sukuk Market Development and Macroeconomics on Foreign Direct Investment Inflows on OIC Countries (2017-2023)”. May peace and blessings be upon our Prophet Muhammad SAW, his family, companions, and all his followers until the end of time.

Thanks to the support of various parties, this thesis has finally been completed successfully. Therefore, on this occasion, the author would like to express her deepest gratitude to:

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2. Prof. D.r. Misnen Ardiansyah, S.E., M.Si., K.CA., ACPA., as Dean of the Faculty of Islamic Economics and Business, Sunan Kalijaga Yogyakarta State Islamic University.
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18. To all others who have contributed in ways seen and unseen—your support has been deeply appreciated.
19. Finally, to myself. Thank you for not giving up. Thank you for trying again every time you fell. Thank you for believing even when things were unclear. I am sorry for the times I doubted you. I pray that Allah grants every dream you hold—to go abroad, to build a business, to live freely without fear, and to become the person you are meant to be. I love you so much, and I am truly proud of who you are becoming.

Looking back on this journey, I see it as more than just completing a thesis. It was a chapter of personal growth, resilience, and faith. I sincerely welcome any constructive feedback, as this work is not perfect, but it was written with genuine effort and hope.

Yogyakarta, 8 January 2026

Author,

A handwritten signature in black ink, appearing to read 'Najwa Nainawa S. Kau'. The signature is stylized with a large initial 'N' and a prominent flourish.

Najwa Nainawa S. Kau

22108010006

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ABSTRACT

This study examines the influence of sukuk market development and macroeconomic factors on Foreign Direct Investment (FDI) inflows in selected Organization of Islamic Cooperation (OIC) countries from 2017 to 2023. The independent variables include sukuk market development, GDP growth rate, inflation rate, and exchange rate stability, while the dependent variable is FDI inflows. Using panel data analysis with the Random Effects Model (REM), the results indicate that sukuk market development and GDP growth have a significant positive effect on FDI inflows. In contrast, the inflation rate and exchange rate stability do not show a significant impact. These findings highlight the critical role of Islamic financial market development and economic growth in attracting foreign investment within OIC countries. The study provides empirical insights for policymakers to strengthen sukuk markets and maintain macroeconomic stability as strategies to enhance FDI inflows.

Keywords: Sukuk Market, Foreign Direct Investment, Macroeconomics, OIC Countries, Panel Data Regression

CHAPTER I

INTRODUCTION

A. Background

The development of the Sukuk market plays a crucial role in signaling the maturity and sophistication of financial markets within Organization of Islamic Cooperation (OIC) countries, which significantly influences foreign investors' decisions. A well-developed Sukuk market provides diverse financial instruments that cater specifically to Shariah-compliant investment needs, increasing market attractiveness (Yesuf, 2016). The liquidity and transparency of the Sukuk market also reduce information asymmetry, thus lowering perceived investment risks and encouraging greater foreign direct investment (Nordin & Nordin, 2016). Moreover, the institutional frameworks governing Sukuk issuance, including legal clarity and regulatory oversight, differ across OIC countries and directly impact the pace and scale of Sukuk market expansion (Sadallah, 2025).

Government policy plays a pivotal role in shaping the environment for Sukuk issuance and development, influencing both supply and demand aspects of the market (Nordin & Nordin, 2016). Many OIC countries have implemented tax incentives, exemptions, and subsidies specifically aimed at encouraging Sukuk issuance to support infrastructure and development projects, thereby increasing investor participation (Hatim et al., 2022). Streamlining the legal approval process for Sukuk issuance further reduces

transaction costs and mitigates procedural uncertainties, which enhances investor confidence and market efficiency (Nordin & Nordin, 2016).

Macroeconomic conditions, particularly GDP growth, constitute a foundational determinant of foreign investment flows and financial market development in OIC countries (Saturwa & Ahmad, 2021). Sustained GDP growth often signals a stable and expanding economy, which tends to attract foreign investors seeking profitable ventures (Ghazalian, 2024). In this context, robust economic performance enables governments and firms to issue Sukuk as an alternative financing tool to meet growing capital demands for infrastructure, business expansion, and social projects (Siddiqui, 2018).

