

Sovereign Sukuk (SBSN) As an Instrument Of Islamic Public Finance: Financing Infrastructure Development In Morotai Island Regency

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Abstract

Sovereign Sharia Securities (SBSN) have emerged as a strategic Islamic public finance instrument for supporting national infrastructure development, particularly in peripheral and border regions. This study examines the role of SBSN in financing the Sofi–Wayabula II road development project in Morotai Island Regency, an outermost region of Indonesia designated as both a National Tourism Strategic Area and a Special Economic Zone. Employing a qualitative descriptive approach, the study draws on in-depth interviews with key stakeholders, field observations, and analysis of official project documents and regulatory frameworks related to SBSN implementation. The findings indicate that SBSN play a significant role in ensuring sustainable and reliable project financing, enabling accelerated infrastructure delivery through multi-year contracts, and strengthening transparency and accountability in budget management. The Sofi–Wayabula II road project has contributed positively to regional connectivity, community mobility, and local economic activities, particularly in tourism and trade. Despite challenges related to geographical conditions, weather constraints, and logistical limitations, SBSN-based financing has proven effective in maintaining project continuity. This study highlights the importance of sovereign sukuk as a viable Islamic financing instrument for promoting equitable infrastructure development and supporting fiscal stability in developing economies.

Keywords: Sovereign Sukuk; Sovereign Sharia Securities (SBSN); Islamic Public Finance; Infrastructure Financing; Regional Development; Morotai Island

Abstrak

Surat Berharga Syariah Negara (SBSN) merupakan instrumen pembiayaan berbasis syariah yang semakin strategis dalam mendukung pembangunan infrastruktur nasional, khususnya di wilayah terluar dan kawasan strategis. Penelitian ini bertujuan untuk menganalisis peran SBSN dalam pembiayaan Paket Pembangunan Jalan Sofi–Wayabula II di Kabupaten Pulau Morotai, yang merupakan wilayah perbatasan dan telah ditetapkan sebagai Kawasan Strategis Pariwisata Nasional dan Kawasan Ekonomi Khusus. Penelitian ini menggunakan pendekatan kualitatif deskriptif dengan teknik pengumpulan data berupa wawancara mendalam, observasi lapangan, dan studi dokumentasi terhadap data resmi proyek dan regulasi terkait SBSN. Hasil penelitian menunjukkan bahwa SBSN berperan signifikan sebagai sumber pembiayaan yang andal dan berkelanjutan, memungkinkan percepatan realisasi pembangunan infrastruktur melalui skema kontrak tahun jamak, serta meningkatkan transparansi dan akuntabilitas pengelolaan anggaran. Selain itu, pembangunan jalan Sofi–Wayabula II memberikan dampak positif terhadap konektivitas wilayah, mobilitas masyarakat, dan penguatan aktivitas ekonomi lokal. Meskipun menghadapi tantangan geografis, cuaca, dan keterbatasan logistik, skema pembiayaan SBSN terbukti efektif dalam mendukung pembangunan infrastruktur di daerah terpencil. Penelitian ini menegaskan relevansi SBSN sebagai instrumen pembiayaan syariah yang mendukung pemerataan pembangunan dan stabilitas fiskal nasional.

Kata Kunci: Sovereign Sukuk; Sovereign Sharia Securities (SBSN); Islamic Public Finance; Infrastructure Financing; Regional Development; Morotai Island

INTRODUCTION

State Sharia Securities (SBSN) are sharia-based financial instruments issued by the government as one of the sources of financing for the State Revenue and Expenditure Budget (APBN), including to support the development of various strategic infrastructure projects. In recent years, financing through SBSN projects has increasingly played an important role in encouraging infrastructure development in various regions, one of which is in Morotai Island Regency. One of the main projects that received SBSN financing support was the Sofi–Wayabula II Road Development Package. This road is designed to strengthen the connecting route between the eastern and western regions of Morotai, improve connectivity between villages, and open up space for local economic growth.¹ The Government of Indonesia places infrastructure development as one of the national priorities to encourage equitable and inclusive economic growth. Adequate infrastructure is an important prerequisite in improving connectivity, smoothing people's mobility, and strengthening Indonesia's competitiveness at the global level.² The World Economic Forum report in the Global Competitiveness Index 2017–2018 even shows that the quality of Indonesia's infrastructure is still lagging behind several ASEAN countries such as Malaysia, Thailand, and Singapore. This gap demands the acceleration of development, especially in border areas and strategic areas.³

