

ANALYSIS OF NON-PERMANENT SUKUK INVESTMENT IN THE PANDEMIC ERA

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Abstract

In simple terms, sukuk are sharia securities. In another sense, sukuk are sharia securities which are one of the investment instruments. Sukuk is a form of investment that has an impact on the national economy, which is currently weakening due to the Covid-19 pandemic, which has had an impact on the stagnation of the community's economy, from business to financial institutions (sharia and conventional). The state has a need to fulfill the state budget in order to quickly respond to problems from the impact of covid 19. This paper is intended to analyze non-permanent sukuk investments during the COVID-19 pandemic. The data collection process is carried out by analyzing the observed data through OJK statistics and collecting various information related to COVID-19 and the data is analyzed qualitatively. Based on the results of the study, it was found that Sukuk became a source of funds for the government to finance development, thus creating new jobs for the community in the long term. Sukuk provide benefits for the liquidity of Islamic financial institutions due to the impact of COVID-19, as well as investment facilities for the community.

Keywords: Non-Permanent Investment; Sukuk; Impact; Covid-19.

1. Introduction

Sukuk are not new in the Islamic world. In the country, the sukuk instrument has also become a sharia financial instrument which is believed to strengthen the competitiveness of profits for sharia finance practitioners. Funding contributions in development are currently in the socialization stage and provide a strong understanding of Islamic financial products. Currently, many sukuk are issued based on ijarah or lease contracts, where investment returns will be generated based on the flow of rental payments. Not only that, sukuk are issued in the form of a sharia contract. Sukuk are issued by a Special Purpose Vehicle (SPV). Contracts used for sukuk usually use ijarah, mudharabah, murabahah, musyarakah, istishna, and greeting contracts.

The current situation, with the Covid-19 pandemic, has also affected the issuance of sukuk. It can be seen that COVID-19 is a positive single strain RNA virus, encapsulated and not segmented. Coronavirus belongs to the order Nidovirales, family Coronaviridae. The structure of the corona virus forms a cube-like structure with the S protein located on the surface of the virus. S protein or spike protein is one of the main viral antigen proteins and is the main structure for gene writing. This S protein plays a role in the attachment and entry of the virus into host cells (interaction of protein S with its receptors on the host cell). Coronavirus is sensitive to heat and can be effectively inactivated by disinfectants containing chlorine, lipid solvents at 56°C for 30 minutes, ether, alcohol, peroxyacetic acid, non-ionic detergents, formalin, oxidizing agents and chloroform. Chlorhexidine is not effective in inactivating the virus.

With this virus, Sukuk has decreased as evidenced by the withdrawal of the SBSN auction or sukuk conducted by the government. From the auction, the government received funds of 6.6 trillion. This is still less than the target set, but this figure is quite high considering the current economic downturn. The funds collected from the auction will be held by the government and then channeled to the business world through special loans that are made as cheap as possible. This aims to reduce layoffs that often occur due to the company's lack of cash flow and financial liquidity. From this explanation, it can be concluded that sukuk are quite influential for the economy during the COVID-19 pandemic, considering that sukuk investment has a small risk (Mamari et al., 2020).

2. Literature Review

In 2009, the first sukuk was issued by the Ministry of Finance of the Republic of Indonesia under the name Retail State Sukuk 001 (SR 001). Retail sukuk are sharia investment products offered by the state to individual Indonesian citizens as investments that are easily affordable, profitable and safe. The last SR 011 series was offered in March 2019. State sukuk play an important role in increasing government investment, empowering domestic industry, improving public services, and developing state infrastructure (Hendra et al., 2022). The increase in the Islamic financial market is indicated by the increase in the total accumulation of corporate sukuk issuances. Previously, it was recorded that corporate sukuk amounted to Rp. 20.4 trillion in 2016 and became Rp. 35.6 trillion in October 2018. The economic progress of a country will not occur if the infrastructure is not adequate and not sufficient. Indonesia is still far behind other countries in the ASEAN region in terms of infrastructure development. Sharia financing and financial markets are some of the aspects used to support national development through sharia economic and financial support. Among the sources are the issuance of SBSN and corporate sukuk.

The return given by sukuk is indeed higher than deposits and savings, in addition to the lower average investment risk, making sukuk an investment that is currently considered (Silalahi et al., 2020 and Muda et al., 2020). At the global level as reported by IIFM in 2017 that global sukuk emissions have reached USD 88.4 billion, this indicates a significant increase of 44% of the total emissions in 2015 (Salsabila et al, 2022). Not much different in Indonesia as of 2017, Indonesian corporations have 60 series of outstanding sukuk with a total value of 14.3 Trillion. This value is indeed small compared to state sukuk which are only 53 series but have a value of Rp. 485.4 trillion. From the data and description of sukuk above, it can be stated that the optimization of corporate sukuk development in Indonesia is still lacking. Many people accuse that the mechanism of corporate sukuk transactions is too complicated so that many practitioners do not understand or are reluctant to learn to understand it. In essence, all sides need to find a way out by formulating a strategy to improve the corporate sukuk mechanism.

3. Methods

In this study, qualitative analysis techniques were used by conducting a literature review of the opportunities and challenges that existed in the development of sukuk in the Covid-19 Pandemic Era.

4. Results and Discussion

4.1. Results

State expenditure accommodation aimed at public infrastructure development is certainly very likely for state and corporate sukuk. This can reduce the country's dependence on new debt, because debt will be counterproductive to development (Heikal et al., 2021). Such a large investment opportunity will certainly have strong legitimacy if it is based on professionalism in the issuance and management of this Islamic financial instrument. The economic interests of investors must of course be secured with service and security for funds that have been invested in sukuk or State Sharia Securities (SBSN).