Inflation dynamics and volatility significantly influence the financial environment's stability and the perceived risk of investment in emerging and developing markets (Hamood et al., 2022). For OIC countries, maintaining low and stable inflation rates is critical to preserving the real value of returns on financial instruments, including Sukuk, which directly impacts investor confidence and demand (Ogunbado, 2019). High inflation or inflation unpredictability tends to erode purchasing power, increase uncertainty, and disrupt financial planning, thereby deterring foreign investors and increasing the cost of capital for issuers (Godlewski et al., 2013).

To illustrate this condition empirically, Figure 1 presents the trends of Foreign Direct Investment (FDI) inflows across six selected OIC

countries—United Arab Emirates, Bahrain, Indonesia, Malaysia, Pakistan, Saudi Arabia, Turkiye, and Oman—from 2017 to 2023.

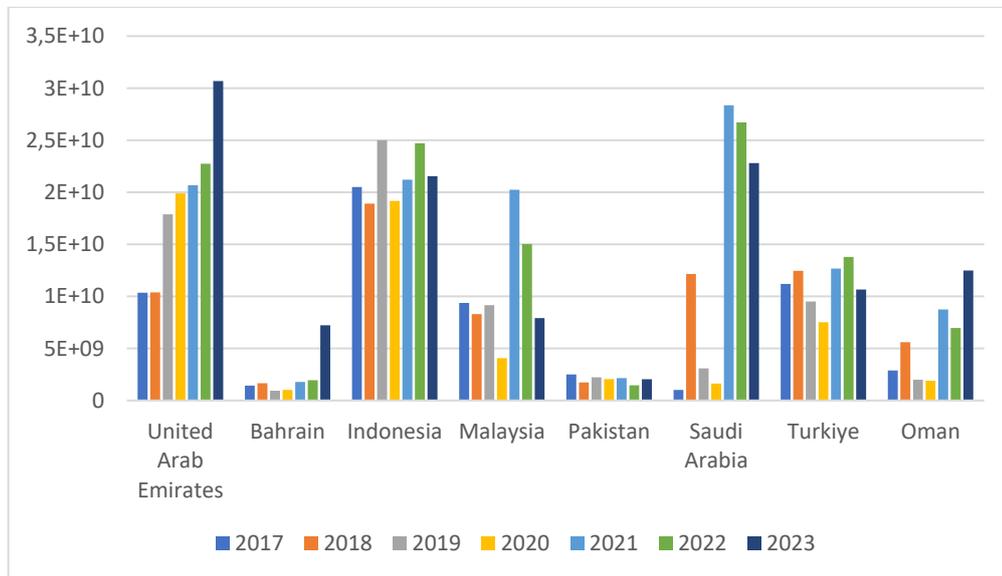


Figure 1. FDI Inflows in Selected OIC Countries 2017–2023

Source: World Bank 2017-2023

The figure reveals fluctuating trends in both FDI inflows among OIC countries during the period of 2017–2023. Bahrain and the United Arab Emirates experienced sharp increases in FDI inflows by 2023, reflecting improved investor confidence and economic recovery after the pandemic. In contrast, Indonesia and Saudi Arabia demonstrated relatively stable yet moderate growth in FDI, indicating a more resilient economic foundation amid inflationary pressures (Worldbank 2024).

The role of exchange rate stability in attracting FDI to OIC countries is fundamental, as currency fluctuations can significantly impact the profitability and risk perception of foreign investors (Khan & Ahmed, 2019). A stable exchange rate environment reduces transaction costs related to

currency conversion and hedging, which in turn makes long-term investments via Sukuk or other financial instruments more attractive (Alfaro et al., 2010). Conversely, volatile exchange rates increase the uncertainty surrounding expected returns, discouraging both foreign investors and issuers of Sukuk who require predictable cash flows to honor their obligations (Bahmani-Oskooee & Gelan, 2018). Many OIC countries have adopted monetary policies aimed at stabilizing their currencies to boost investor confidence and stimulate economic integration with global markets (Mohieldin, 2020).

