

The Islamic Sukuk and its importance for the economy: global experiences

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Abstract

The main objective of the study is to examine the importance of using Islamic sukuk as a tool of financing by analyzing the role of sukuk as an instrument for capital market development and resource mobilization and as an alternative financing tool for the economic development of the public and private sectors and the effect of sukuk on the economic growth in the largest sukuk issuer countries in the world. The research showcases 4 countries in different stages of sukuk market development namely, Malaysia, KSA, Indonesia and UAE. The study is conducted by analyzing the effect of issuing sukuk on the economic growth of the mentioned countries through using annual data over the period 2001-2019 of sukuk issuances as a proxy of the size of the sukuk market, collected from the annual sukuk reports of the International Islamic Financial Market (IIFM), as well as the GDP as a proxy of the economy size in

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The Islamic Sukuk and its importance for the economy: global experiences

addition to the inflation rate over the same period through the World Bank's data.

Another objective of the study is to identify the Islamic sukuk as a relatively new financial markets instrument, by discussing the emergence of Islamic sukuk through history, identify the meaning of Islamic sukuk and their different types, their features and why sukuk are important, and the differences between the Islamic sukuk and the conventional financial instruments (Bonds and Stocks).

Keywords: Islamic sukuk, financial instruments, global experiences, economic growth, GDP.

1.1 Introduction

The idea of finding a Shariah-compliant alternative to interest-bearing bonds, with features and benefits similar to bonds, had led to the contemporary development of sukuk as an Islamic financial instrument. Islamic financial institutions had needed a Shariah-compliant tool that could be structured as a short-term instrument, to manage their excess liquidity. They also needed a Shariah-compliant instrument to raise medium- to long-term large-scale financing. Corporations and governments alike had sought a non-interest-based financing vehicle to raise funding for infrastructure projects, real estate development, asset acquisition, business expansion and other socio-economic projects.

1.2 Statement of the problem

All countries are trying to enhance their economic performance and to do so, enough funds are required to finance the projects needed for achieving the economic development. Since the traditional financial instruments are not enough for funding medium and long-term investments and infrastructure projects, so it's necessary to develop new instruments that can help at fund raising process which are Islamic Sukuk.

The main problem of the conventional instruments is the concept of riba (interest rate) which is prohibited in the Islamic law and that led to the existence of instruments that comply with Shariah principles to attract Muslims of high net worth who are willing for their asset holdings to be compliant with Shariah rules. Sukuk are therefore attractive investment instruments for Islamic financial institutions, Shariah managed fund and takaful Islamic insurance companies that can't invest

The Islamic Sukuk and its importance for the economy: global experiences

in conventional securities that involve payment of interest “riba”

1.3 Importance of the Study

The importance of this study arises from the important role of Islamic sukuk because of its contribution at the great achievement has been made in meeting demands of the Muslim communities especially those living in none Islamic countries where the banking system and the capital market instruments operate entirely in a pure conventional riba-base system.

The importance of the Islamic sukuk, as an alternative financial instrument, has been clearly huge after the world financial crisis in 2008, when the financial markets were in need to effective and low risk financial instruments that can help in the diversification of the investments.

1.4 Hypothesis of the study

The study is based on testing the hypothesis that “There is a positive relationship between Sukuk and economic growth, by improving GDP, and reducing inflation.

1.5 Objective of the Study

The main objective of this study is to provide basic understanding of the concept of Islamic sukuk and its emergence and to analyze its role as an investment instrument for the financial markets development and as an alternative financing tool for the economic growth of the public and private sectors. The study showcases the experience of four countries, Malaysia, KSA, Indonesia and UAE, with the Islamic sukuk market.

1.6 Methodology of the study

A deductive approach will be used in the study to carry out an analytical review through defining sukuk and its emergence and its various types and the differences between them and conventional bonds and shares.

The analysis of the economic importance of sukuk will be through the comparison between the performance of sukuk market in 4 case studies to show the impact of sukuk on the economic growth of these countries.

Content

1. Sukuk Definition
2. Emergence of Sukuk
3. Importance of Sukuk
4. Types of Sukuk
5. Case studies
 - Malaysia
 - KSA
 - Indonesia
 - UAE

2.1 Sukuk Definition

Sukuk are financial instruments similar to bonds and stocks that are compliant with Islamic law “Shari‘ah”. Since Sukuk’s inception, Sukuk markets have experienced dramatic growth rates attracting the attention of the investors worldwide.

We can define Sukuk into two Aspects:-

The Islamic Sukuk and its importance for the economy: global experiences

- 1- **Linguistically:** Sukuk In Arabic language refers to the plural of “sakk”, which means “legal document”.
- 2- **Financially:** there are several institutions that have different definitions for Sukuk but they all refer to the same meaning.

Institution	Definition of Sukuk
The International Islamic Fiqh Academy. In Feb 1988, during the fourth session of the council in Jeddah	“An investment tool based on dividing the capital into equal shares, by issuing financial Sukuk with capital on the basis of equal units, and registered in the names of their owners as they have common shares in the capital and what is transferred to it in proportion to each of them”, (IDB, 2000).
Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)	“Instruments of Equal value represents common shares in ownership of property, benefits, services, or assets of a particular project or private investment activity, after collecting the value of the Sukuk, closing the subscription and starting using them for what they were issued for.” (AAOIFI Shari‘ah Standard No. (17), investment Sukuk).
Islamic Financial Services Board (IFSB)	“A pular of a sakk, usually referred to as an Islamic bond. Sukuk are certificates, and each sakk represents a right of ownership with a common percentage in tangible assets, or a mixed group of assets, or the assets of a specific project or a specific investment activity, (IFSB, 2009).

