

Study of Opportunities on Sharia-Based Instruments to Enhance the Economic Development in Indonesia

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ABSTRACT

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The purpose of Sharia Economics is to realize the goodness, prosperity, and prosperity of human beings, especially in the economic field. Islamic Sharia prohibits the practice of usury in all its economic activities, because of its negative impact on the social system and the economy of society. Article 1 of Law Number 19 Year 2008 stipulates that the State Sharia Securities or Sukuk, is state securities issued under sharia principles, so It must be free from various elements of the ban, such as usury, maysir, and gharar. Sukuk issuance aims to finance the State Budget, including financing the construction of projects, such as infrastructure projects in the energy sector, telecommunications, transportation, agriculture, manufacturing industry, and public housing. Therefore, the participation of Muslims as the majority in Indonesia are needed to become the investor. The method used in this article is librarian research. In describing, analyzing, and evaluating, we used the regulation concerning with state sharia securities in Indonesia such as Law Number 19 year 2008 and Fatwa of National Sharia Council No: 69/DSN-MUI/VI/2008 concerning State Sharia Securities. Participating as an investor in the State Sharia Securities means participating in developing the country.

ABSTRAK

Tujuan Ekonomi Syariah adalah untuk mewujudkan kebaikan dan kemakmuran manusia, terutama di bidang ekonomi. Syariat Islam melarang praktik riba dalam semua kegiatannya, karena dampak negatifnya terhadap sistem sosial dan ekonomi masyarakat. Pasal 1 Undang-Undang Nomor 19 Tahun 2008 menetapkan bahwa Surat Berharga Syariah Negara atau Sukuk adalah surat berharga negara yang diterbitkan berdasarkan prinsip syariah, sehingga harus bebas dari berbagai unsur riba, maysir, dan gharar. Penerbitan Sukuk bertujuan untuk membiayai APBN, termasuk membiayai pembangunan proyek, seperti proyek infrastruktur di sektor energi, telekomunikasi, transportasi, pertanian, industri manufaktur, dan perumahan. Oleh karena itu, partisipasi umat Islam sebagai mayoritas di Indonesia diperlukan untuk menjadi investor. Metode yang digunakan dalam artikel ini adalah penelitian kepustakaan. Dalam menggambarkan, menganalisis, dan mengevaluasi,

kami menggunakan peraturan tentang efek syariah negara di Indonesia seperti Undang-Undang Nomor 19 tahun 2008 dan Fatwa Dewan Syariah Nasional No. 69 / DSN-MUI / VI / 2008 tentang Efek Syariah Negara. Berpartisipasi sebagai investor dalam Efek Syariah Negara berarti berpartisipasi dalam mengembangkan negara.

INTRODUCTION

The potential for national development financing sources that use sharia-based financial instruments has excellent opportunities. One of them is securities. The Islamic economic and financial sector needs to be developed through the development of Islamic financial instruments. It is directed as part of the national economic system in order to improve social welfare for all Indonesians. (Law number 19 of 2008 concerning State Sharia Securities). Financial instruments based on sharia principles have different characteristics from conventional financial instruments, so it needs management and regulation specifically, both regarding instruments and legal instruments needed. (Law number 19 of 2008 concerning State Sharia Securities).

Islamic Economics aims to realize human goodness, benefit and welfare, especially in the economic field, by referring to the main objectives of sharia, namely in order to help humans as the leader in the world and the hereafter. Islamic Sharia prohibits the practice of usury in all its economic activities, because of its negative impact on the social system and the economy of the community. Socially, the practice of usury which is exploitative tends to create debt, degrade human dignity, and create a massive gap of injustice in society. While economically, usury tends to exploit the economy, causes misallocation of resources, creates inequality and inefficiency of the economy. Besides that, it also creates pseudo-economic development which ultimately has an impact on the crisis and economic instability.

Basically, interest is an additional that is charged in a money loan transaction (*qardh*) which is calculated from the loan principal without considering the loan utilization/yield, based on the time frame, calculated in advance, and generally in percentage. The characteristics of interest have met the elements and criteria of usury, at least *nasi'ah* usury. Thus, the practice of interest is one form of usury, so that it is not permitted in Islamic financial transactions.

