

The Development of Sovereign Sukuk in Indonesia

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Abstract. The purposes of this study is to assess the problems faced by Indonesian government in developing sovereign sukuk, then provide alternative solutions and produce a draft strategy to be applied and find out what determinants in developing sovereign sukuk.

The method used is Analytic Network Process (ANP), which has advantages to measure and synthesize a number of factors in hierarchy or network. The initial phase of this study is to conduct a literature survey and in-depth interviews with stakeholders: academicians, practitioners, regulators, and associations to fully understand the problem. Next, creating ANP model, filling questionnaires by expert respondents, data processing by ANP superdecision software, and then results analysis.

We conclude that the three most important problems to be solved are related to government commitment (15.5%), adequate transaction infrastructure (10.3%), and adequacy of regulation (9.6%). The three most important solutions that should be the attention of policy makers are the importance of increasing government commitment (12.8%), easiness of transaction (11.1%), and regulatory revision (10.9%). The three most important strategies that need to be implemented soon are making the roadmap of Islamic financial development, in addition to providing infrastructure by the government (11.2%), the importance of supervision in regulatory implementation (11.1%), and the importance of optimizing the government's role in asset identification and tax incentive and competitive sukuk pricing in sovereign sukuk trade (8.6%).

Keywords: Sovereign sukuk development, sovereign sukuk, Analytical Network Process (ANP)

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INTRODUCTION

Sukuk is defined as a certificate presenting an indispensable proof of ownership of a tangible asset, the value of benefits, services or asset ownership of a particular project or investment activity. Unlike the financial instruments in general, sukuk comply with the principles of sharia which means that sukuk does not have any things that are prohibited in Islamic law such as: *riba* (interest), *gharar* (uncertainty), *maysir* (speculation) and *haram*, Sukuk must fulfill According to the Shariah and real assets-based transactions.

The development of sukuk globally shows that more and more countries are contributing to issuing sukuk. From 2001 to December 2016, there have been 29 countries that publish global sukuk most of them are countries with the majority Muslim population. Dominant sukuk highest sukuk country by Malaysia by 55%, followed by Saudi Arabia and United Arab Emirates (UAE) which has 14% and 9% issuance of sukuk from existing global sukuk. New on the 4th order Indonesia reached 8, 1 % followed by Qatar, Turkey and Sudan. The issuance of sukuk in Yuan Chinese currency, Turkish Lira and Singapore Dollar and British Pounsterling is a new development that brings optimism about the development of sukuk in the future.

From the above description Indonesia with the largest Muslim population in the world only ranks fourth with the percentage of sukuk issuance (8, 1 %) is far behind from Malaysia (55%). This certainly raises the question, why the development of sukuk in Indonesia can not be more rapidly again as happened in neighboring Malaysia.

In terms of demand, Sukuk Negara is in great demand from investors, where since it was first launched, the Sukuk Negara recorded a record of potential investors who are far above the amount of sukuk to be issued by the government. This means the public sees the State Sukuk as a lucrative investment alternative, while the risks contained in the Sukuk Negara can be said to be zero. This is because the State

Sukuk is issued by the Indonesian government, and fully guaranteed by the government, the State Sukuk belongs to a *risk-free investment* instrument.

A sovereign, when the government increased emissions of sukuk, it will provide benefits for the people of Indonesia because increasing alternative sources of funding in the Budget Penda ents and Expenditure (APBN), m enurunnya portion of the source of funds from the issuance of obligation or public debt, m Enhancing independence of the nation , encourage the growth of Islamic euangan kthoroughly, even the most important are eni n m obtained gkatnya blessing Indonesian people for using those resources that are free of usury, as Allah says in Surat al-Araf: 96

By the end of 2017, the issuance of Sukuk as a source of national development fund experienced significant improvements, of amounting to Rp.11 trillion in 2013, rising to Rp.16, 7 trillion in 2017. However, when compared to the size of the state budget, Sukuk issuance The country is still very small, about 0 , 8 % only. On the other hand, Indonesia's debt in 2017 reaches Rp3,600 trillion, if the State Sukuk is upgraded its emission, then the state will be greatly helped. It can be said that the issuance of sukuk is a form of financial independence of the state, because the people of Indonesia who buy the State Sukuk, especially retail sukuk, is a form of direct participation of society on national development. The issuance of the State Sukuk can also be said to be a form of mutual cooperation among Indonesians to participate in financing state projects. When compared to the government's efforts to get the source of funds from debt to third parties, then of course loaded with the political interests of donor countries, the development of the State Sukuk becomes an alternative source of potential and strategic funding for the sustainability of national development. .