Securities and Commodities Authority’s Board of Directors’ in the United Arab Emirates	“Equal and tradable financial instruments that represent shares in the ownership of an asset or a group of assets, and are issued in accordance with Shari‘ah” (decision No. (16) of 2014 A.D regarding the Sukuk regulation).
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2.2 Emergence and development of sukuk market

Global sukuk market

Sukuk debut was in Malaysia in 1990 when Shell MDS Sdn Bhd (non-Islamic corporation) issued first Islamic bond (Laldin, 2008, P.229), after that there was no active Sukuk issuance until 2001 when more players such as Bahrain Government, and Singapore started issuing Islamic bonds (Dusuki, 2009, P.9).

Over the past two decades, sukuk have become a dynamic part of the Islamic financial system. The value of global sukuk issuances has increased hugely from \$1.172 billion in 2001 to \$145.7 billion in 2019 with an accumulated amount of \$ 1.247 Trillion. This growth has been led primarily by developing countries in South East Asia and the Middle East (IIFM, 2020).

Table (1): Global Sukuk Issuances by country (Jan 2001 – Dec 2019)

Country	Number of issues	Amount USD M	% of total value
Indonesia	490	98,908	7.93%
Malaysia	7,090	733,748	58.83%
Bahrain	437	33,735	2.70%
Qatar	53	33,667	2.70%
Saudi Arabia	217	146,291	11.73%
United Arab	140	88,688	7.11%

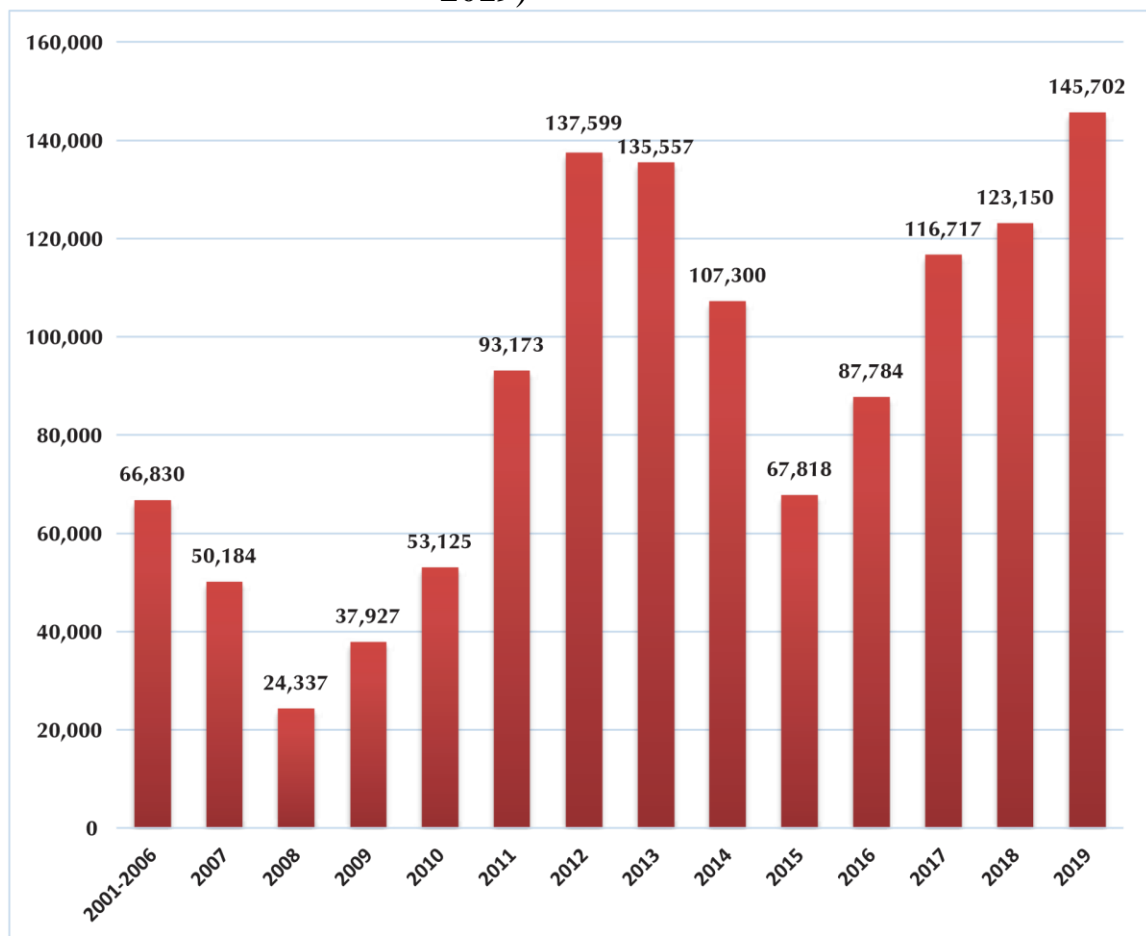
The Islamic Sukuk and its importance for the economy: global experiences

Emirates			
Turkey	585	40,544	3.25%

Source: IIFM, annual sukuk report 9th edition, 2020.

On an accumulative basis for the period 2001-2019, Malaysia continued to maintain the first position in sukuk issuances, whether on the global or the domestic level, while the UAE dominates sukuk issuances on the international level, Malaysia's total sukuk value is 733.75 billion dollars, followed by Saudi Arabia with a total value of 146.29 billion dollars, Indonesia with total value of 98.91 billion dollars, the UAE with total value of 88.69 billion dollars, Turkey with total value of 40,544 billion dollars and Bahrain with total value of USD 33,735 billion.

Figure (1): Global Sukuk issuances (2001-2019)



Source: IIFM, annual sukuk report 9th edition, 2020.

