

Determination Sovereign Sukuk in Indonesia in 2011–2016

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Keywords: Sovereign Sukuk, Economic Growth, JUB, SBIS, Multiple Linear Regression.

Abstract: This study aims to determine the value of sovereign sukuk that are affected by macroeconomic variables in this case economic growth, Money Supply (JUB), and Bank Indonesia Sharia Certificates (SBIS). This study uses secondary data with time series data type and used monthly for the period 2011-2016. The research method used is descriptive and verifikatif method with multiple linear regression analysis. Variable Dependent in this research is sukuk country. Furthermore, the independent variables in the research are economic growth, JUB, and SBIS. Based on the results of the research note that economic growth has no significant effect on the value of sovereign sukuk with a positive related. While JUB has significantly effect on the value of sovereign sukuk with a positive related. As well as SBIS has significantly effect on the value of sovereign sukuk with a negative related.

1 INTRODUCTION

The concept of Islamic Finance is growing rapidly, universally accepted and adopted not only by Islamic countries in the Middle East region but also by various countries in Asia, Europe and America. It is characterized by the establishment of various forms of Islamic financial institutions and the issuance of various syariah-based financial instruments (Azwar, 2015).

One of sharia financial instruments that have been widely published both by the state and corporations are sukuk. According to the Accounting and Auditing Organization for the Islamic Finance Institution (AAOIFI), the Sukuk is a certificate indicating proof of ownership divided into a tangible asset, the value of benefits, services or asset ownership of a particular project or investment activity.

Sukuk is a sharia bond and is based on the concept of securitization, sukuk is an alternative to Islam for asset monetization, project financing, financing through assets supported by securitization and public financing (Shaikh, 2010).

The development of sukuk in Indonesia begins with the fatwa of the National Sharia Council, Indonesian Council of Ulama (DSN-MUI) Number 32 / DSN-MUI / IX / 2002 concerning Syariah Bonds, in 2008 the development of sukuk increased when the Indonesian government through the minister of

finance took part by issuing State Sukuk in the form of Government Sharia Securities (SBSN).

The main objective of the government to issue sukuk is to finance the state budget, including to finance the construction of the project. As mentioned in Article 4 of the SBSN Law, the purpose of SBSN is to finance the State Budget (APBN), including to finance the construction of the project (Kholis, 2010).

The development of Sovereign Sukuk in Indonesia is shown in the following figure:

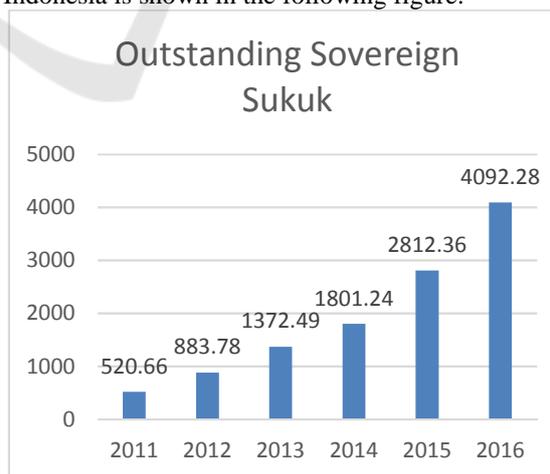


Figure 1: Outstanding Sovereign Sukuk in Indonesia. Sumber: DJPU, Kemenkeu (2015).

Through Figure 1 can be seen that the development of sukuk in Indonesia experienced a positive trend from 2011 to 2016. This achievement is quite encouraging.