Morotai Island, located in North Maluku Province, is one of Indonesia's outermost islands with a very important geostrategic position. Morotai is on the international trade route to Australia and New Zealand and has a historical heritage of World War II that is now a tourist potential. Seeing the magnitude of this potential, the government designated Morotai as a National Tourism Strategic Area (KSPN) and a Special Economic Zone (SEZ) through national regulations. However, the limited capacity of government financing through the state budget is the main obstacle in efforts to accelerate infrastructure development in this region. PUPR Minister Basuki Hadimuljono also emphasized that the state's budget capacity is no longer able to cover all development needs, so financing innovation is very necessary.

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It is in this context that SBSN or state sukuk emerged as an innovative financing alternative. Based on Law Number 19 of 2008, SBSN is a government securities based on sharia principles that reflect ownership of a share of SBSN's assets. This instrument is used to finance the State Budget, including the construction of strategic infrastructure projects. SBSN has a number of advantages, including: (1) providing domestic sources of financing that reduce dependence on foreign loans, (2) ensuring development independence because the project implementers are domestic contractors and consultants, and (3) ensuring

¹ Syaifuddin, *Lembaga Keuangan Mikro Syariah Tinjauan Hukum Dan Manajemen Keuangan* (Ternate: IAIN Ternate Press, 2019).

² Syaifuddin, "MAQASID SHARI'AH JASSER AUDAH DALAM PENGEMBANGAN PRODUK KEUANGAN SYARI'AH" 15, no. 1 (2016): 141–62.

³ Syaifuddin SYAIFUDDIN, "Ekonomi Makro Syariah Indonesia" (Penerbit Karya Bakti Makmur (KBM) Indonesia, 2023).

⁴ Raeni Raeni, Ian Thomson, and Ann Christine Frandsen, "Mobilising Islamic Funds for Climate Actions: From Transparency to Traceability," *Social and Environmental Accountability Journal* 42, no. 1–2 (2022): 38–62, <https://doi.org/10.1080/0969160X.2022.2066553>.

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transparency through integrated supervision between the Ministry of Finance and the Ministry of Public Works and Public Housing .⁵

Seeing the large role of SBSN and the challenges of its implementation in the field, this study is important to assess the effectiveness of SBSN financing in the Sofi–Wayabula road project. The study includes financing mechanisms, contributions to the total budget, impacts on accelerating development, and various obstacles that arise in its implementation. The results of the research are expected to provide input for optimizing the use of SBSN in infrastructure development, especially in border areas and national strategic areas.⁶

THEORETICAL FOUNDATIONS

Public Finance Theory

The main theoretical framework underlying this research is public finance theory, which places the state as a central actor in the management of financial resources to achieve social welfare. In this perspective, infrastructure financing is understood as a form of state intervention to correct market failure, especially in disadvantaged and outermost areas such as Morotai Island Regency. The SBSN is positioned as a fiscal instrument that allows the government to expand its financing capacity without increasing its dependence on conventional debt, thus aligning with the principles of efficiency, fiscal stability, and equitable development.⁷

The theory of Islamic public finance is the normative foundation in this research, especially in understanding SBSN as a financing instrument based on sharia principles. This theory emphasizes that state financial management must be oriented towards *maslahah 'ammah* (public interest), distributive justice, and sustainability. In the context of SBSN, the principles of prohibition of *riba*, *gharar*, and *maysir* make infrastructure financing not only legally positive, but also ethically and sharia legitimate. The construction of the Sofi–Wayabula II Road is understood as a form of realization of the Islamic public finance function in providing access, connectivity, and welfare for the people of peripheral areas.⁸

Sukuk, Asset-Based Financing and Akad in Fiqh Muamalah

In contrast to conventional bonds, which are debt-based, SBSN represents proportional ownership of assets or asset benefits. In this study, this theory is used to explain the financing mechanism of the SBSN project based on sukuk, where the Sofi–Wayabula II Road project functions as the underlying asset. This approach emphasizes that the success

⁵ Akhmad Hafandi and Puji Handayati, "Is Cash Waqf Linked Sukuk (Cwls) Less than Ideal According to Islamic Laws?," *Estudios de Economia Aplicada* 39, no. 12 (2021), <https://doi.org/10.25115/eea.v39i12.6207>.