Sukuk Emergence

The idea of securitization (bond or sukuk issuing) “Taskik” appeared on the economic world scene in the United States of

The Islamic Sukuk and its importance for the economy: global experiences

America in 1970s, when the National Mortgage Authority issued bonds based on loans secured by mortgages.⁴

In the 1970's, the world witnessed the beginning of the development of modern Islamic finance when the Islamic Development Bank, Faisal Islamic Bank and Dubai Islamic Bank were formed, to provide commercial banking activities that are compliant with Islamic Shari'ah. (IIFM, 2011)

As some researchers began to offer alternatives for prohibited conventional bonds such as "Muqaradah bonds", a new term that was first introduced in 1977, which is considered today as one of the types of Islamic sukuk. In 1983, a new type of Islamic bond was issued in Turkey, "participation bonds", which were intended to finance the construction of the Second Bosphorus Bridge.⁵

As for the emergence of Islamic sukuk, it goes back to 1983, after it became clear to the officials of the Malaysian Central Bank that "Bank Islam Malaysia" -the first Islamic bank in Malaysia- own government bonds or treasury bonds that is in violation of Islamic law, and therefore the Central Bank of Malaysia has resorted to issue investment certificates that do not contain interest in their mechanisms. Then the Islamic Fiqh Academy issued Resolution No. 5 dated on 4/8/1988, regarding Muqarada bonds and investment bonds, opening the door for Islamic companies to adopt these emerging formulas.

⁴ أحمد جابر بدران. (٢٠١٤)
⁵ منال بوضياف. (٢٠١٩)

In 1988, and because of the demand for capital market instruments as a result of the success of Islamic financial institutions to manage their balance-sheet liquidity. For the purpose of achieving this goal, the Council of the Islamic Fiqh Academy, emanating from the Organization of the Islamic Conference (OIC), in its fourth session held in Jeddah from (6-11 February, 1988), legitimized the concept of Sukuk by issuing a resolution containing the legal controls for Muqaradah bonds, which were based on Mudaraba principle. In this resolution, it was suggested that this investment tool be called Muqaradah Sukuk. This concept paved the way for an alternative financing source to meet the diverse risk-return profiles and needs of investors and Islamic issuers who are not allowed to invest in conventional debt securities under the Islamic Shari'ah principles.

In 1990, the world witnessed the first Sukuk issuance which was in Malaysia by a non-Islamic, foreign owned corporation called Shell MDS. The issuance was denominated in Malaysian Ringgit (RM) with a value of RM 125 million (equivalent to \$30 million approximately) based on the principle of Bai' Bithaman Ajil. In 2000, the Sudanese Government issued domestic sovereign short-term Musharakah sukuk called Government Musharakah Certificates (GMC's) with a value of Sudanese Pound (SDG) 77 million.

In 2001, the Sukuk market went international with the issuance of the first United States Dollar (USD) denominated international sovereign Sukuk *Al Ijarah* of USD 100 million (5 year tenor) and a series of domestic sovereign short-term (less than 1 year tenor) Sukuk *Al Salam* issued by the Central Bank

2.3 The importance of Islamic Sukuk

There is a purpose behind issuing the sukuk approved by the institutions, the state and their issuers, which are:

1. Increase liquidity: it provides liquidity to the owners of private assets that do not have an active market to sell or because they have long maturities.
2. Diversification of financing sources: which means expanding the investors' base, with the aim of gathering the capital needed to finance the expansion of the activity for the purpose of obtaining new assets and working on harmonizing the terms of assets and liabilities to reduce risks.
3. Reducing credit risk: It is known that the facility that wants securitization or issuing sukuk (Taskik) some of its assets is not responsible for the commitment to the sukuk holders, because the process of sukuk issuance is a real sale of the assets to the facility assigned to it, which means transferring the credit risk to others.
4. Merging between credit and capital markets: The process of securitization (Sukuk issuance) leads to activation of the credit and the capital markets, through the circulation of sukuk issued for assets wanted to be liquidated in the financial markets.⁶

⁷منال بوضياف. (٢٠١٩)

2.4 Sukuk types

Sukuk Type	Definition
Mudarabah Sukuk "Muqarada"	They are financial documents of equal and specified value issued in the names of their owners, by the speculator or the financial intermediary who acts on his behalf, with the intention of investing the collected capital in a specific project or private activity on the basis of the Sharia mudaraba contract, and the profits resulting from this project are divided according to percentages that the parties agreed to. As for the loss, it is incurred by the owner of the money (Sukuk holders).
Musharakah Sukuk	They are financial documents of equal value that are issued to use the collected capital in establishing a project or developing an existing project, or financing an activity, and the project or the activity's assets become a property of the sukuk holders within the limits of their shares, and the sukuk are managed by appointing a partner or others to manage them.
Al-Muzra'a Sukuk (sharecropping)	They are financial documents of equal value that are issued by a land owner who wishes to finance its cultivation on the basis of the legal cropping contract, and the harvest is divided between the owner of the land and the investor according to the agreement. (The originator is the owner of the land, the subscribers are the investors, and the collected capital is the cost of the cultivation).
Murabaha Sukuk	They are financial documents of equal value issued to finance the purchase of Murabaha commodity or service which is owned by the sukuk holders. It's issued by the bank or the SPV to use the collected capital from the in purchasing the commodity described by the customer who promise to purchase

The Islamic Sukuk and its importance for the economy: global experiences

	<p>it when it's owned by the sukuk holders with a higher price agreed on, knowing that the issuance of Murabaha sukuk is possible in the case of the primary market, , while its trading in the secondary market is considered contrary to Islamic Sharia because the sale of murabahah is deferred, and therefore it is considered a debt and the same is the case with the sukuk of salam and istisna'a, because selling the debt is prohibited according to the jurists, but there are some jurisprudential opinions that permit trading Murabaha Sukuk.</p>
Al-Musaqat Sukuk	<p>They are financial documents of equal value that are issued for the use of the collected capital in watering fruitful trees, spending on and caring for them on the basis of the Shariah Musaqah contract. The Sukuk holders have a share of the harvest according to the agreement. The originator is the owner of the land in which the trees are planted, the underwriters are the investors, and the capital from the underwriting is the trees watering costs).</p>
Al-Salam Sukuk	<p>they are financial documents that represents assets of equal value, issued by the bank which invites investors for its underwriting, where the bank pays the farmer, in advance, the price of the purchased commodity that will be received in the future, by using the capital collected from underwriting, and when the Salam commodity is received the bank resells it at a higher price. The obtained profits are shared between the underwriters (investors) and the bank according to the agreement in the prospectus.</p>
Istisna'a Sukuk	<p>They are financial documents of equal value, issued by the buyer of a commodity that the seller is obligated to manufacture with his own materials, to use the collected capital from the underwriting in the</p>

	manufacture of this commodity, where the difference between the cost of manufacturing the commodity and the price of selling it is the profit gained by the sukuk holders.
Ijarah Sukuk (based on leasing contracts)	They are financial documents of equal value, issued in order to invest the collected capital from underwriting in the purchase of productive assets, provided that they are leased back to their issuers, coupled with a right available to the lessee to purchase the asset at the end of the lease period. Ijarah Sukuk is the most common Sukuk type, especially for projects financing.