Various studies on sukuk have been done, among others by Hafiduddin (2007) who examines the possibility of using sukuk for financing in agriculture. Ascarya (2009) also wrote about the comparison of sukuk developments in Malaysia and Indonesia. On the other hand Rusjdiana (2010) has also been researching about the issues surrounding corporate sukuk in Indonesia, while Musari (2012) examines the State Sukuk and the welfare of a nation.

Although there have been a lot of research on sukuk, but there is no deep and comprehensive research to answer why sukuk in Indonesia, especially Sukuk Negara, has a relatively small growth compared to sukuk in other Muslim majority countries. Given the magnitude of the role of sukuk in a country's economy, it is very important to do the research in question.

Basic Concepts of Investment in Islam

In various economic literatures the term of investment refers to the notion of delaying current consumption for use in efficient production over a given period (Jogiyanto, 1998: 5). While Sharpe (1995: 1), states that investment means sacrificing dollars now for more dollars in the future. From the definition of these investments, the implied three elements on investment activity, namely, first, the sacrifice of resources, second, the uncertainty, the third, the results or the expected returns in the future. Investments are also interpreted as delivering funds for a specified period of time and providing returns to invest or as a reward for time sacrificed, after accounting for factors about the inflation rate and the risks inherent in the investment (Shamsudin Ismail 1992: 728). Adiwarman Karim (2001: 21) explains that investment in Islam is to distinguish between money (money) and capital (capital). In Islam money is a flow concept whereas in conventional is stock concept. In the economy, the more money spins the better the rate of economic growth. In this case, Islam forbids the accumulation of money so as to establish the concept of al-qard and alms that can accelerate the circulation of money. Me nurut Huda (2008: 18) the concept of an investment than as a nuanced also spiritual knowledge for using the norms of sharia, as well as the essence of a science and charity, therefore the investment is highly recommended for every Muslim.

Sovereign Sukuk

Based on the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Sukuk is a certificate of equal value representing a share of ownership entirely to tangible assets, benefits and services or ownership of assets of a particular project or investment activity. The most obvious Sukuk and Obligation comparison is its compliance with sharia, both its contract and its use of funds, in addition to the necessity of underlying asset, which in the second bond does not necessarily exist because the sukuk definition is a proof of ownership of an asset while the bond is a debt. Several types (sukuk) sukuk have been issued by both government and private companies (Hospital & Ta, 2019).

Sukuk are divided into two types, namely sukuk type as collateral assets, or sukuk as business investment. As collateral asset or asset sukuk asset is usually designed in the scheme of sale and purchase

agreement by using murabahah (general buying), Istisna (buying and selling by order first) and greetings (buy and sell with advance order and payment paid in advance of contract), or lease agreement scheme with an Ijarah contract (lease on an asset). Whereas, if the sukuk as a business investment or business investment can use a mudaraba contract (a partnership in which one party deposits 100% fund, the other provides 100% skill) or musyarakah (each party deposits a certain amount of capital and skill in agreed percentage).

Sukuk as an Islamic financing instrument is a very important product for producers and investors, both state and private. For the country, sukuk is used as a financing tool for mobilizing capital, a means to foster the participation of private parties in financing public interest projects, becoming instruments for fostering domestic and inter-national investment, and fiscal decentralization.

Based on the issuing institution, the sukuk is divided into two, the sukuk corporates, namely sukuk issued by private companies, as well as sukuk issued by government agencies (Sovereign Sukuk). In Indonesia sovereign sukuk is called State Sukuk which is Government Shariah Securities (SBSN) issued based on sharia principles as proof of the share of state assets, both in the currency of Rupiah and Foreign Currency. According to Hadiningdyah (2014), there are several important meanings of the State Sukuk. First, Sukuk Negara as diversified funding sources, which means that Sukuk provides an alternative source of funds for the government. If the source of funds so far more derived from debt, then now the government can get the source of funds from the public investors but not based on debt and comply with sharia. Secondly, the State Sukuk as a tool in liquidity management. With the issuance of the State Sukuk, Islamic banks have the freedom to choose financial instruments to maintain their liquidity. Furthermore Sukuk Negara is also very useful in providing choices (choices) for the investor community to get a safe investment products and in accordance with sharia. Finally, the State Sukuk is useful in terms of financing infrastructure projects being undertaken by the government.