Investor awareness and education about Sukuk products also play a critical role in market expansion and foreign investment attraction (Siddiqui, 2018). Despite the growing size of Islamic finance, many potential investors, especially outside OIC countries, lack sufficient knowledge about the benefits, risks, and structures of Sukuk instruments (Mohieldin et al., 2011). This information gap limits demand and restricts the diversification of investor bases necessary for robust market development (Iqbal & Mirakhor, 2017). Governments and financial institutions have responded with awareness campaigns, training programs, and international roadshows to promote Sukuk issuance and investment opportunities globally (Usmani, 2019).

The interplay between Sukuk market development and broader economic reforms is another crucial aspect influencing FDI inflows (Bahmani-Oskooee & Gelan, 2018). Structural reforms that improve

business environments, such as easing regulatory burdens, protecting property rights, and enhancing transparency, indirectly bolster Sukuk markets by creating favorable conditions for investment (Hasan & Dridi, 2017). Such reforms also encourage foreign investors by reducing non-financial risks and improving overall economic stability (Mohieldin et al., 2011). Moreover, integrating Islamic finance reforms with conventional financial sector reforms can create synergies that amplify the impact on FDI (Iqbal & Mirakhor, 2017).

Finally, the COVID-19 pandemic has underscored the resilience of Islamic finance, particularly Sukuk, in providing alternative financing during times of economic distress (Mohieldin, 2020). Many OIC countries turned to Sukuk issuances to fund emergency response measures and stimulate economic recovery, demonstrating the flexibility and stability of these instruments under crisis conditions (Aziz & Dar, 2022). Despite the initial shock to global investment flows, the pandemic highlighted the growing global interest in Sukuk as a viable investment vehicle, attracting new investor segments and increasing cross-border capital movements (Hasan & Dridi, 2017).

Despite growing interest in Islamic finance and its impact on economic development, empirical studies focusing on OIC countries remain fragmented and often limited to individual macroeconomic variables or singular aspects of Sukuk markets (Ahmad et al., 2021). Moreover, existing research rarely addresses the institutional diversity and economic

heterogeneity within OIC member states, which can significantly influence the effectiveness of Sukuk market development in attracting FDI (Fitriyanto et al., 2021). This indicates that further research integrating Sukuk market dynamics with key macroeconomic indicators such as GDP growth, inflation, and exchange rate stability is essential to provide a more comprehensive understanding of their combined influence on FDI inflows in OIC economies (Marshall et al., 2024).

The theoretical foundation of this study is grounded in the OLI Framework Theory, the Macroeconomic Theory, and the Islamic Finance Theory, which collectively explain how financial and macroeconomic conditions influence foreign direct investment inflows in OIC countries. According to Dunning's Eclectic Paradigm, FDI is driven by ownership, location, and internalization advantages, in which well-developed Sukuk markets and stable macroeconomic environments enhance the location attractiveness of host countries for foreign investors (Ghazalian, 2024). The Macroeconomic Theory further emphasizes that consistent GDP growth, controlled inflation, and stable exchange rates create favorable investment climates that reduce uncertainty and improve investor confidence (Tiwari & Mutascu, 2011; Megasari & Saleh, 2021). Meanwhile, the Islamic Finance Theory underscores the role of risk-sharing and asset-backed financing in promoting financial stability and transparency, positioning Sukuk as an ethical and resilient instrument that strengthens market trust and encourages sustainable investment inflows (Iqbal & Mirakhor, 2011; Usmani, 2002).

This research contributes novelty by integrating multiple dimensions — Sukuk market development, macroeconomic conditions, and foreign direct investment inflows — within a single empirical framework focused on OIC countries (Aziz & Dar, 2022). Unlike previous studies that often isolate one or two variables, this comprehensive approach aims to capture the complex interactions and causal pathways affecting FDI. Additionally, the study addresses the research gap on the institutional and macroeconomic heterogeneity within the OIC, providing nuanced insights that can guide both academic understanding and practical policymaking. By doing so, it offers valuable implications for enhancing financial market development and economic growth through strategically coordinated Islamic finance and macroeconomic policies.

Through this integrated perspective, the study not only enriches theoretical frameworks on Islamic finance and international investment but also provides empirical evidence that can inform policy formulation aimed at strengthening economic resilience in OIC countries. The findings are expected to support policymakers in designing targeted interventions to optimize the role of Sukuk markets alongside stable macroeconomic environments, ultimately fostering sustainable foreign direct investment inflows. The following sections will detail the theoretical foundation and methodological approach employed to investigate these complex relationships.