Source: AAOIFI

2.5 Global experiences in sukuk market development

Case one: Malaysia's Experience with issuing Sukuk

Malaysia was the first country where the corporate Sukuk was first issued in 1990 with a value of MYR 125 Billion (USD 46 million) by Shell MDS. The Sukuk market then continues to grow and until today, Malaysia has become the center of Sukuk Issuance's market in the world. This is because Malaysia is the country with the largest issuance of Sukuk in terms of value and number of Sukuk issued. Malaysia is ranked as the first in the world in terms of sukuk issuances with accumulated value of \$ 733,748 million during the period 2001-2019, which represents about 58.83% from the total global sukuk issuances during the same period (Rubianto & Chou, 2020).

The Islamic Sukuk and its importance for the economy: global experiences

Table (2): Total sukuk issued by Malaysia during 2001-2019

Year	Sukuk issuance value (million dollars)
2001	680
2002	761
2003	4,073
2004	4,957
2005	7,311
2006	15,060
2007	26,529
2008	5,897
2009	12,477
2010	35,791
2011	87,337
2012	113,624
2013	82,400
2014	77,900
2015	32,400
2016	43,880
2017	52,140
2018	57,817
2019	63,627

Source: IIFM annual reports 2010-2020.

The accumulated value of sukuk issued in the local currency of Malaysia is USD 665.45 billion representing 53.36% from the total global sukuk issuances since sukuk inception till Dec 2019, where the Malaysian Ringgit is the dominant currency as the Malaysia has a deep local currency domestic market.

The sukuk issued in Malaysian Ringgit in the year 2019 is valued at USD 54,097 million representing 37.17% from the global sukuk issuance for the same year.

Malaysia issued 7,090 sukuk issuances during the period 2001-2019, including 3,283 as short term sukuk issuances which are valued at \$ 370.755 million representing 83.80% from the total

global short-term sukuk issuances, while the long term sukuk issuances are 3,807 which are valued at \$ 372,993 million during the same period.

The 7,090 Malaysian sukuk issuances during the period 2001-2019 are divided into 6,952 as domestic sukuk issuances valued at \$ 660,565 million representing 69.00% from the total domestic sukuk issuances during the same period and 138 as international sukuk issuances valued at \$ 73,183 million representing 25.24% from the total international sukuk issuances during the same period.

For the year 2019, Malaysia issued 735 global sukuk issuances valued at \$ 63,627 representing 43.67% from the total global sukuk issuances for the same year, divided into 704 as domestic sukuk issuances valued at \$ 54,097 million representing 50.45 % from the total domestic sukuk issuances, and 31 as international sukuk issuances valued at USD 9,530 million representing 24.77% from the total international sukuk issuances for the same year.

Malaysia is considered one of the first countries participating in the global sukuk industry, due to its possession of a developed market for Islamic finance, through which it dominated the sukuk industry, to occupy the first place in terms of the volume of global sukuk issuances, and its issuances accounted for nearly two-thirds of the value of the sukuk in the world.

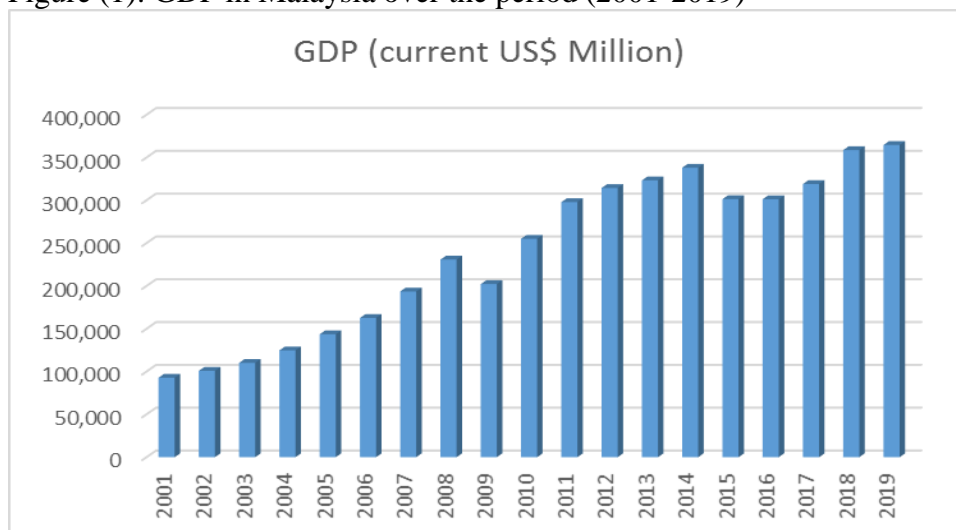
Malaysia has the largest market for Islamic finance, as it issued several Sukuk issuances made it ranked as the first in the world in terms of the value of the issuance (except for the years 2007 and 2008, the leadership was for the UAE) with an accumulated value of USD 733,748 million with a percentage of 58.83% of the total global sukuk issuance in the period (2001-2019) and

The Islamic Sukuk and its importance for the economy: global experiences

the aim of these issues was to finance the establishment and development of several mega projects in the field of infrastructure and development projects, such as airports, the petrochemical industry, real estate and others, which was a successful experience that pushed Malaysia, with many economic reforms, to a major stage of economic growth.