RESEARCH METHOD

Based on the formulation of the proposed problem, this research is aimed to elaborate the problems in the development of State Sukuk, as well as to find the right solutions and implementation strategies based on the opinions of experts and stakeholders, this research uses qualitative research approach which has the characteristics of research that prioritizes non positivistic paradigms, inductive and constructive approaches to the meaning of the facts and not just objectively measuring the facts. Qualitative approach is chosen because it has advantages because to answer the problems in this study can not be done with quantitative measurements, but need to involve related aspects. To answer the problem formulation that exist in this research, then collecting and analyzing data using Analytic Network Process (ANP). Data research obtained by conducting in-depth interviews (in-depth interviews) with stakeholders include regulators, managers of associations, academics and practitioners who have an understanding of the issues discussed. From the informant's assessment data to the problem that became the object of research, then becomes the object of research in numerical scale. The numerical scale is a scale of 1 to 9 to indicate whether the respondent agrees or disagrees with a statement.

Selection of Informants in this study was conducted by considering the understanding of informants on the problems in the development of State Sukuk in Indonesia. The number of informants in this study consists of twelve people, with the consideration that they have expertise related to the State Sukuk. The twelve informants are dikelompokkan in 4 groups namely, 1) regulator, in this case is the ministry of finance, especially the directorate of debt management of the country, 2) a scholar or sukuk expert who has a track record of research and a good understanding of sukuk and existing problems related sukuk, 3) a association, ie informants who are actively involved in associations related to Islamic finance, especially the State Sukuk. Consisting of the association of Islamic Economic Society (MES), 4) praktisi, the informant who in their daily work using sukuk in its investment portfolio

RESULTS AND DISCUSSION

Overall ANP results show that most respondents (Association, Regulators, Practitioners) agree that in terms of problems, Issuers (31.2%) are the most important issues in sukuk development, followed by Legal (23.9%) where most Academics contributing in summarizing the Legal problem is the main problem faced in the development of sukuk. Meanwhile, equally important is the market problem (23.8%) which occupy the third priority, although according to the views of each category of respondents still disagree in the order of

priority. Similar to market problems, the problem faced by Investors (21.1%) is also a problem that occupies the last priority in the development of sukuk in *overall* (overall)

Prioritas C luster S olusi

In line with the overall ANP results in assessing the problems faced in the development of sukuk, shows that most respondents (Association, Regulators, Practitioners) agree that from the solution side, Issuer (32.3%) is the main solution to deal with sukuk development issues especially in tackling the problem arising from the issuer's side. Then followed by the Legal solution (28.4%) where the Academics group contributed most in concluding the Legal solution is the main solution that must be done to develop sukuk. Meanwhile, equally important is the Market solution (23.3%) that occupy the third priority, although according to the views of each category of respondents still disagree in the order of priority. Similar to the market solution, the solution that must be done immediately is the solution from the Investor side (16%).

Cluster Strategy Priority

In line with the overall ANP results in assessing the problems faced and the proposed solutions in the development of sukuk, shows that most respondents (Association, Regulators, Practitioners) agree that from the aspect of strategy, Issuers (37.9%) are the main strategies in sukuk development especially in tackling problems arising from the issuer's side and the strengthening of policy solutions to be implemented. In contrast to priority outcomes of problems and solutions, a more important strategy is market strategy (23.1%) in the view of the Association, Regulators, and Practitioners. Then followed by legal strategy (21.9%) and last strategy of investor (17.1%).