In the Financial/Economic Sharia point of view, the function of money is only as a medium of exchange and as a unit of account in financial transactions, which aims to facilitate exchange and establish the fair value of the exchange. Money has no value and only reflects value, so it cannot be used as a commodity. Debt/loan is one of the *tabarru'* contracts (social/help) and not commercial contracts. Thus, it is not permissible to take commercial advantage from providing debt to other parties (for example loans with conventional interest or bonds).

Indonesia needs to take advantage of the momentum through the issuance of State Sharia Securities, both in the domestic market and in the international market as an alternative source of financing. It is in line with the increasingly limited carrying capacity of the State Revenue and Expenditure Budget to drive economic sector development on an ongoing basis and not yet optimally utilize other financing instruments. With the increase in the State Sharia Securities instruments, it is expected that the Government's ability to manage the state budget, especially in terms of financing, will increase. From the background, the following article will discuss how the opportunities to participate in development are based on sharia-based instruments through State Sharia Securities in Indonesia.

DISCUSSION

1. Definition of State Sharia Securities or Bonds (SBSN).

Sharia bonds are long-term securities based on sharia principles issued by issuers to investors (bondholders) that require issuers to pay income to investors in the form of profit sharing/margin/ fee and payback investment funds at maturity. (Fatwa of National Sharia Council No: 59/DSN-MUI/V/2007). Bonds that are not justified according to sharia, namely bonds that are debt with the obligation to pay based on interest, whereas bonds that are justified according to sharia are bonds based on sharia principles.

Article 1 of Law Number 19 year 2008 concerning State Sharia Securities or bonds said that State Sharia Securities or bonds, hereinafter referred to as SBSN, or may be referred to as State Sukuk, are state securities issued based on sharia principles, as evidence of the share of SBSN Assets, both in rupiah or foreign currency (Law Number 19 Year 2008 concerning State Sharia Securities).

SBSN Issuing Company is a legal entity established under the provisions of this Law to carry out SBSN issuance activities (Law Number 19 Year 2008 concerning State Sharia Securities). SBSN Assets are objects for financing SBSN and/or State Property that have economic value, in the form of land and/or buildings or other than land and/or buildings, which is made into the issuance of SBSN as the basis for issuing SBSN (Law Number 19 Year 2008 concerning State Sharia Securities). State-owned goods are all goods purchased or obtained at the expense of the State Revenue and Expenditure Budget or derived from other legitimate gains (Law Number 19 Year 2008 concerning State Sharia Securities).

Whereas the Fatwa of the National Sharia Board No: 69/DSN-MUI/VI/2008 concerning State Sharia Securities said that State Sharia Securities could be referred to as State Sukuk are state securities issued based on sharia principles, as proof of ownership of SBSN assets in rupiah or foreign currency (Fatwa of National Sharia Council No: 69/DSN-MUI/VI/2008 concerning State Sharia Securities).

SBSN Assets are objects for financing SBSN and/or State Property that have economic value, in the form of land and/or buildings or other than land and/or buildings that are used as the basis for SBSN issuance in the framework of SBSN issuance (Fatwa of National Sharia Council No: 69/DSN-MUI/VI/2008 concerning State Sharia Securities). Rewards are all payments made to SBSN holders which can be in the form of *ujrah* (rent), profit sharing, or other forms of payment according to the contract used until the maturity of the SBSN (Fatwa of National Sharia Council No: 69/DSN-MUI/VI/2008 concerning State Sharia Securities). SBSN Issuing Company is a legal entity established under the provisions of this Act to carry out SBSN issuance activities (Fatwa of National Sharia Council No: 69/DSN-MUI/VI/2008 concerning State Sharia Securities). The use of proceeds from the issuance of SBSN may not conflict with sharia principles (Fatwa of National Sharia Council No: 69/DSN-MUI/VI/2008 concerning State Sharia Securities).