Analyzing impact of Sukuk market on the Malaysian economy

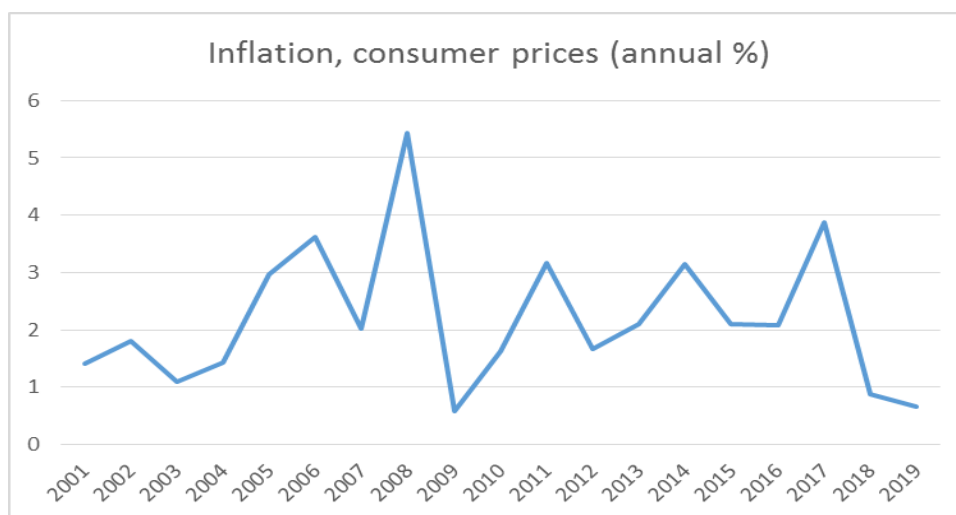
Figure (1): GDP in Malaysia over the period (2001-2019)



Source: drawn by the researcher based on data from the World Bank.

According to figure (1), the Malaysian GDP increased from \$ 92.7 billion in 2001 to \$ 364.7 billion in 2019 representing an increase of 293 %.

Figure (2): GDP in Malaysia over the period (2001-2019)



Source: drawn by the researcher based on data from the World Bank.

According to figure (2), the inflation rate in Malaysia decreased from 1.4% in 2001 to 0.66% in 2019. However, it witnessed a high rate of 5.44% in 2008 due to the world financial crisis.

Table (3): Malaysia's annual increase (%).

Year	Sukuk	GDP	Inflation
2001	-	-	-
2002	11.91%	9%	28%
2003	435.22%	9%	-40%
2004	21.70%	13%	30%
2005	47.49%	15%	109%
2006	105.99%	13%	21%
2007	76.16%	19%	-44%
2008	-77.77%	19%	168%
2009	111.58%	-12%	-89%
2010	186.86%	26%	178%
2011	144.02%	17%	96%
2012	30.10%	6%	-48%
2013	-27.48%	3%	27%
2014	-5.46%	5%	49%
2015	-58.41%	-11%	-33%
2016	35.43%	0%	-1%

The Islamic Sukuk and its importance for the economy: global experiences

2017	18.82%	6%	85%
2018	10.89%	12%	-77%
2019	10.05%	2%	-25%
Average annual increase	59.8 %	7.30 %	24.10 %

Source: by the researcher based on data from figures (1, 2).

According to table (3), there's an average annual increase in issuing sukuk by 59.8% during the period (2001-2019), which played an important role in the increase of 7.30% in the GDP of Malaysia, while the inflation rate increased with average annual rate of 24.10% during the same period.

Case two: KSA's Experience with issuing Sukuk

The popularity of Saudi Arabia sukuk is relatively new compared to Malaysia. Sukuk issuance in Saudi market started with infrequent issuances in the middle of the 2000s. A single sukuk issuance was performed in 2004 by HANCO Rent-A Car.⁷

Saudi Arabia is the second largest Sukuk issuer globally with accumulated value of \$ 146,291 million during the period 2004-2019, which represents about 11.73% from the total global sukuk issuances during the same period.

Table (4): Total sukuk issued by KSA during 2004-2019

Year	Sukuk issuance value (million dollars)
2004	415
2005	500
2006	2,130
2007	5,683
2008	1,874

^y Islamic finance foundation. (2020), Sukuk issuance in Saudi Arabia.

2009	2,576
2010	1,460
2011	2,860
2012	11,140
2013	15,210
2014	12,100
2015	6,990
2016	4,740
2017	22,731
2018	27,602
2019	28,475

Source: IIFM annual reports 2010-2020.

The accumulated value of sukuk issued in the local currency of the KSA is USD 89.465 billion representing 7.17% from the total global sukuk issuances since it started issuing sukuk till Dec 2019.

The sukuk issued in Saudi Riyal in the year 2019 is valued at USD 18,973 million representing 13.02% from the global sukuk issuance for the same year.

The KSA issued 217 sukuk issuances during the period 2004-2019, including only 6 short term sukuk issuances which are valued at \$ 1,310 million representing 0.29% from the total global short-term sukuk issuances, while the long term sukuk issuances are 211 which are valued at \$ 144,981 million during the same period.

The 7,090 Saudi sukuk issuances during the period 2004-2019 are divided into 149 as domestic sukuk issuances valued at \$ 89,465 million representing 9.35% from the total domestic sukuk issuances during the same period and 68 as international sukuk issuances valued at \$ 56,826 million representing 19.60% from the total international sukuk issuances during the same period.

The Islamic Sukuk and its importance for the economy: global experiences

For the year 2019, KSA issued 48 global sukuk issuances valued at \$ 28,475 representing 19.54% from the total global sukuk issuances for the same year, divided into 39 as domestic sukuk issuances valued at \$ 18,973 million representing 17.69 % from the total domestic sukuk issuances, and 9 international sukuk issuances valued at USD 9,502 million representing 24.70% from the total international sukuk issuances for the same year.

