

“The role of Sukuk in achieving sustainable development: Evidence from the Islamic Development Bank”

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THE ROLE OF SUKUK IN ACHIEVING SUSTAINABLE DEVELOPMENT: EVIDENCE FROM THE ISLAMIC DEVELOPMENT BANK

Abstract

The purpose of this study is to examine the compliance of Islamic Development Bank (IDB) Sukuk with Maqasid Al-Shari'ah (objectives of Islamic law) in relation to human development and well-being. The paper provides a theoretical model explaining how Sukuk can achieve Maqasid Al-Shari'ah by assessing the role of Sukuk in the circulation, development, and preservation of wealth to attain social justice. This study employs a qualitative methodology using an empirical case study. The primary data are collected through elite semi-structured interviews. The secondary data are obtained using a content analysis method from Sukuk's Principle Terms and Conditions, Information Memorandum and IDB's annual reports for the period 2007–2017 to explain the structures and features of the Sukuk and examine their compliance with the developed model. The findings indicate that the Medium Term Note (MTN) Sukuk program positively serves the elements of hifth al-mal (safeguarding wealth), showing a direct relationship between the shift of wealth among parties and the compliance of Maqasid Al-Shari'ah. This implies that the investments made by Sukuk would benefit everyone, including individuals, institutions, societies, and the whole country, to achieve human well-being and sustainable development. Nonetheless, the analysis suggests that Shari'ah supervisory boards need to focus more on the substance when structuring Sukuk to help Islamic finance benefit in terms of moving towards the achievement of Maqasid Al-Shari'ah.

Keywords

financial instruments, human development, Sukuk, well-being, wealth preservation

JEL Classification

G21, G23

INTRODUCTION

Sukuk is an Islamic financial certificate that provides investors with opportunities and income from owning an asset. Sukuk is characterized as one of the most rapidly growing products of the Islamic capital market, gaining widespread attention with no boundaries to religion or culture (Ibrahim et al., 2014). With a market that was the least affected by the global 2008 financial crisis (GFC), Sukuk achieved a broad geographical distribution, besides increasing interest from the leading global centers of conventional finance. Following the GFC, governments and corporations are looking for alternatives outside the interest-based system, and therefore Sukuk has received extensive attention (Di Mauro et al., 2013; Godlewski et al., 2013; Raei & Cakir, 2007; Wilson, 2008). For example, Islamic banking has become more advanced in the last decade with greater use of Sukuk for financing (Alhammadi et al., 2020). Sukuk also offers a solution to the liquidity management challenges that face the Islamic finance industry. However, *Shari'ah* scholars prioritize *Maqasid Al-Shari'ah* (objectives of Islamic law) fulfilments as a cru-

cial objective for achieving social well-being (M. K. Hassan & Aliyu, 2018), and not as motives for profit maximization (Alotaibi et al., 2020).

The Islamic Development Bank (IDB)¹ issued Sukuk to mobilize resources to finance specific projects for the benefit of the people, such as infrastructure and financing agricultural projects that will help the poor to participate in the economic circle, while supporting the food security for the whole community and benefiting trade and the entire market. Thus, these types of Sukuk mobilize the surplus funds from individuals or institutions to invest for the benefit of all. Nevertheless, to achieve *Maqasid Al-Shari'ah*, funds should be managed by experts who have the capability, knowledge and technology to invest those funds wisely.

Hence, in contrast to the majority of studies that considered the compliance of *Maqasid Al-Shari'ah* in the Islamic banks industry (Mohammed et al., 2008; Antonio et al., 2012; Asutay & Harningtyas, 2015; Hudaefi & Noordin, 2019; Rahman & Haron, 2019; Alhammadi et al., 2020), this paper examines the compliance of *Maqasid Al-Shari'ah* in the Sukuk investment. The study investigates whether IDB Sukuk plays a crucial role in establishing *Maqasid Al-Shari'ah* in preserving wealth, especially in the adequate circulation of wealth, the development of wealth, the preservation of wealth and the just distribution of income and wealth.

1. LITERATURE REVIEW

Maqasid Al-Shari'ah is the core objective, spirit, and the rationale of the *Shari'ah* in Islamic finance (Chapra, 2008, p. 9). *Maqasid Al-Shari'ah* is a broad concept that goes beyond the transactional relationships of financial institutions and products and establishes the objectives and rationale of the *Shari'ah* (Bedoui & Mansour, 2015, p. 559). This includes promoting social justice, social well-being, wealth circulation, equal distribution, attracting public interest, educating individuals, and sustainability (Laldin & Furqani, 2013; Mohammad & Shahwan, 2013; Ibrahim et al., 2014; Asutay & Harningtyas, 2015; Bedoui & Mansour, 2015; Hassan & Aliyu, 2018).