Sukuk (صكوك) is a term derived from Arabic and is a plural form of the word 'Sakk' (صك), which means document or certificate. In medieval times, sukuk was commonly used by Muslim traders as documents showing financial obligations arising from trade and other commercial activities.

In general, Sukuk can be understood as bonds that are following sharia principles. The main difference between conventional bonds and Sukuk lies in the concept of rewards/profit sharing, the underlying transaction in the form of *aqad* or agreement between parties prepared based on sharia principles. Generally, Sukuk is issued by the obligor through Special Purpose Vehicle. Sukuk has characteristics, including a proof of ownership of an asset or beneficial rights (beneficial title); income in the form of compensation, margin and profit sharing in accordance with the type of *aqad* used; free from the elements of *riba*, *gharar*, and *maysir*; requires underlying assets; Proceeds must proceed in accordance with Islamic principles.

To distinguish between Conventional Bonds and Sukuk can be seen from five characteristics (Directorate of Islamic Financing, 2010:9).

Table 1. The Differences between Conventional Bonds and Sukuk

Characteristics	Conventional Bonds	Sukuk
Basic Principles	Unconditional Debt Statement from Publisher	Securities issued based on sharia principles as proof of ownership/participation in an asset that is the basis for issuance of Sukuk.
Underlying Assets	No Underlying Assets	Underlying assets as the basis of publishing
Fatwa (Sharia Opinion)	No Sharia Opinion	Sharia opinion to ensure conformity of Sukuk with sharia principles
Allocation of funds	Free	It cannot be used for matters that are contrary to sharia principles
Yield	Interest, Capital Gain	In the form of Rewards, Profit Sharing, Margin

Various types of Sukuk structures that are known internationally and are more endorsed by AAOIFI (The Accounting and Auditing Organization for Islamic Finance Institution) are types of Sukuk that base the *ijarah* contract, *mudharabah* agreement, *musyarakah* agreement, and *istishna* contract (Law Number 19 of 2008 concerning State Sharia Securities).

- a. *Ijarah* is a contract that one party acts alone or through its representative rents out the rights to an asset to another party based on the rental price and the agreed rental period.
- b. *Mudharabah* is a cooperation agreement between two or more parties, namely one party as the provider of capital and the other party as the provider of labor and expertise, the benefit of the cooperation will be divided based on the previously agreed ratio, while the loss will be borne entirely by the capital provider, except for losses caused by negligence in providing power and expertise.
- c. *Musyarakah* is a cooperation agreement between two or more parties to combine capital, both in the form of money and other forms, with the aim of obtaining profits, which will be distributed in accordance with the previously agreed ratio, while the losses incurred will be borne jointly in accordance with the amount of capital participation each party
- d. *Istishna'* is a contract of sale and purchase of assets in the form of an object of financing between the parties where the specifications, method and period of delivery, as well as the price of the asset, are determined based on the agreement of the parties.

The issued sukuk can be said to meet sharia principles if all sukuk issuance activities, including the contract/agreement of the issuance, do not conflict with sharia principles, namely, among others, transactions carried out by parties must be fair, *halal*, *thayyib*, and *maslahat*. Sukuk must also be free from various elements of prohibition, including usury, maysir, and gharar. For this reason, Sukuk issuance requires the existence of a sharia compliance statement (sharia compliance) from a generally recognized sharia expert or from an institution that has expertise in the field of sharia, which states that the Sukuk issued has fulfilled sharia principles.

In Indonesia, the party authorized to issue a Fatwa is the National Sharia Council-Indonesian Ulema Council (DSN-MUI) and acts as sharia advisor. The fatwa is a legal provision issued by parties that have expertise in the field of sharia. Until July 2010, there were 5 (five) Fatwas issued by the National Sharia Council-Indonesian Ulama Council (DSN-MUI) related to the State Sharia Securities, namely: DSN-MUI Fatwa Number 69 / DSN-MUI / VI / 2008 concerning State Sharia Securities; DSN-MUI Fatwa Number 70 / DSN-MUI / VI / 2008 concerning Method of Issuance of State Sharia Securities; Fatwa of DSN-MUI Number 71 / DSN-MUI / VI / 2008 concerning Sale and Lease-Back; DSN-MUI Fatwa Number

72 / DSN-MUI / VI / 2008 concerning State Sharia Securities Ijarah Sale and Lease Back. ; DSN-MUI Fatwa Number 76 / DSN-MUI / VI / 2010 concerning SBSN Ijarah Asset to be Leased (Directorate of Islamic Financing, 2010:28).