Analyzing impact of Sukuk market on the economy of KSA

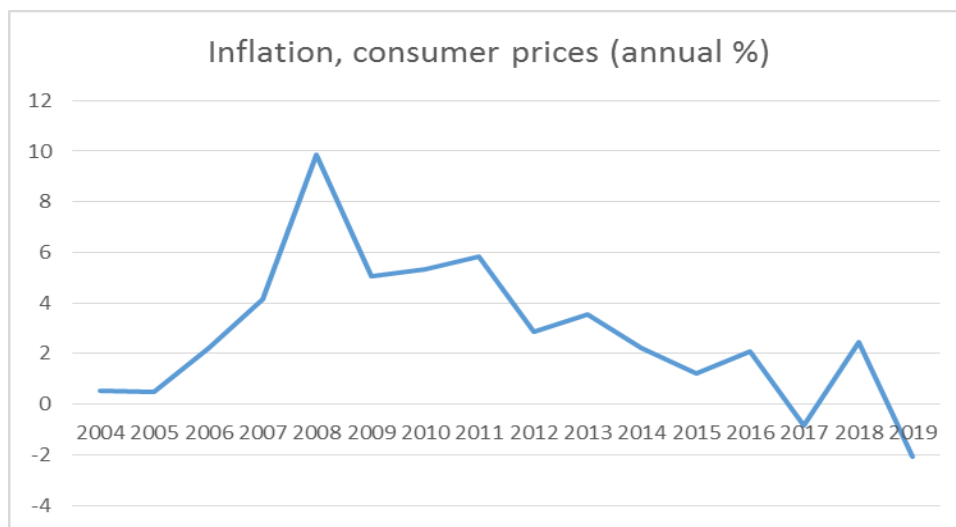
Figure (3): GDP in KSA over the period (2001-2019)



Source: drawn by the researcher based on data from the World Bank.

According to figure (3), the KSA's GDP increased from \$285 billion in 2004 to \$792 billion in 2019 representing an increase of 178 %.

Figure (4): Inflation in KSA over the period (2004-2019)



Source: drawn by the researcher based on data from the World Bank. According to figure (4), the inflation rate in the KSA decreased from 0.5% in 2004 to -2.09% in 2019. However, it witnessed a high rate of 9.8% in 2008 due to the world financial crisis.

Table (5): the KSA's annual increase (%).

Year	Sukuk	GDP	Inflation
2004	-	-	-
2005	20.48%	27%	-7%
2006	326.00%	15%	361%
2007	166.81%	10%	89%
2008	-67.02%	25%	137%
2009	37.46%	-17%	-49%
2010	-43.32%	23%	6%
2011	75.34%	27%	9%
2012	335.16%	-44%	-51%
2013	36.54%	99%	23%
2014	-20.45%	1%	-37%
2015	-42.23%	-13%	-46%
2016	-32.19%	-1%	72%
2017	379.56%	7%	-141%
2018	21.43%	14%	393%

The Islamic Sukuk and its importance for the economy: global experiences

2019	3.16%	1%	-185%
Average annual increase	76.44 %	11.60 %	38.25 %

Source: by the researcher based on data from figures (3, 4).

According to table (5), there's an average annual increase in issuing sukuk by 76.44% during the period (2004-2019), which played an important role in the increase of 11.60% in the GDP of Malaysia, while the inflation rate increased with average annual rate of 38.25% during the same period.

Case three: Indonesia's Experience with issuing Sukuk

The first sukuk issuance in Indonesia was in 2002 by Indosat Tbk with a value of RP 175 Billion (USD 19 Million). Indonesia is ranked third in the world after Malaysia and KSA in terms of sukuk issuances with accumulated value of \$ 98,908 million during the period 2002-2019, which represents about 7.93% from the total global sukuk issuances during the same period.

Table (6): Total sukuk issued by Indonesia during 2002-2019

Year	Sukuk issuance value (million dollars)
2002	19
2003	65
2004	87
2005	68
2006	21
2007	270
2008	740
2009	1,669
2010	1,759
2011	4,228
2012	6,213
2013	6,777
2014	5,395

2015	8,465
2016	13,913
2017	14,366
2018	16,676
2019	19,416

Source: IIFM annual reports 2010-2020.

Indonesia is ranked the fourth in the world in issuing international sukuk with 21 issuances and an accumulated value of \$ 18,703 million during the period 2002-2019, which represents about 6.45% from the total international sukuk issuances, while it's ranked as the third with accumulated value of domestic sukuk issued by Indonesia of \$ 80,205 million with 469 issuances representing 8.38% from the total domestic sukuk issuances during the period Jan 2001-Dec 2019.

The accumulated value of sukuk issued in the local currency of Indonesia "IDR" is USD 80,205 million representing 6.43% from the total global sukuk issuances during the period Jan 2001-Dec 2019, while the sukuk issued in the year 2019 only is valued at USD 17,316 million representing 11.88% from the global sukuk issuance for the same year.

Indonesia issued 490 sukuk issuances during the period 2002-2019, including 97 issuances short term sukuk issuance valued at \$ 10,578 million representing 2.38% from the total global short term sukuk issuances during the same period, while the long term sukuk issuances are 393 which are valued at \$ 88,330 representing 11.01% from the total global long term sukuk issuances during the same period.