The law on SBSN has indeed been passed since 2008 and of course this is proof of the government's seriousness in developing sukuk in Indonesia, as a consequence of this law it is necessary to provide facilities and infrastructure that encourage investors' convenience in investing. However, the shari'ah screening must also be fulfilled. Sukuk not only attract investors from Middle Eastern Muslim countries which are famous for controlling oil, but also gather investors from other countries. The flexibility of sukuk is indeed an attraction for investors such as the purchasing, payment and income systems (Khaddafi et al, 2018). Investors when comparing sukuk with bonds found that sukuk is very low.

The State Sharia Securities (SBSN) or Sukuk market plays a very important role in development, it is proven that the government has succeeded in making many achievements in the

last 10 years, especially after the issuance of the sukuk instrument. Through various auctions, book building, and private placements until 2018, the issuance of state sukuk has accumulated more than Rp. 950 trillion with an outstanding of Rp. 657 trillion. Currently, Indonesia is even the largest issuer of Global Sukuk in the world with a value of US\$ 16.15 billion as of September 2018, this value surpasses Saudi Arabia's only US\$ 9 billion (Media Kontan/Investment, 2018).

There is a development of the state sukuk instrument in the period from 2019 to 2020. Various types of sukuk the country experienced fairly good growth, and two types of sovereign sukuk decrease. The type of sukuk that experienced the largest growth was the type of PBS sukuk with a private settlement scheme which grew by 214.39%, then the type of retail sukuk grew by 72.93%, then the auction PBS sukuk which grew by 39.59%. As for the types of sukuk that have experienced a decline, namely the type of savings sukuk decreased by -35.76 percent, and the type of SPN-S sukuk decreased by -30.01 %. A total of six types of sukuk above experienced a growth of 40.80 percent with a total of 364.250,000,000,000. Several types of state sukuk are not mentioned above, namely foreign currency and foreign currency sukuk linked waqf (CWLS), and others (Muhammed et al., 2022). The need for APBN financing due to the Covid-19 pandemic where Bank Indonesia is the last resort at every SBSN auction starting in April 2020 based on PMK No. 28/ PMK.02/2020. The average indicative target per auction in 2020 is IDR 12.42 trillion or much higher than in 2019 IDR 8 trillion/ auction except for some frequencies that are adjusted to market conditions. In general, the Government was able to meet the SBSN issuance target through auction, while still paying attention to the cost and risk of borrowing and being prudent in determining the winning bid. During 2020, the Government twice issued social investment instruments through the Cash Waqf Linked Sukuk (CWLS) series through private placement and bookbuilding methods. The first issuance was carried out on March 10, 2020 with a nominal value of IDR. 50,849,000,000.00 (fifty billion eight hundred forty-nine million rupiah).

4.2. Discussion

The 2019 Corona Virus Disease (Covid-19) pandemic has devastated the world economy. Many analysts say this is an extraordinary global recession tsunami. Lockdown policies in several countries to avoid the spread of the virus have had a very fatal impact on the distribution of goods and services, production and ultimately undermined losses in all sectors and all levels of society, especially the export and import activities of goods. The government is also required to be able to vaccinate for free to be able to overcome this easily contagious virus. The IMF has calculated that the world economic growth forecast due to this pandemic is at minus 3.0 in 2020 to 2021. Developed countries are expected to experience serious impacts and have to give up their economic growth at minus 6 percent, while developing countries also experience the same contraction but growth is not more severe than developed countries (Sakinah, 2022).

Sukuk are in principle similar to bonds, with the main differences, among others, in the use of the concept of return and profit sharing as a substitute for interest, the existence of an underlying transaction in the form of a certain number of assets that form the basis for issuance, and the existence of a contract or agreement between the parties which is prepared based on the principle of - sharia principles. The sukuk transaction is not a debt contract but an investment, because debt securities give the impression of interest which according to sharia is not lawful so it cannot be issued. This causes sukuk to be referred to as securities, not debt securities.

In addition, sukuk must also be structured according to sharia so that these financial instruments are safe and free from usury, gharar and maysir. Sukuk are an investment alternative for those who consider the economic benefits and the halal aspect of investment. In a simple form, sukuk are issued by a company or issuer as manager and purchased by investors. The income received by investors can be in the form of profit sharing, fees, and a certain margin. When

it matures, the principal of the loan will also be returned to the holder. investors act as owners of capital. The profits obtained by investors are a proportionate part of the profits from managing funds by investors.

5. Conclusion

The development of the state sukuk instrument in the period 2019 to 2020. Various types of state sukuk experienced quite good growth, and two types of state sukuk experienced a decline. The type of sukuk that experienced the largest growth was the PBS type of sukuk with the private settlement scheme which grew by 214.39%, then the retail sukuk grew by 72.93%, then the auction PBS sukuk which grew by 39.59%. The types of sukuk that experienced a decline were the savings sukuk which decreased by -35.76 percent, and the SPN-S sukuk decreased by -30.01 percent. Sukuk is a sharia financial product that has a legal basis and a fatwa from the National Sharia Council. Law Number 19 of 2008 concerning SBSN is the main basis for sukuk activities. By ownership of government-owned sukuk and corporate sukuk. The Opportunities and Challenges of Sukuk as Islamic Financial Instruments for the future are determined by the current period. Global economic conditions including Indonesia are still overshadowed by an economic recession because the Covid-19 pandemic still affects people's mobility which results in a decline in economic performance and development. In this case, Sukuk are highly dependent on policies and the role of the government in providing incentives, regulations, and encouraging corporations to use sukuk because the investment risk is very low.

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