Following the underlying sharia principles, the proceeds from the Sukuk issuance can only be used for matters that do not conflict with sharia principles. As such, these funds cannot be used to (for example) finance the construction of liquor, cigarette, weaponry and other factories that are not following sharia principles. Besides, both individuals and institutions can invest in sukuk, because Sukuk is a global financial instrument as well as other conventional financial instruments that can be bought by anyone, and not limited to certain religions or beliefs (Directorate of Islamic Financing, 2010:9-10)

In Sukuk issuance, there are many parties involved in it. The parties involved are:

- a. The Obligor is the party responsible for the payment of the principal and the yield of the Sukuk issued. In the SBSN that acts as an obligor is the Government of Indonesia cq. The Ministry of Finance.
- b. Special Purpose Vehicle (SPV) is a Legal Entity established specifically to issue Sukuk. This Legal Entity was established under the provisions of the Law to carry out SBSN issuance activities.
- c. The investor is the Sukuk holder who has the right of interest over the underlying asset through SPV. On SBSN, individuals or institutions can become investors.
- d. The Sharia Advisor is a party that provides a fatwa or statement of conformity with the sharia principles of the issued Sukuk.
- e. The Trustee is the party that represents the interests of the Sukuk holder as agreed.

One characteristic that distinguishes between conventional bonds and Sukuk is the existence of underlying asset requirements in Sukuk. Underlying assets are assets that are used as objects or basis of transactions about Sukuk issuance. Assets that are used as underlying can be tangible or intangible, such as land, buildings, various types of development projects, and other non-physical assets such as services.

The issuance of SBSN requires an underlying asset because the SBSN is a securities that reflects the ownership portion of the assets/benefits/services that are the basis of SBSN issuance. The existence of underlying assets serves as real transactions which form the basis of SBSN issuance and is one of the main aspects that differentiate between the issuance of debt securities and sukuk. Assets that can be used as underlying assets of SBSN are objects of financing SBSN and State Property (BMN) which have economic value in the form of land and/or buildings, and other than land and/or buildings, for each SBSN issuance.

2. State Sharia Securities in Indonesia

Profit sharing system or profit-loss sharing is a system of sharing profits (profit or loss) which is divided based on the ratio in the form of a percentage (A 50%: B 50%) and agreed upon at the beginning of the contract. The profit sharing system mainly refers to the partnership agreement, which is applied to the *musharaka*, *mudharabah*, *muzara'ah*, *mugharasah*, and *mukhabarah* contracts. The profit sharing system consists of two types, *First*: Share profits (Profit Sharing), namely the distribution of results calculated from income after deducting the cost of managing funds. In the sharia system this pattern can be used to distribute the business results of Islamic financial institutions; *Second*: Share revenue (Revenue Sharing), namely the distribution of results calculated from the total income of fund management. In the sharia system, this pattern can be used for the distribution of business results of Islamic financial institutions.

A Sukuk (securities) issued can be said to meet sharia principles if all Sukuk issuance activities, including the agreement/issuance agreement, do not contradict with sharia principles. Besides that, transactions carried out by the parties must be fair, *halal*, *thayyib*, and *maslahat*. Sukuk must also be free from various elements of prohibition, including *usury*, *maysir*, and *gharar*. For this reason, Sukuk issuance requires the existence of a sharia compliance statement from a generally recognized sharia expert or from an institution that has expertise in the field of sharia, which states that the Sukuk issued has fulfilled sharia principles.