However, if we compare it with other countries that have also been issuing sukuk, it is still small, especially when compared with Malaysia. The following is data of countries that have become sukuk publishers and sukuk types issued according to 1Q2015:

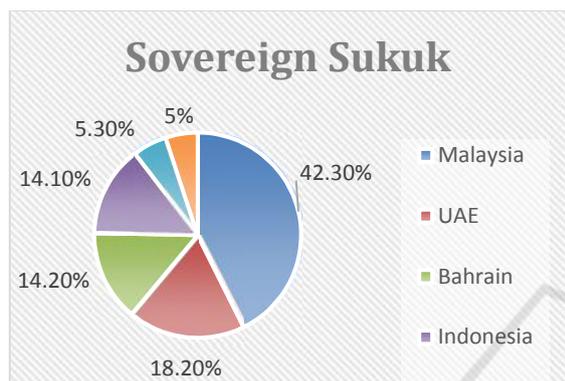


Figure 2: Sukuk by Country of Issuer and Type of Sukuk. Sumber: ISRA, IFIS, Zawya, Bloomberg (2015)

Based on data above Indonesia is still far below Malaysia in terms of issuing sukuk. The time factor of the issuance of sukuk in Indonesia is still new is also a reason that causes the issuance of sukuk in Indonesia is small.

According to Irfan Sauqi Beik in his research stated that the issuance of sukuk in Indonesia can not be separated from the macroeconomic conditions that exist in this country. Irfan Sauqi Beik further stated that in the long run, the issuance of sukuk in Indonesia is influenced by macroeconomic indicators, namely economic growth and money supply with positive relationship, and open unemployment and inflation with negative relationship. In addition, long-term sukuk issuance is also affected by the bonus of Bank Indonesia Sharia Certificate (SBIS).

2 LITERATURE REVIEW

Issuance of sukuk serves as a financing instrument and also investment that can be offered into various shapes or structures according to sharia (Burhanuddin, 2009).

The Interest-Listed Issuers Team at Capital Market-BAPEPAM LK (2009) mentioned that the most influential factor in issuing sukuk is external

factor, the most influential external factor is the excess liquidity in the market. This market liquidity distorts the current economic condition.

Macroeconomic factors have been empirically proven to have an effect on capital market conditions in some countries. These factors are economic growth, inflation, exchange rate (Tandelilin, 2010).

According to the theory of macroeconomic transmission, the issuance of sukuk as an investment instrument can be used by the government to reduce macroeconomic problems, such as inflation and unemployment. Sukuk can also contribute in boosting economic growth. Based on the theory of monetary transmission, the issuance of sukuk can also be used in controlling the money supply through a contractive policy. Issuance of sukuk in Indonesia is also inseparable from the macroeconomic conditions in this country (Beik and Rini, 2012).

3 METHODOLOGY

The method used in this research is descriptive and verifikatif method with multiple linear regression analysis. Objects in this study are Sovereign Sukuk, Economic Growth (GDP), Total Money Supply (JUB) and Bank Indonesia Sharia Certificates (SBIS) period 2011-2016. Data were collected through literature studies and documentation.

4 RESULTS

The general description of the dependent variable is the sovereign sukuk as follows:

Table 1: General Description of sovereign sukuk.

Year	Outstanding Sukuk
2011	520,66
2012	883,78
2013	1.372,49
2014	1.801,24
2015	2.812,36
2016	4.092,28
Amount	11482.81
Average	1913.80

Based on data from Table 1 it can be seen that the development of sovereign sukuk in Indonesia is very encouraging, until 2016 the value of the sukuk country traded is 4,092,28 trillions rupiah, 45,51% increase from previous year, and increase 685% from year 2011. The types of sukuk countries traded

include Sukuk Retail (SR), Islamic Fixed Rate (IFR), Project Based Sukuk (PBS), Indonesian State Sukuk (SNI) and Sharia State Treasury (SPNS).

Factors affecting the issuance of state sukuk by the Indonesian government are the factors of fiscal stimulus financing required by the government to finance infrastructure development and to finance the state budget deficit (Irfan, 2012).

The general description of the independent variables namely economic growth, JUB and SBIS as follows:

Table 2: General description of GDP, JUB, SBIS.