B. Research Questions

Based on the research background above, the problem formulation in this study is as follows:

1. Does sukuk market development have a significant and positive influence on Foreign Direct Investment (FDI) inflows in OIC countries?
2. Does the GDP growth rate have a significant and positive influence on Foreign Direct Investment (FDI) inflows in OIC countries?
3. Does the inflation rate have a significant and negative influence on Foreign Direct Investment (FDI) inflows in OIC countries?
4. Does exchange rate stability have a significant and positive influence on Foreign Direct Investment (FDI) inflows in OIC countries?

C. Research Objectives

Based on the formulation of the problem that has been mentioned, the objectives in this study can be formulated as follows:

- a. To analyze the significance and positive influence of sukuk market development on Foreign Direct Investment (FDI) inflows in OIC countries.
- b. To examine the significance and positive impact of the GDP growth rate on Foreign Direct Investment (FDI) inflows in OIC countries.
- c. To investigate the significance and negative influence of the inflation rate on Foreign Direct Investment (FDI) inflows in OIC countries.
- d. To assess the significance and positive effect of exchange rate stability on Foreign Direct Investment (FDI) inflows in OIC countries.

D. Research Benefits

Based on the research objectives, the benefits that can be taken in this study include:

a. Theoretical Significance

This research is expected to enrich the literature on Islamic finance, particularly regarding the role of sukuk market development in attracting foreign direct investment (FDI) inflows in OIC countries.

b. Practical Significance

The results of this study may assist policymakers in OIC countries to formulate strategies for enhancing the sukuk market as a means to attract greater foreign investment.

c. Significance for Future Research

This research may serve as a reference for future studies aiming to explore further the interactions between Islamic financial markets and global investment flows.

d. Significance for Economic Development Goals

The findings of this study can help align the financial development strategies of OIC countries with broader economic goals such as financial inclusion, economic diversification, and sustainable development.

E. Writing Systematics

The systematic writing used in this study is described in five chapters, as follows:

Chapter I Introduction, this chapter consists of the background of the problem which contains issues and a brief explanation of the inflow of foreign direct investment in selected OIC countries and briefly explains the variables that affect it. This background is a reference for the formation of problem formulations, research objectives, research benefits and systematic discussion to provide research direction.

Chapter II Theoretical Basis, in this chapter contains a theoretical basis that explains the relationship between variables and the object of research. This chapter also contains a literature review containing relevant previous research, research framework, and hypothesis development.

Chapter III Research Methodology, describes the type of research used, variables and operational definitions of research variables, data and data sources, data collection techniques, and hypothesis testing methods.

Chapter IV Research Results and Discussion, the research method describes the type of research used, variables and operational definitions of research variables, population and samples, data and data sources, data collection techniques, and hypothesis testing methods.

Chapter V Closing, in this chapter, contains an explanation of the research which contains conclusions on the research results, research limitations, and suggestions for research.

BAB V

CONCLUSION

A. Conclusion

Based on the panel data regression analysis using the Random Effect Model (REM) on eight selected OIC countries from 2017 to 2023, the following conclusions are drawn regarding the influence of each independent variable on Foreign Direct Investment (FDI) inflows:

1. Sukuk Market Development

The development of the Sukuk market has a significant positive effect on FDI inflows in the selected OIC countries. The regression coefficient of 0.4687 with a probability value of 0.0063 ($p < 0.05$) indicates that a one-unit increase in Sukuk market development contributes to an increase in FDI inflows by approximately 0.47 units, *ceteris paribus*. This finding supports Hypothesis 1 (H1). The result aligns with Islamic Finance Theory, which posits that asset-backed, Shariah-compliant instruments like Sukuk enhance market transparency, reduce risk, and attract ethical investment. Furthermore, Institutional Theory explains that a well-developed Sukuk market reflects strong regulatory quality and financial institutional depth, thereby lowering transaction costs and perceived investment risks for foreign investors. In practical terms, countries with more active and larger Sukuk markets, such as Malaysia, Saudi

Arabia, and Indonesia, demonstrated a stronger capacity to attract foreign capital during the study period.