Investing in Sukuk has advantages, such as : *first*, Sukuk is a sharia-based investment instrument, so investors can invest by following and implementing sharia principles; *second*, Sukuk provides competitive returns; *third*, Sukuk provides stable income for investors; *fourth*, Sukuk can be traded on the secondary market (especially for Sukuk *ijarah*), so that it has the potential to get capital gains. Besides, both individuals and institutions can invest in Sukuk, because Sukuk is a global financial instrument as well as other conventional financial instruments that can be bought by anyone, and not limited to certain religions or beliefs.

Thus, the profits obtained by investors from investing in state SBSN or Sukuk are : It is a safe investment, because the Government guarantees the payment of SBSN benefits and nominal value until maturity; Invest in accordance with sharia principles, and be safe and free from things that are prohibited by sharia, such as usury, *gharar*, and *maysir*, so that in addition to being safe it is also reassuring; Providing income in the form of rewards or competitive profit sharing, compared to other financial instruments; Can be traded on the secondary market in accordance with market prices, so that investors have the potential to get capital gains; Participate and support the financing of national development. (Directorate of Islamic Financing, 2010:17) In general, conventional investors, both individuals and

institutions, invest in sukuk, with consideration: *first*, for investment risk management purposes, namely by diversifying assets or liquidity held in various forms of alternative instruments; *second*, Sukuk provides competitive rewards /coupons with various methods of giving unique rewards, such as profit sharing, margins, and *ujrah*/fees; *third*, contracts and transactions used in the issuance of Sukuk are transparent, fair and precise.

In order to be acceptable and in demand, Sukuk must meet the following requirements such as: *first*, Sukuk issued must fulfil all sharia requirements, including the issuance process, the use of proceeds from the issuance, as well as those related to underlying assets; *second*, Marketability of instruments, namely Sukuk must be transferable from one party to another and must be tradable; *third*, Competitive reward rates compared to other financial instruments; *fourth*, Transparency, in the form of clarity and ease of access to information for investors; *fifth*, The issuance process follows the general provisions applicable to the issuance of Sukuk on international financial markets; *Sixth*, The existence of adequate legal and institutional infrastructure support, including efficient financial market support.

State Sharia Securities or bonds (in Indonesia called sertifikat berdasar syariah negara/SBSN) or State Sukuk are Government Securities issued based on sharia principles, as proof of the share of participation in SBSN assets, both in rupiah and foreign currency. The legal basis for SBSN issuance is Law Number 19 year 2008 concerning State Sharia Securities, which was ratified on May 7, 2008, which regulates Sukuk issued by the Central Government. Other regulations that support the implementation of SBSN issuance are regulated in Government Regulation and Minister of Finance Regulation. Based on Law Number 19 year 2008 concerning State Sharia Securities, the Central Government has the authority to issue SBSN and is carried out by the Minister of Finance.

The issuance of SBSN aims to finance the State Budget (in Indonesia called APBN), including financing project development, such as infrastructure projects in the energy sector, telecommunications, transportation, agriculture, manufacturing industries and public housing. SBSN issuance by the Government is needed, among others, to expand the basis of the source of state budget financing; encourage the growth and development of Islamic financial markets in Indonesia; strengthen and enhance the role of sharia-based financial systems in the country; creating benchmarks for Islamic financial instruments in both domestic and international Islamic financial markets; expand and diversify the investor base; develop alternative investment instruments; finance the construction of infrastructure projects; optimizing the utilization of State Property. For this reason, the participation of Muslims as the majority is needed.

3. Legal Basis of State Sharia Securities

The legal basis of state sharia securities according to Islam as stipulated in the Qur'an, Sunnah, and positive legal basis in the form of applicable laws in Indonesia, as well as the Fatwa of the National Sharia Council, can be explained as follows.