Year	GDP	JUB (Billion)	SBIS (Billion)
2011	6.17	2.571.164,25	5431
2012	6.03	3.043.937,08	4632.6
2013	5.56	3.465.391,64	5263
2014	5.01	3.867.679,49	10925
2015	4.88	4.357.423,74	6522.5
2016	5.02	4.698.075,00	4781
Amount	32.67	22,003,671.20	37555.1
Averages	5.45	3,667,278.53	6259.18

Based on Table 2, GDP growth in Indonesia from 2011 to 2016 has fluctuated, but tends to decline. This is due to several factors such as the decreasing of people's purchasing power and the lack of government spending and excessive export and import activities, the economic slowdown of export destination countries such as China and Europe has had a major impact on the decline of Indonesian exports. (Sari, 2015)

JUB from 2011 to 2016 continues to increase. According to Bank Indonesia (BI), the increase in M2 was caused by the acceleration of banking credit that grew. The development of JUB is inseparable from the role played by the central bank. Other factors that greatly affect the behavior of money supply are primary money and multiplication of money.

SBIS from 2011 to 2016 has fluctuated. The highest nominal value of SBIS is in 2014 and the lowest is in 2016. SBIS issuance depends heavily on the role of Bank Indonesia in conducting Open Market Operations (OPT), where when BI considers that liquidity calculation as well as from interest rate indicator in interbank money market (PUAB) excess liquidity, BI will use its OPT policy in which SBIS is one of the instruments used to reduce the excess liquidity.

The result of the data obtained related to three variables in this research then processed and analyzed using multiple regression model to obtain the following equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$\text{Sukuk} = -15,63 + 0,008\text{PDB} + 3,28\text{JUB} - 0,02\text{SBIS} + e$$

4.1 Partial test of hypothesis (t Test).

Hypothesis testing partially using t test with error rate ($\alpha = 5\%$) obtained result as follows:

Table 3: The Result of t-Test.

Variable	t-Stat		t-Table	Prob.	Conclusion
GDP	1.72	>	1,67	0.0899	Insignificant
JUB	36.56	>		0.0000	Significant
SBIS	-2.14	>		0.0356	Significant

Based on the data from the Table 3, it is known that GDP has a positive effect but not significant on the sovereign sukuk, JUB has a significant positive effect on the sovereign sukuk, and SBIS has a significant negative effect on the sovereign sukuk.

4.2 Simultaneously test of hypothesis (F Test)

F test is performed to test the overall hypothesis with the error rate ($\alpha = 5\%$) obtained the following results:

Table 4: The Result of F-Test.

Variable	F Stat		F table	conclusion
GDP, JUB, SBIS	453.0795	>	2.74	Significant

Based on Table 4, it is known that F-statistic (453.08) is greater than F table (2.74), and Probability (0,0000) is smaller than significance level (0.10). Then it can be concluded that all independent variables (GDP, JUB and SBIS) together influence the dependent variable that is sovereign sukuk.

4.3 Determination Coefficient Analysis (R²)

Estimation result obtained value of R² equal to 0,95, that is mean contribution of independent variable that is economic growth, Total Money Supply and SBIS to dependent variable that is sovereign Sukuk equal to 95% and rest of 5% influenced by other factor outside estimation model.

4.4 Effect of GDP on Sukuk

According to the theory of macroeconomic transmission of sukuk issuance can contribute to the increase of economic growth, and high economic growth will increase the issuance of sukuk because high economic growth reflects the good economic condition. According to Irfan Sauqi Beik Sukuk issuance in Indonesia is inseparable from the existing macroeconomic conditions in the country, one of which is economic growth. (Beik, 2012)

Based on the results of previous research studies related to the effect of GDP on the value of sukuk such as Irfan Sauqi Beik and Mustika Rini (2012) and Selvianty (2015) stating that GDP positively affects the value of the Sovereign Sukuk.

The other results are also obtained from research conducted by Melati (2013) stating that GDP has a negative effect on sovereign sukuk.