2. GDP Growth

GDP Growth has a significant positive effect on FDI inflows. The coefficient of 0.0829 with a probability of 0.0002 ($p < 0.05$) confirms that higher economic growth stimulates greater foreign investment. This result validates Hypothesis 2 (H2). The finding is consistent with Classical Growth Theory and the OLI (Eclectic Paradigm) Framework. According to Classical Growth Theory, sustained GDP growth signals efficient resource allocation, capital accumulation, and expanding market opportunities, making the host economy more attractive for profit-seeking investors. Within the OLI framework, robust GDP growth represents a key Location-specific advantage (L), offering foreign multinationals access to larger and growing markets. Empirically, countries like Saudi Arabia and the UAE, which recorded high GDP growth rates, particularly post-pandemic, experienced significant surges in FDI inflows, underscoring the role of economic performance as a primary pull factor for foreign capital.

3. Inflation Rate

The inflation rate has a negative but statistically insignificant effect on FDI inflows. The coefficient is -0.0018 with a high probability value of 0.8339 ($p > 0.05$), leading to the rejection of Hypothesis 3

(H3). While the negative direction aligns with Keynesian Monetary Theory, which suggests that inflation creates uncertainty and erodes real returns, the lack of significance indicates that, within the sample and period studied, inflation was not a decisive deterrent to foreign investors. This can be explained by the Institutional Theory perspective: investors may perceive inflation in these OIC countries as manageable or may prioritize other location advantages (like Sukuk market depth and GDP growth) over short-term price instability. For instance, despite high inflation in Turkey and Pakistan, other factors might have moderated its negative impact on FDI decisions during 2017-2023.

4. Exchange Rate

Exchange rate stability has a positive but statistically insignificant effect on FDI inflows. The coefficient is 0.0128 with a probability value of 0.8999 ($p > 0.05$), resulting in the rejection of Hypothesis 4 (H4). Although OLI Framework and Exchange Rate Theory suggest that currency stability reduces transaction costs and exchange risk, the insignificance implies that for the selected OIC countries, exchange rate movements were not a primary consideration for FDI during the study window. This might be because many sample countries (e.g., UAE, Saudi Arabia, Bahrain, Oman) maintain fixed or pegged exchange rate regimes, minimizing perceived volatility. Alternatively, foreign investors may have placed greater weight on

fundamental economic factors like market size (GDP) and financial innovation (Sukuk) rather than on currency valuation alone when making long-term investment commitments.

B. Recommendation

1. Based on the empirical findings, OIC countries are recommended to strengthen the development of the Sukuk market as a strategic instrument to attract foreign direct investment. Improving market depth, liquidity, and regulatory clarity can enhance investor confidence and reduce uncertainty. A well-developed Sukuk market reflects strong institutional quality and supports sustainable capital inflows in line with Islamic finance principles.
2. Governments are encouraged to maintain macroeconomic stability, particularly by controlling inflation and ensuring exchange rate stability, as these factors influence foreign investors' confidence. Consistent and fiscal policies can reduce investment risk and create a more predictable economic environment. Stable macroeconomic conditions serve as an important foundation for long-term FDI inflows.
3. It is recommended that OIC countries improve institutional quality by strengthening legal frameworks, regulatory consistency, and transparency in financial markets. Harmonization of Sukuk regulations with international standards can lower transaction costs

and increase market efficiency. Strong institutions enhance the credibility of the investment climate and attract foreign investors.

4. Foreign direct investment policies should be directed toward productive and Sharia-compliant sectors to maximize the developmental impact of capital inflows. Aligning FDI with infrastructure, manufacturing, and real-sector projects supported by Sukuk financing can promote sustainable economic growth. This approach ensures that foreign investment contributes directly to real economic activities.
5. Future research is recommended to include additional institutional and financial variables, such as governance quality or financial inclusion, to better explain variations in FDI inflows. Expanding the observation period or applying alternative econometric methods may also provide deeper insights into the relationship between Sukuk market development and foreign investment. This would enrich the literature on Islamic finance and international investment in OIC countries.

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