a. Al-Qur'an

- 1) God's Word in the Surah An Nissa (verse 29) which means:
"O ye who believe, do not eat one another's wealth with a false way, except by way of commerce that applies with liking among you" (Al Qur'an)
- 2) God's Word in the Surah Al Baqarah (verse 275) which means:
"The people who eat (take) usury cannot stand but as the establishment of people who are possessed by devils because of (pressure) madness. Their condition is that, because they say (argue), actually buying and selling is the same as usury, even though Allah has justified buying and selling and forbid usury. Those who have reached him the prohibition from their Lord, then continue to stop (from taking usury), then for him what he has taken first (before the ban comes); and his affairs (up to) to God. One who returns (takes usury), then that person is the inhabitants of hell; they are eternal in it" (Al Qur'an)
- 3) God's Word in the Surah Al Baqarah (verse 278) which means:
"O ye who believe, fear Allah and leave the rest of usury (which has not been collected) if you are believers" (Al Qur'an)
- 4) The Word of God in the Surah Al Maidah (verse 1) which means:
"O ye who believe, fill the aqad. It is permitted for your cattle, except those that will be read to you. (That is the case) By not justifying hunting when you are doing Hajj. Verily Allah sets forth the laws according to His will (Al Qur'an)

b. Sunnah

- 1) Hadith narrated by Ahmad, Abu Dawud, and Ad-Daruquthni from Sa'd Ibn Abi Waqqash (text of Abu Dawud), he said (which means):
"In the past, we rented land with (paid) agricultural produce that grew on the edge of the ditch and which grew on the part that was drained by water; hence, the Messenger of Allah forbade us from doing this and ordered that we rent it out with gold or silver." (DSN-MUI Fatwa No: 69/DSN-MUI/VI/2008).
- 2) The Prophet's hadith History of Thabrani from Ibn Abbas (which means):
"Abbas bin Abdul Muthaliib, if he surrenders property as Mudharabah, he requires his Mudharib not to sail the sea and down the valley, and not buy livestock. If the requirement is violated, he (mudarib) must bear the risk. When

the conditions set by the Abbas were heard by the Messenger of Allah, he justified it." (DSN-MUI Fatwa No: 69/DSN-MUI/VI/2008).

- 3) The Qudsi Hadith narrated by Abu Dawud from Abu Hurairah, the Messenger of Allāh, said (which means):

"Allah SWT said: 'I am a third party of two people who have committed as long as one party does not betray the other. If one of the parties has betrayed, I come out of them.'" (DSN-MUI Fatwa No: 69/DSN-MUI/VI/2008).

c. Fiqh Rules

- 1) All forms of muamalah may be done unless there is an argument which prohibits it.
- 2) The action of Imam (authority holder) on the people must follow the meeting.

d. Positive Legal Basis for Issuance of State Sukuk/SBSN

The legal basis for the government to issue SBSN is:

- 1) Law Number 19 of 2008 concerning State Sharia Securities.
- 2) Government Regulation Number 56 of 2008 concerning SBSN Issuing Companies.
- 3) Government Regulation Number 57 of 2008 concerning Establishment of Indonesian SBSN Issuing Companies.
- 4) Government Regulation Number 67 of 2008 concerning Indonesian SBSN Issuing Companies.
- 5) Minister of Finance Regulation Number: 118 PMK.08.2008 concerning Issuance and Sale of State Sharia Securities by Bookbuilding on the Domestic Primary Market.
- 6) Minister of Finance Regulation Number: 152 PMK.08.2008 concerning Issuance of Sharia Securities in Foreign Currency at the International Primary Market.
- 7) Minister of Finance Regulation Number: 218 PMK.08.2008 concerning Issuance and Sale of Retail State Sharia Securities in the Domestic Primary Market.
- 8) Regulation of the Minister of Finance Number: 04 PMK.08.2009 concerning Management of State Sharia Securities Assets Originating in State-Owned Goods.
- 9) Regulation of the Minister of Finance Number: 11 PMK.08.2009 concerning Issuance and Sale of State Sharia Securities in the Domestic Primary Market by Auction.
- 10) Regulation of the Minister of Finance Number: 75 PMK.08.2009 concerning Issuance and Sale of State Sharia Securities in the Domestic Primary Market with Private Placement.