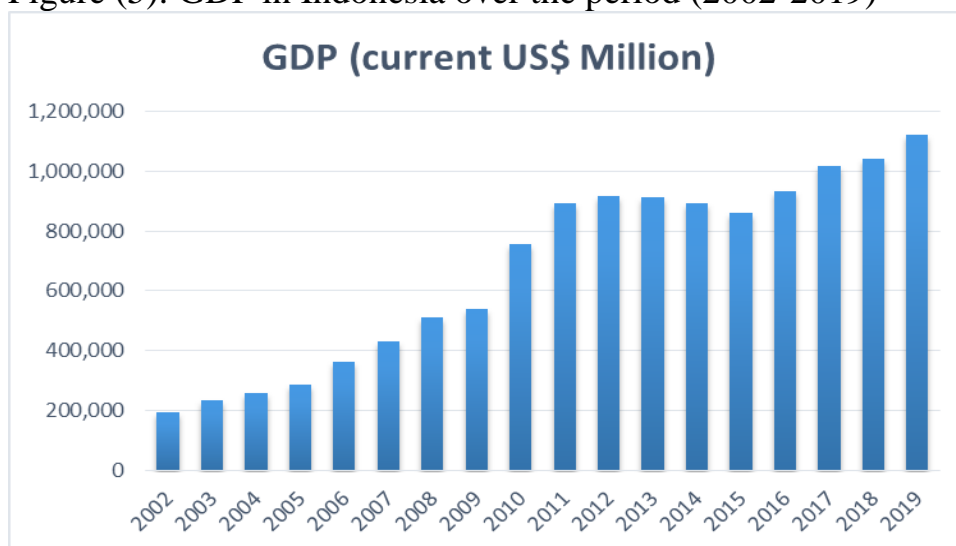
For the year 2019, Indonesia issued 84 global sukuk issuances valued at \$ 19,416 representing 13.33% from the total global sukuk issuances for the same year, divided into 81 as domestic sukuk issuances valued at \$ 17,316 million representing 16.15 % from the total domestic sukuk issuances, and 3 as

The Islamic Sukuk and its importance for the economy: global experiences

international sukuk issuances valued at USD 2,100 million representing 5.46% from the total international sukuk issuances for the same year.

Analyzing impact of Sukuk market on the Indonesian economy

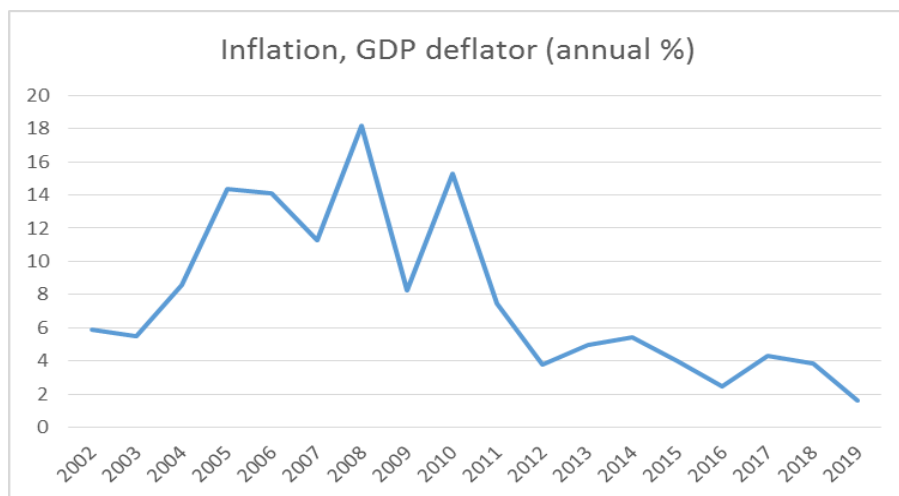
Figure (5): GDP in Indonesia over the period (2002-2019)



Source: drawn by the researcher based on data from the World Bank.

According to figure (5), the Indonesian GDP increased from \$ 195.7 billion in 2001 to \$ 1.119 trillion in 2019 representing an increase of 473 %.

Figure (6): Inflation in Indonesia over the period (2002-2019)



Source: drawn by the researcher based on data from the World Bank.

According to figure (6), the inflation rate in Indonesia decreased from 5.9% in 2002 to 1.6% in 2019. However, it witnessed a high rate of 18.1% in 2008 due to the world financial crisis.

Table (7): Indonesia's annual increase (%).

Year	Sukuk	GDP	Inflation
2002	-	-	-
2003	242.11%	20%	-7%
2004	33.85%	9%	56%
2005	-21.84%	11%	68%
2006	-69.12%	28%	-2%
2007	1185.71%	19%	-20%
2008	174.07%	18%	61%
2009	125.54%	6%	-54%
2010	5.39%	40%	84%
2011	143.77%	18%	-51%
2012	44.89%	3%	-50%
2013	9.08%	-1%	32%
2014	-20.39%	-2%	10%
2015	56.90%	-3%	-27%

The Islamic Sukuk and its importance for the economy: global experiences

2016	64.36%	8%	-39%
2017	3.26%	9%	76%
2018	16.08%	3%	-11%
2019	16.43%	7%	-58%
Average annual increase	118.28 %	11.30 %	4 %

Source: by the researcher based on data from figures (5, 6).

According to table (7), there's an average annual increase in issuing sukuk by 118.28% during the period (2002-2019), which played an important role in the increase of 11.30% in the GDP of Indonesia, while the inflation rate increased with average annual rate of 4% during the same period.

Case four: The UAE's Experience with issuing Sukuk

The UAE's experience is one of the distinguished experiences in using sukuk to finance investment projects. The UAE is ranked fourth in the world after Malaysia, KSA and Indonesia in terms of sukuk issuances with accumulated value of \$ 88,688 million during the period 2004-2019, which represents about 7.11% from the total global sukuk issuances during the same period.

Table (8): Total sukuk issued by the UAE during 2004-2019

Year	Sukuk issuance value (million dollars)
2004	1,165
2005	950
2006	8,245
2007	10,417
2008	6,159
2009	3,950
2010	1,078
2011	4,014
2012	6,539
2013	8,113

2014	8,735
2015	4,833
2016	6,425
2017	3,400
2018	8,333
2019	9,310

Source: IIFM, annual reports (2010-2020).

UAE is ranked the first in issuing international sukuk with accumulated value of \$ 80,364 million during the period 2004-2019, which represents about 27.72% from the total international sukuk issuances even before Malaysia which represents about 25.24%, despite the fact that the UAE did not start issuing sukuk until 2004, while the accumulated value of domestic sukuk issued in by UAE is \$ 8,324 million with 15 issuances representing 0.87% from the total domestic sukuk issuances during the period Jan 2001-Dec 2019.