Priority Detail Issues

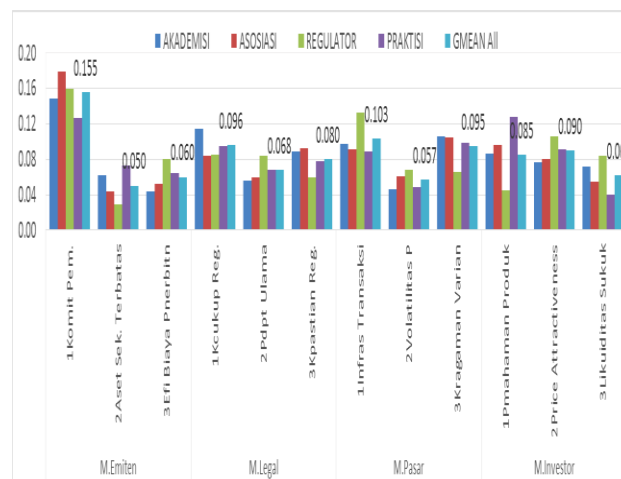


Figure 5. 9

ANP Results Priority Detail Issue

From the point of view, the ANP results in detail indicate that all respondents (Academics, Associations, Regulators, Practitioners) agree that the most important issue element is the government commitment (15.5%), followed by the transaction infrastructure (10.3%) and the third priority *overall* it is said that the adequacy of regulation (9.6%) is also a major problem encountered in the development of sukuk.

Priority Detail Solutions

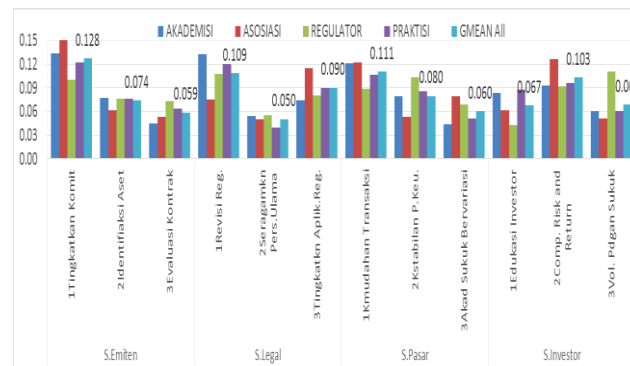


Figure 5. 10

ANP Priority Detail Solution Results

In terms of the proposed solutions, ANP results in detail indicate that all respondents (Academics, Associations, Regulators, Practitioners) agree that the most important solution that should be immediately done is to increase government commitment (12.8%), this is in line with the problems encountered . Then followed by the convenience of the transaction (11.1%) and the third priority in whole said that the regulatory revision (10.9%) is also the main solution that should be done by the regulator in sukuik development.

Priority Detail Strategy

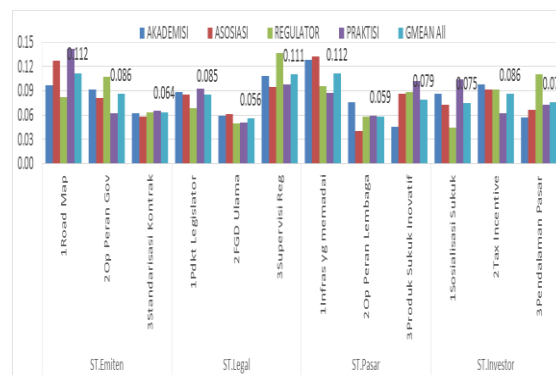


Figure 5. 11

ANP Priority Detail Strategy Results

From the proposed strategy side, the ANP results in detail indicate that all respondents (Academics, Associations, Regulators, Practitioners) agree that the most important strategy that must be done is to make Road Map and provide adequate infrastructure (11.2%), this in line with the problems encountered. Then followed by regulatory supervision (11.1%) and the third priority in whole said that the optimization of the government's role and the tax incentive (8.6 %) will also stimulate the development of the national sukuik

CONCLUSION AND RECOMMENDATION

The most influential factor in developing the State Sukuik is divided into three groups. Problem groups, Solutions Groups and Strategy Groups. Three of the most important issues to be resolved is the government's commitment (15,5%), inadequate infrastructure transactions (10.3%) and the adequacy of regulation (9.6%). The three most important solutions that should be the attention of policy makers are the importance of increasing government commitment (12 , 8), ease of transaction (11.1%), and regulatory revision (10.9). The three most important strategies that need to be implemented soon are making the road map of Islamic finance development, in addition to providing adequate infrastructure by the government (11.2%),

the importance of supervision of regulatory implementation (11.1%) and the importance of optimizing the role of government and the existence of tax incentives in trade State Sukuk (8.6%). The recommendation are: 1) Certainty of taxation through revised regulation and tax incentive must be done immediately. Minimum amount of tax on sukuk is equal to bond, so sukuk and bond can compete equally in capital market. 2) The role of government in supporting the development of State Sukuk can be optimized further by doing certain project-based financing or covering the budget deficit with State Sukuk instrument

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