Besides the positive legal basis that applies in Indonesia, also pay attention to:

- 1) DSN-MUI Fatwa Number: 69/DSN-MUI/VI/2008 concerning State Sharia Securities.
- 2) DSN-MUI Fatwa Number: 70/ DSN-MUI/VI/2008 concerning the Method of Issuance of State Sharia Securities.
- 3) DSN-MUI Fatwa Number: 71/DSN-MUI/VI/2008 concerning Sale and Lease Back.
- 4) DSN-MUI Fatwa Number: 72/DSN-MUI/VI /2008 concerning Ijarah State Islamic Securities Sale and Lease Back.
- 5) DSN-MUI Fatwa Number 76/DSN-MUI/ VI/2010 concerning SBSN Ijarah Asset To Be Leased.

4. Opportunities to participate in economic development through Sukuk.

Sukuk is one of the instruments to invest which provides opportunities for obligors either Muslim or non-Muslim investors to invest in Indonesia. The funds collected from the sale of Islamic bonds can be used to build the nation's economy. Sukuk are long-term securities based on sharia principles issued by issuers to investors (bondholders). Investors require issuers to pay income to investors in the form of profit sharing/margin/ fee, as well as repaying investment funds at maturity.

There are several reasons why the Government (Indonesia) needs to issue Sukuk: *First*, introducing companies in the global market, in this case, the aim is for investors to know more about the risks of the investment in a country or know the risks of several companies in a country. *Second*, the issuance of Sukuk by the government will increase the comfort level of global investors because it reflects the existence of a formal legal instrument. *Third*, to be seen in the global market, the number of bonds issued must be significant (Directorate of Sharia Financing, 2010:16)

Many benefits will be obtained by investors from investing in state SBSN or Sukuk, including:

- a. Is a safe investment, because the Government guarantees the payment of SBSN compensation and nominal value up to maturity;
- b. Invest following sharia principles, and are safe and free from things that are prohibited from sharia, such as usury, gharar, and maysir, so that in addition to being safe it is also reassuring;
- c. Providing income in the form of rewards or competitive profit sharing, compared to other financial instruments;
- d. Sukuk can be traded on the secondary market according to market prices, so investors have the potential to get capital gains;
- e. Investors participate and support national development financing.

The purpose of SBSN issuance is to finance the State Budget (APBN), including financing project development (such as infrastructure projects in the energy sector, telecommunications, transportation, agriculture, manufacturing industries and public housing). Because the goal is noble for goodness, then being an investor both individually and in groups/institutions means participating in the development of the country.

Payment of benefits and the value of SBSN at maturity are fully guaranteed by the Government, as stipulated in Act number 19 of 2008. Funds for payment of benefits and nominal value are allocated in the State Budget (APBN) for each fiscal year, stipulated in the APBN Law. Thus comfort for investors will be more guaranteed.

CONCLUSION

The successful implementation of the national development program in realizing a just, prosperous, and prosperous society based on Pancasila and the 1945 Constitution of the Republic of Indonesia must be accompanied by efforts to manage state finances optimally. It can be achieved through increased efficiency in managing state assets and developing sources of state budget financing. For this reason, it is necessary to develop various financial instruments that can mobilize public funds. Sharia-based financial instruments have an excellent opportunity to be used optimally, given the majority of the population in Indonesia are Muslim.

Sharia principles based on financial instruments have different characteristics from conventional financial instruments because following sharia Islamic financial transactions must be free from the elements of *riba*, *maysir*, and *gharar*. One form of sharia financial instruments issued by the Government of Indonesia is the State Sukuk through the enactment of Law Number 19 of 2008 concerning State Sharia Securities.

State Sharia Securities (SBSN) or also known as State Sukuk are expected to be able to mobilize public funds so that they can be used for state financing, including financing project development (such as infrastructure projects in the energy sector, telecommunications, transportation, agriculture, manufacturing and public housing). With the increase in the number of financial instruments based on sharia principles such as SBSN, it is expected to encourage the growth of other Islamic financial institutions such as Islamic banking, Islamic mutual funds, and Islamic insurance. Because the goal is noble for goodness, then being an investor both individually and in groups/institutions means participating in the development of the country.

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