Thus it can be concluded that GDP has no significant effect on the value of sukuk country in Indonesia, so the results of this study is less appropriate and supports some previous research results. This may be due to several possible differences between the years of research used, and economic growth is a reflection of the Indonesian economy in a macro and very broad range, while sukuk is only one part of the Islamic investment instrument that is a small part of the overall investment in Indonesia. Therefore, it is unlikely that economic growth will have a significant impact on sukuk, but it is undeniable that GDP does have an influence on sukuk country with a positive relationship although its influence is not too big or not significant

4.5 Effect of money supply (JUB) on Sukuk

Based on the portfolio theory of money demand, the amount of money in circulation is related to investment. This theory says that money is part of the asset portfolio, money provides a different combination of risks and returns compared to other assets (Mirazdianti, 2014).

BAPEPAM LK (2009) states that the most influential factor in the issuance of sukuk is an external factor, the most influential external factor is the excess liquidity in the market. The condition of this excess liquidity market in terms of the amount of money circulating in the market has increased, so to avoid inflation caused by excess amount of money circulating the government in this case Bank Indonesia will conduct a contractive policy through

open market operations by issuing investment instruments one of which is sovereign sukuk. This is in line with the theory of monetary transmission, in which the issuance of sukuk can be used in controlling the money supply through a contractive policy.

On the other hand, the results of this research support some of the previous research results related to the influence of JUB on the sukuk value, among others are research from Selvianty (2015) and Nugroho (2008) stating that JUB has a positive and significant influence on the growth of sukuk.

The same result is also given by research conducted by Irfan Sauqi Beik and Mustika Rini (2012) that JUB have positive effect on sukuk. When there is an increase in the money supply in the community, the government will issue sukuk as one of the instruments that can be used in open market operations.

4.6 Effect of SBIS on Sukuk

The purpose of the issuance of Bank Indonesia regulation concerning SBIS is intended as one of Open Market Operation instruments in the framework of monetary control based on sharia principles. The calculation of bonuses granted to SBIS refers to the discount rate on the results of the same period SBI auction issued simultaneously with the issuance of SBIS.

The interest rate also determines the price of a bond. One of the determinants of whether the bond price is attractive or not is the interest rate given to bond investors. If interest rates in the market decline, investors tend to buy bonds with higher coupons than deposits so bond prices tend to rise (Raharjo, 2004).

According to Khan in Nurul Huda (2008) states that investment demand is determined by the level of profit expected by investors, this has a very big influence on the decision of investors in determining what type of investment will be chosen. That is, if the profit provided by an investment instrument other than a sukuk is higher than that of a sukuk, theoretically, the investor will prefer to invest in the higher yielding instrument.

With the selection of this type of investment will affect the issuance of sukuk. So when the value of SBIS increases will affect the decline in value of sukuk, because SBIS is also one of the investment instruments into consideration investors in investing. In other words, this SBIS has a negative relationship with the value of sukuk.

On the other hand, the results of this research support the results of previous research studies related

to the influence of SBIS on sukuk such as the research conducted by Irfan Sauqi Beik and Mustika Rini (2012) stating that in the long run the issuance of sukuk is influenced by the SBIS rate. When SBIS rewards rate is given high then investors will choose to buy SBIS compared with sukuk, therefore SBIS variable has a negative influence on sukuk country.

Thus it can be concluded that SBIS influences the value of sukuk country in Indonesia with a negative relationship. The implications of the findings of this study are as a reference in the implementation of sukuk issuance of the state to be effective and efficient with regard to the rate of return applied by other investment instruments.

5 CONCLUSION

The results showed that economic growth (GDP) has an insignificant influence on the value of sovereign sukuk with a positive relationship. Total Money Supply (JUB) has a significant effect on the value of sovereign sukuk with a positive relationship. Bank Indonesia Sharia Certificates (SBIS) have a significant effect on the value of sovereign sukuk with negative relationship. Together GDP, JUB and SBIS significantly influence the value of sukuk country in Indonesia.

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