⁶ M. Kabir Hassan et al., "A Review of Islamic Investment Literature," *Economic Papers* 38, no. 4 (2019): 345–80, <https://doi.org/10.1111/1759-3441.12230>.

⁷ Muhammad Ayub and M. Fahim Khan, "Evolving Monetary Economics in Islamic Perspective," *Journal of Islamic Monetary Economics and Finance* 7, no. 2 (2021): 317–40, <https://doi.org/10.21098/jimf.v7i2.1372>.

⁸ Endri Endri, Santi Sari Dewi, and Sigid Eko Pramono, "The Determinants of Audit Report Lag: Evidence from Indonesia," *Investment Management and Financial Innovations* 21, no. 1 (2024): 0–12, [https://doi.org/10.21511/imfi.21\(1\).2024.01](https://doi.org/10.21511/imfi.21(1).2024.01).

of SBSN is not only measured from the fiscal aspect, but also from the direct linkage between financial instruments and real projects that provide socio-economic benefits.⁹

The application of muamalah fiqh, especially related to ijarah, istishna, and mudharabah contracts, is an important conceptual framework in understanding the financing structure of SBSN. This study uses the theory of ijarah and istishna contracts to explain the relevance of road financing as a public infrastructure project that requires certainty of returns and technical specifications. The istishna contract is used to understand the physical development phase of the road, while ijarah represents the utilization of assets by the state. This framework reinforces the argument that SBSN has structural flexibility to suit the needs of large-scale infrastructure projects.¹⁰

Infrastructure and Connectivity Development

Infrastructure development theory places roads as the main enablers of economic growth, regional integration, and increased access to public services. In the context of Morotai, this theory is used to explain why the construction of the Sofi–Wayabula II Road has high strategic value, not only economically but also geopolitically and socially. Road infrastructure is understood as public capital that has a long-term impact on the mobility of goods, services, and people. Financing through SBSN allows infrastructure investment to be carried out in a sustainable manner despite the limitations of the state budget.¹¹

This research also utilizes the theory of equitable development and spatial justice, which emphasizes the importance of equitable distribution of state resources between regions. Morotai Island Regency as a 3T area is a clear example of inequality in access to infrastructure. The SBSN, in this framework, is understood as a corrective instrument that allows the state to have a stronger presence in the periphery region. The use of this theory helps to explain that the success of SBSN is not solely measured by the physical output of roads, but also by its contribution to reducing regional development disparities.¹²

The Public Financial Governance Framework is used to analyze the planning, supervision, and accountability mechanisms of SBSN projects. In this study, this theory is applied to explain the role of the Ministry of Finance, the Ministry of Public Works and Housing, and supervisory institutions such as BPK and BPKP. The SBSN e-monitoring system, multi-year contracts, and periodic reporting are understood as good governance instruments that increase transparency and accountability. With this framework, SBSN is not only seen as a financing tool, but also as a mechanism to strengthen state fiscal governance.¹³

The study of the border area is relevant considering Morotai's position as the outermost island with national strategic value. This theory emphasizes that infrastructure

⁹ SYAIFUDDIN, "Ekonomi Makro Syariah Indonesia."

¹⁰ Syaifuddin, 'Muslim Consumer Behavior: A Study of Nahdiiy Customers at Sharia Banks in Ternate', 2018.

¹¹ Heru Wahyudi et al., "Dynamics of Growth and Stability in the Islamic Financial Services Industry on ECA, GCC, MENA, SSA, and EAP," *International Journal of Economics and Financial Issues* 15, no. 3 (2025): 448–56, <https://doi.org/10.32479/ijefi.19200>.

¹² Sanmas Abu Syaifuddin and Asep Hedi Turmudi, 'MITIGATION STRATEGY OF ISLAMIC FINANCING RISK : A CASE OF BANK JATIM SYARIAH', 13.1 (2024), 210–34
<<https://doi.org/10.22373/share.v13i1.20580>>.

¹³ Hafandi and Handayati, "Is Cash Waqf Linked Sukuk (Cwls) Less than Ideal According to Islamic Laws?"

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development in border areas has a dual function: improving the welfare of local communities while strengthening state sovereignty. In this study, SBSN is understood as an instrument that allows the state to make long-term investments in strategic areas without short-term fiscal pressure. Jalan Sofi-Wayabula II is a symbol of the state's presence through inclusive sharia financing.