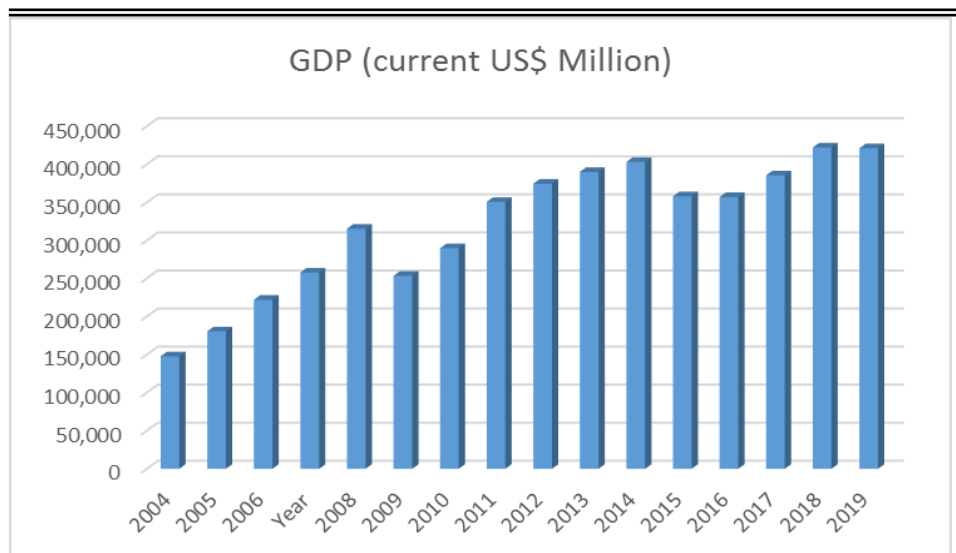
The accumulated value of sukuk issued in the local currency of UAE “AED” is USD 8,324 million representing 0.67% from the total global sukuk issuances during the period Jan 2001-Dec 2019.

UAE issued 140 sukuk issuances during the period 2004-2019, including one issuance only as a short term sukuk issuance valued at \$ 100 million representing 0.02% from the total global short term sukuk issuances during the same period, while the long term sukuk issuances are 139 which valued at \$ 88,588 million during the same period.

Analyzing impact of Sukuk market on the economy of the UAE

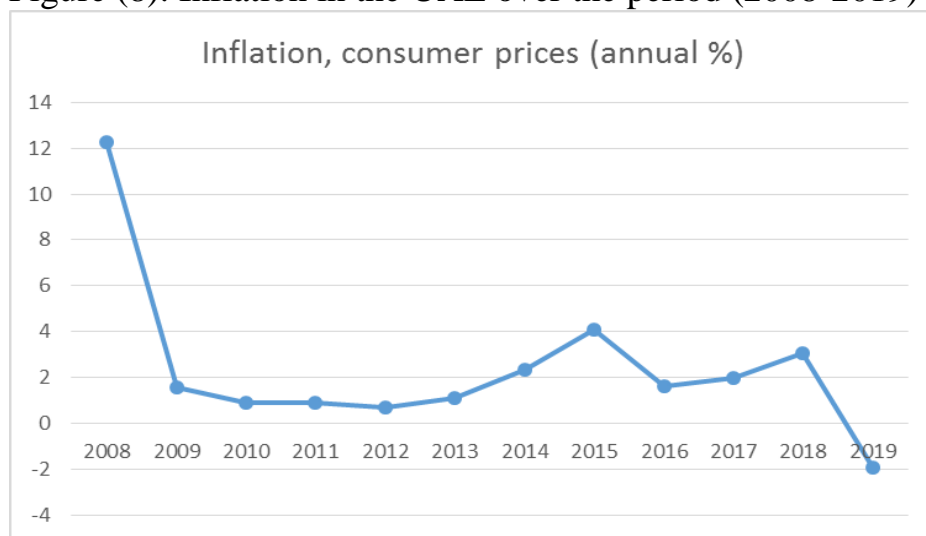
Figure (7): GDP in the UAE over the period (2004-2019)

The Islamic Sukuk and its importance for the economy: global experiences



Source: drawn by the researcher based on data from the World Bank. According to figure (7), the UAE's GDP increased from \$ 147.8 billion in 2004 to \$ 421.1 billion in 2019 representing an increase of 185 %.

Figure (8): Inflation in the UAE over the period (2008-2019)



Source: drawn by the researcher based on data from the World Bank.

According to figure (8), the inflation rate in the UAE decreased from 12.25% in 2004 to -1.93% in 2019. However, the high rate in 2008 due to the world financial crisis.

Table (9): the UAE's annual increase (%).

Year	Sukuk	GDP	Inflation
2008	-	-	-
2009	-36%	-20%	-87%
2010	-73%	14%	-44%
2011	272%	21%	0%
2012	63%	7%	-25%
2013	24%	4%	66%
2014	8%	3%	113%
2015	-45%	-11%	73%
2016	33%	0%	-60%
2017	-47%	8%	22%
2018	145%	9%	56%
2019	12%	0%	-163%
Average annual increase	32.36 %	3.18 %	-4.45 %

Source: by the researcher based on data from figures (7, 8).

According to table (9), there's an average annual increase in issuing sukuk by 32.36% during the period (2008-2019), which played an important role in the increase of 3.18% in the GDP of the UAE, while the inflation rate decreased with average annual rate of -4,45% during the same period.

2.6 Conclusion

This study aimed to identify the definition of Islamic sukuk and clarifying its impact on economic growth, by studying 4 case studies of the most sukuk issuer countries, namely Malaysia,

The Islamic Sukuk and its importance for the economy: global experiences

Saudi Arabia, Indonesia and the United Arab Emirates, to show the impact of the Islamic Sukuk on the economic growth.

The results of the case studies revealed that Sukuk market development has improved the economic growth in the four countries by increasing the GDP in Malaysia, KSA and Indonesia.

While in the case of the UAE, there was an increase in the GDP in addition to a decrease in the inflation rate.

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