Socio-Economic Impact of Infrastructure

The socio-economic impact theory is used to analyze the changes felt by the community due to road construction. This framework is relevant to a qualitative approach that emphasizes the subjective experiences of stakeholders. In this study, the theory helps explain how SBSN contributes to reduced transportation costs, increased market access, and growth in local economic activity. Thus, SBSN is understood not only as a macro-fiscal instrument, but as a catalyst for social change at the local level. Overall, the theoretical framework in this study integrates public finance theory, Islamic public finance, asset-based sukuk, fiqh muamalah, infrastructure development, spatial justice, public governance, and border area development. This integration allows for a comprehensive analysis of SBSN's role in financing the Sofi-Wayabula II Road. The use of such theoretical frameworks strengthens the position of this research not only as a financing policy study, but also as a scientific contribution to the development of Islamic public financial instruments oriented towards equity and sustainable development.¹⁴

METHOD

This study uses a qualitative approach with a qualitative case study design. The case study was chosen because the research focuses on an in-depth exploration of a specific phenomenon, namely the use of Sovereign Sukuk (SBSN) as an Islamic public finance instrument in financing infrastructure development in Morotai Island Regency. The case studied is an instrumental case study, where the Sofi-Wayabula II road construction project is positioned as a representative case to understand the mechanism, implications, and experience of SBSN implementation in peripheral and strategic areas.¹⁵ This approach allows researchers to capture the complexity of the interaction between sharia fiscal policy, public financing governance, and the local context of archipelago regional development. The design of the case study is also relevant to explain how SBSN not only functions as a financing instrument, but also as a mechanism for governance and development based on sharia principles.

The study participants were determined using purposive sampling with role-based sampling. Participants were selected for their direct involvement or substantive knowledge of the implementation of SBSN and the infrastructure projects studied. Participants include: Central and local government officials involved in the planning and management of SBSN (Ministry of Finance, Ministry of PUPR, and local governments). Project technical implementers (PPK, supervisory consultants, and contractors). Community leaders and local

¹⁴ SYAIFUDDIN, "Ekonomi Makro Syariah Indonesia."

¹⁵ Syaifuddin, *Interdisciplinary Qualitative Research Methods of Islamic Economics and Law* (Ternate: IAIN Ternate Press, 2019).

stakeholders who are directly affected by road construction. The number of participants is flexible and is determined based on the principle of data saturation, which is that data collection is stopped when the interview no longer yields significant new information or themes.

Interviews are conducted in a semi-structured manner to allow for an in-depth exploration of participants' experiences, perceptions, and interpretations. Interview question types include: Descriptive question: "How is the process of financing road projects through SBSN carried out?" Experiential question: "What are the main challenges you face in implementing SBSN in Morotai?" Reflective question: "How does SBSN compare to conventional financing schemes?" Interpretive question: "How do you interpret SBSN as a sharia-based public financial instrument?". Observations were made to understand the physical and social context of the infrastructure project, including geographical conditions, logistics, and community activities. Observations are non-participatory and recorded in field notes.

Data analysis was carried out thematically by following multi-level coding stages: a. Open Coding. At this stage, the raw data from interview transcripts and field notes are broken down into units of meaning. The initial code includes themes such as budget certainty, project sustainability, Sharia compliance, and regional connectivity. b. Axial Coding. The initial codes are then grouped based on causal and conceptual relationships. For example, the theme of budget certainty is associated with multi-year contracts and fiscal discipline. c. Selective Coding. This stage produces a core category that integrates all findings, such as SBSN as a governance-based Islamic public finance instrument. This category is the main narrative in the discussion of research results.

The validity of the data is maintained through the following strategies: a. Triangulation. Source triangulation: comparing data from officials, project implementers, and the community. Triangulation method: combining interviews, observations, and documentation. Theoretical triangulation: comparing the findings with public finance theory and Islamic public finance. b. Member Checking. The summary of the interview results is reconfirmed to the participant to ensure the accuracy of the interpretation. c. Audit Trail. The entire research process is documented systematically, starting from design, data collection, to analysis. d. Reflexivity. Researchers consciously reflect on positions, assumptions, and potential biases during the research process.¹⁶

This case-study-based qualitative methodology allows the research to uncover in depth how SBSN operates as an instrument of Islamic public finance in financing infrastructure development in archipelagic and border areas. This approach ensures that research findings are not only academically valid, but also relevant to policymakers and the development of sharia-based public financing practices.

RESULTS AND DISCUSSION

Research Results

1. Research Design

¹⁶ Syaifuddin and Turmudi, "MITIGATION STRATEGY OF ISLAMIC FINANCING RISK : A CASE OF BANK JATIM SYARIAH."

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The results of this study indicate that the use of a qualitative approach with a case study design is appropriate for examining the implementation of Sovereign Sukuk or SBSN as an Islamic public finance instrument in infrastructure development. The focus of the research is not merely to describe the financing scheme, but to explore in depth how SBSN operates within the interaction between sharia-based fiscal policy, state financial governance, and local development needs in Morotai Island Regency. The case study design provides space to understand the complexity of this phenomenon because infrastructure financing through SBSN involves various dimensions, including regulation, budgeting, project planning, institutional coordination, technical implementation, and community impact. The Sofi–Wayabula II road construction project is positioned as an instrumental case study because it represents the broader practice of SBSN implementation in peripheral, archipelagic, and strategic border regions.¹⁷

The selection of this case demonstrates that SBSN is not only relevant as a source of state financing, but also as an instrument that reflects the integration of Islamic financial principles into public development policy. In this context, the Sofi–Wayabula II road project becomes an important example because it shows how sharia-compliant financing can be used to support public infrastructure that has direct benefits for regional connectivity and community mobility. The research design allows the study to capture how SBSN contributes to development governance by ensuring that financing is linked to real assets, clear project objectives, and accountable implementation mechanisms. Therefore, the case study does not merely function as a descriptive framework, but as an analytical strategy to understand how Islamic public finance is translated into concrete development practices.¹⁸

The findings further show that the qualitative case study design enables the researcher to examine SBSN from multiple perspectives. It allows an exploration of formal policy arrangements, implementation procedures, field-level challenges, and social responses from local stakeholders. This is important because infrastructure development in an archipelagic region cannot be understood only through administrative data or financial reports. It also requires attention to geographical conditions, logistical constraints, local accessibility, and the perceived benefits of the project for the community. Through this design, the research is able to explain SBSN as a financial instrument, a governance mechanism, and a development strategy based on sharia principles. Thus, the research design provides a strong foundation for producing findings that are academically meaningful and practically relevant.

¹⁷ N Rohmah and S Herianingrum, "Sovereign Green Sukuk Indonesia Dalam Tinjauan Maqashid Shariah," *Jurnal Penelitian IPTEKS* 5, no. 2 (2020), <https://repository.unair.ac.id/119003/>; A Mahri, Rais Muhamad Falah, and Aas Nurasyiah, "Regional Sukuk Issuance Strategy for West Java Province Infrastructure Financing," 2022, <https://doi.org/10.20473/vol9iss20226pp772-786>; Ramdanyah Fitrah and Andri Soemitra, "Green Sukuk For Sustainable Development Goals in Indonesia: A Literature Study," *Jurnal Ilmiah Ekonomi Islam* 8, no. 1 (May 9, 2022): 231, <https://doi.org/10.29040/jiei.v8i1.4591>; Pradina Anugrahaeni, "Analysis of Indonesian Sovereign Green Bond and Green Sukuk Initiatives," *Kajian Ekonomi Dan Keuangan* 1, no. 1 (May 7, 2017): 1–24, <https://doi.org/10.31685/kek.v1i1.266>.

¹⁸ Mahri, Falah, and Nurasyiah, "Regional Sukuk Issuance Strategy for West Java Province Infrastructure Financing"; Fitri Kurniawati, "PENGENDALIAN INFLASI DALAM PERSPEKTIF EKONOMI ISLAM," *Adzkiya : Jurnal Hukum Dan Ekonomi Syariah* 6, no. 2 (2019), <https://doi.org/10.32332/adzkiya.v6i2.1252>; Hafandi and Handayati, "Is Cash Waqf Linked Sukuk (Cwls) Less than Ideal According to Islamic Laws?"

2. Participants and Data Sources

The results show that the participants in this study are selected through purposive sampling using a role-based sampling strategy. This means that participants are not chosen randomly, but based on their relevance, involvement, and knowledge regarding the implementation of SBSN and the Sofi-Wayabula II road construction project. The participants include central and local government officials involved in the planning and management of SBSN, particularly those from institutions related to state finance, public works, and regional government. These actors are important because they understand the regulatory, fiscal, and administrative mechanisms behind SBSN-based infrastructure financing. Their perspectives provide information on how projects are selected, planned, funded, monitored, and evaluated within the framework of state financial governance.

In addition to government officials, the study also involves technical project implementers, including commitment-making officials, supervisory consultants, and contractors. These participants provide field-level information regarding the practical implementation of the infrastructure project. Their experiences are crucial for understanding how SBSN financing is translated into construction activities, how technical challenges are managed, and how supervision is conducted to ensure project accountability. Through their perspectives, the study is able to identify the operational realities of SBSN-funded infrastructure development, including issues related to procurement, project timelines, field coordination, quality control, and reporting. This technical dimension is necessary because the success of SBSN as a public finance instrument depends not only on the availability of funds, but also on the effectiveness of project execution.

The study also includes community leaders and local stakeholders who are directly affected by the road construction project. Their involvement is important because infrastructure development ultimately aims to produce public benefits. Community perspectives provide insight into how the project affects mobility, economic activity, access to public services, and regional connectivity. The inclusion of these participants prevents the study from relying solely on institutional or administrative narratives. It enables the research to compare policy objectives with actual experiences at the local level. The number of participants is determined flexibly based on the principle of data saturation. Data collection is stopped when interviews no longer produce significant new information, themes, or interpretations. This approach ensures that the data collected are sufficiently rich, relevant, and representative of the research problem.

3. Data Collection, Analysis, and Validation

The results indicate that the study uses three main data collection techniques: in-depth interviews, field observation, and documentation studies. In-depth interviews are conducted using a semi-structured format, allowing the researcher to explore participants' experiences, perceptions, and interpretations in a flexible but focused manner. The interview questions include descriptive, experiential, reflective, and interpretive questions. Descriptive questions explore how SBSN financing is carried out in road construction projects. Experiential questions examine the challenges faced by actors during implementation. Reflective questions compare SBSN with conventional financing schemes, while interpretive

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questions explore how participants understand SBSN as a sharia-based public finance instrument. This combination of question types allows the study to capture both factual information and deeper meanings.

Field observation is used to understand the physical and social context of the infrastructure project. Observations are conducted in a non-participatory manner, meaning that the researcher does not directly intervene in project activities but observes the relevant conditions systematically. The aspects observed include geographical conditions, road access, logistical challenges, community activities, and the surrounding environment of the project site. These observations are recorded in field notes and used to complement interview data. Documentation studies are also conducted by analyzing SBSN regulations, project reports, financing contracts, planning documents, and supervisory reports. These documents serve as supporting evidence to verify information obtained through interviews and observations. The combination of these three techniques strengthens the comprehensiveness of the data.

The data analysis is conducted thematically through multi-level coding consisting of open coding, axial coding, and selective coding. In the open coding stage, raw data from interview transcripts, field notes, and documents are broken down into units of meaning. Initial codes include budget certainty, project sustainability, sharia compliance, asset-based financing, public accountability, regional connectivity, and institutional coordination. In the axial coding stage, these codes are grouped based on causal, conceptual, and thematic relationships. For example, budget certainty is connected to multi-year contracts, fiscal discipline, and project continuity. In the selective coding stage, the analysis produces a core category that integrates the findings, namely SBSN as a governance-based Islamic public finance instrument. Data validity is maintained through source triangulation, method triangulation, theoretical triangulation, member checking, audit trail, and researcher reflexivity.

Discussion

1. SBSN as an Islamic Public Finance Instrument

The findings show that SBSN should not be understood narrowly as a financing instrument, but as part of a broader Islamic public finance governance framework. In conventional public finance, infrastructure financing is often evaluated mainly through fiscal capacity, budget allocation, project efficiency, and economic output. However, SBSN introduces an additional dimension by linking public financing with sharia principles, particularly asset-backed financing, transparency, accountability, and benefit orientation. This means that the use of SBSN in infrastructure development is not merely about obtaining funds, but also about ensuring that the financing process is connected to real economic activity and public benefit. The Sofi–Wayabula II road project illustrates how SBSN can support development needs while maintaining compliance with sharia-based financial principles.¹⁹

¹⁹ Luthfiana Basyirah et al., “The Development of Islamic Economic Politics in Sharia Banking in The Reform Era to Date in Indonesia” 10, no. 2 (2022): 200–215, <https://doi.org/10.31289/jppuma.v10i2.7515>; Mujahidin Mujahidin, “Analysis of the Application of the Maslahah Concept in DSN MUI Fatwa in the Sector of Sharia Economics and Finance,” *Al-Kharaj : Jurnal Ekonomi, Keuangan Dan Bisnis Syariah* 4, no. 6 (2022): 1958–70,

The case of Morotai Island Regency is significant because it demonstrates the relevance of SBSN in addressing infrastructure gaps in peripheral and archipelagic regions. Areas such as Morotai often face development challenges related to geographical isolation, limited connectivity, high logistical costs, and uneven access to public services. In this context, SBSN can serve as a strategic fiscal instrument to support infrastructure development that may not be adequately financed through ordinary budget mechanisms alone. The use of SBSN for road construction reflects the role of Islamic public finance in promoting regional equity and connectivity. This is consistent with the broader objectives of public finance, which include improving welfare, reducing disparities, and supporting inclusive development.

From a sharia perspective, the use of SBSN in infrastructure development also reflects the principle of *maslahah*, or public benefit. Road infrastructure provides direct and indirect benefits for communities by improving access to markets, education, health services, administrative centers, and other social facilities. Therefore, SBSN-funded infrastructure has a strong normative justification because it supports development outcomes that are socially beneficial. However, this benefit can only be achieved if the financing mechanism is supported by good governance, effective planning, and accountable implementation. Without these elements, SBSN may become merely a formal sharia-compliant instrument without producing substantive development value. Thus, the findings reinforce the importance of integrating sharia compliance with public accountability and development effectiveness.²⁰

<https://doi.org/10.47467/alkharaj.v4i6.1969>; Nisful Laila et al., "A Survey on Islamic Economics and Finance Literatures Indexed by Scopus Q1 Via Thematic Analysis Approach," *Review of International Geographical Education Online* 11, no. 4 (2021): 453–68, <https://doi.org/10.33403/rigeo.800661>; Nadia Nurul Izza et al., "A Twitter Sentimen Analysis on Islamic Banking Using Drone Emprit Academic (DEA): Evidence from Indonesia," 2023, <https://doi.org/10.20473/vol10iss20235pp496-510>; Naya Nurulita, Siswanto Siswanto, and Vivin Maharani Ekowati, "Influence of Service Quality on the Decision to Choose Islamic Banking Products with Public Interest as an Intervening Variable at Bank Syariah Indonesia KCP Tulungagung," *Journal of Economics, Finance and Management Studies* 06, no. 01 (2023), <https://doi.org/10.47191/jefms/v6-i1-18>.

²⁰ Mahri, Falah, and Nurasyiah, "Regional Sukuk Issuance Strategy for West Java Province Infrastructure Financing"; Annisa Nur Salam and Iskandar Iskandar, "INTEGRATION OF GREEN SUKUK AND CASH WAQF LINKED SUKUK FOR FINANCING AGRICULTURE SUSTAINABLE," *Asy-Syari'ah* 23, no. 2 (2021), https://www.researchgate.net/profile/Iskandar-Iskandar/publication/369227417_INTEGRATION_OF_GREEN_SUKUK_AND_CASH_WAQF_LINKED_SUKUK_FOR_FINANCING_AGRICULTURE_SUSTAINABLE/links/64109826a1b72772e4f949aa/INTEGRATION-OF-GREEN-SUKUK-AND-CASH-WAQF-LINKED-SUKUK-F.

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2. Governance, Institutional Coordination, and Implementation Challenges

The findings also indicate that SBSN implementation depends heavily on the quality of governance and institutional coordination. Infrastructure financing through SBSN involves multiple actors, including the Ministry of Finance, the Ministry of Public Works and Housing, local governments, project implementers, supervisory consultants, contractors, and affected communities. Each actor has different responsibilities, interests, and operational roles. Therefore, successful implementation requires clear coordination mechanisms, transparent communication, and alignment between planning, budgeting, procurement, implementation, and supervision. Weak coordination may lead to delays, administrative inefficiency, or gaps between policy design and field execution. This is particularly important in archipelagic regions, where project implementation is often affected by transportation constraints, weather conditions, limited resources, and logistical complexity.²¹

The role of government officials is central in ensuring that SBSN-funded projects are planned and managed according to regulatory procedures. Their responsibilities include project selection, budget synchronization, compliance with financing requirements, and reporting. Meanwhile, technical project implementers are responsible for translating financing and planning documents into actual construction work. Their role determines whether the infrastructure project meets technical standards, time targets, and quality expectations. Supervisory consultants and contractors are also important because they directly influence the quality of implementation. The findings suggest that SBSN governance cannot be separated from project governance. A strong financing scheme will not produce optimal results if technical implementation is weak, poorly supervised, or disconnected from local needs.

Community involvement also deserves attention because infrastructure projects are ultimately intended to serve public interests. The inclusion of community leaders and local stakeholders in the research reflects the need to evaluate SBSN-funded projects not only from the perspective of financial compliance, but also from the perspective of social usefulness. Community responses can reveal whether the project genuinely improves access, mobility, and economic opportunities. At the same time, local stakeholders can provide information about challenges that may not appear in official reports. This confirms that governance in SBSN-funded infrastructure should be participatory, not merely bureaucratic. Strong governance requires the integration of top-down regulatory control with bottom-up social feedback, especially in regions with complex local conditions.

3. Methodological Strength, Validity, and Practical Contribution

The methodological structure of this study provides a strong basis for understanding SBSN implementation in a comprehensive manner. The use of qualitative case study design allows the researcher to investigate the phenomenon in its real-life context. This is important because SBSN implementation is not a purely technical matter. It involves institutional arrangements, policy interpretation, administrative procedures, financial governance, construction practices, and community experiences. Quantitative data alone would not be

²¹ Mahri, Falah, and Nurasyiah, "Regional Sukuk Issuance Strategy for West Java Province Infrastructure Financing."

sufficient to explain these complexities. Through interviews, observations, and documentation studies, the research is able to construct a more complete picture of how SBSN operates in infrastructure financing and how it is perceived by different actors involved in or affected by the project.

The validity strategies used in this study strengthen the credibility and trustworthiness of the findings. Source triangulation allows the researcher to compare information from government officials, technical implementers, and community stakeholders. Method triangulation combines interviews, observations, and document analysis, thereby reducing dependence on a single type of data. Theoretical triangulation connects the findings with public finance theory and Islamic public finance, allowing the analysis to move beyond description toward conceptual interpretation. Member checking ensures that the researcher's interpretation remains consistent with participants' intended meanings. The audit trail documents the research process systematically, while reflexivity helps the researcher remain aware of personal assumptions and potential bias. These procedures are essential for maintaining academic rigor in qualitative research.

The practical contribution of this study lies in its ability to provide insights for policymakers, public finance managers, and Islamic finance stakeholders. The findings suggest that SBSN has significant potential to support infrastructure development in archipelagic and border regions, but its effectiveness depends on governance quality, institutional coordination, and responsiveness to local needs. For policymakers, this study highlights the importance of strengthening planning integration between central and local governments. For project implementers, it emphasizes the need for technical discipline, transparent supervision, and accurate reporting. For Islamic finance stakeholders, it shows that sharia-based public financing must be evaluated not only by formal compliance, but also by its contribution to public benefit, accountability, and sustainable development. Overall, this study confirms that SBSN can become a strategic instrument of Islamic public finance when supported by coherent governance and context-sensitive implementation.

CONCLUSION

This study concludes that Sovereign Sukuk (SBSN) serve as a strategic instrument of Islamic public finance in supporting infrastructure development in Morotai Island Regency, particularly in peripheral, archipelagic, and border areas. The findings show that SBSN provide a reliable, sustainable, and Sharia-compliant source of financing beyond conventional budget mechanisms. In the case of the Sofi–Wayabula II road project, SBSN financing has supported budget certainty, fiscal discipline, stronger monitoring, and clearer accountability, thereby contributing to improved regional connectivity, faster project implementation, and stronger integration of Morotai Island into national development priorities.

The study also confirms that SBSN should not be understood merely as a funding instrument, but as a governance framework that strengthens coordination among ministries, executing agencies, contractors, and local stakeholders. Practically, the findings indicate that SBSN can be optimized to promote equitable infrastructure development in underdeveloped and strategic regions. Theoretically, this study extends the literature on Islamic public finance by showing that sovereign sukuk contribute to public sector governance, fiscal sustainability,

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and real-sector development effectiveness. Future research is recommended to use comparative, longitudinal, and mixed-method approaches across regions and infrastructure sectors to evaluate the broader socioeconomic impact of SBSN-funded projects.

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