According to Imam Al-Ghazali, *Maqasid Al-Shari'ah* is achieved by preserving religion, human life, mind, offspring, and wealth. Several scholars have further discussed the objectives of *Shari'ah* using Al-Ghazali's five basic classifications. For instance, Dusuki (2010) has mentioned that the uppermost objectives of *Shari'ah* seek to establish justice, eliminate prejudice, and alleviate hardship. Chapra (2007) expanded human development and well-being using Al-Ghazali's classification. Chapra (2008, p. 5) provides a comprehensive explanation of Al-Ghazali's theory

of *Maqasid Al-Shari'ah*; for instance, he distinguishes between the interaction of the five basic *Maqasid Al-Shari'ah*, the relation to human development and the well-being of all humankind. In contrast, Attia (2007) put more emphasis on the concept of *Umma* (nation) and universal humanity to clarify that achieving *Maqasid Al-Shari'ah* is not restricted to Muslim communities but extends to all humankind.

Laahasna and Hassan (2011) elaborated on the objectives of *Maqasid Al-Shari'ah* regarding the financial transactions, namely: the circulation of wealth, the preservation and protection of wealth, transparency in wealth and finance, the development and investment of wealth and the prevention of harm and hardship in wealth, ensuring justice in the circulation of wealth.

Consequently, the concept of wealth preservation does not imply only safeguarding wealth, since the term preservation is limited to the protection of wealth against harm and is one of the dimensions to achieving wealth safeguarding. Therefore, safeguarding wealth is associated with wealth development and expansion, fair circulation, protection from harm, and equitable distribution (Laahasna & Hassan, 2011). Hence, the preservation of wealth plays a crucial role in the realization

¹ IDB is a multilateral development finance institution focused on Islamic finance located in Jeddah, Saudi Arabia. The Organization of the Islamic Cooperation (OIC) includes 57 member states.

of the other *Maqasid Al-Shari'ah* and in achieving human well-being. In contrast, the foundation of the rules and ethics that the preservation of wealth is built on is linked to a significant concept: wealth is a trust from Allah (God) that requires very efficient use to utilize this wealth in populating and developing Earth (Attia, 2007; Ibrahim et al., 2014, p. 14). Therefore, Sukuk is examined as a tool to achieve well-being and sustainable development goals via *Maqasid Al-Shari'ah* to contribute to the circulation of wealth, which can effectively serve human development goals and realize *Maqasid Al-Shari'ah* in terms of *hifth al mal* (safeguarding wealth) (Usmani, 2007).

Sukuk can contribute to wealth circulation, development, and fair distribution and provide an essential mode of large-scale Islamic financing for issuers, including governments, corporates, small-medium enterprises (SMEs), and international organizations. For example, governments can meet their policy programs and fund development projects such as building roads, hospitals, airports and undertaking other critical infrastructural facilities that contribute to the real economy (Sairally et al., 2015). These types of megaprojects will produce enormous opportunities for job creation of different qualities. According to K. Hassan and Lewis (2007), human labor is more important in ranking than natural or human-made wealth. This will contribute to the alleviation of poverty and a gradual upgrading in the standard of living, which will be followed by better health care conditions, a higher level of education, comfortable housing, and improved infrastructure. As stated by Sairally et al. (2015) and Usmani (2007), Sukuk represents a crucial means of promoting equal distribution of wealth as it allows investors to share in the actual profits from the underlying assets, which will contribute to the circulation of wealth among the broader society.

Based on the literature review, the paper contributes to the literature by examining the compliance of IDB Sukuk with *Maqasid Al-Shari'ah* in relation to human development and well-being. In particular, the study aims to answer the following questions:

1. How can the achievement of *Maqasid Al-Shari'ah* reflect wealth preservation?
2. What is required to achieve *Maqasid Al-Shari'ah* in safeguarding wealth, by examining the role of Sukuk in the circulation, development, and preservation of wealth to attain social justice?

Therefore, the paper develops a theoretical model explaining how Sukuk can achieve *Maqasid Al-Shari'ah*, as this model is then used to analyze the compliance of Sukuk financed by IDB.

2. RESEARCH METHOD

This paper employs a qualitative methodology that considers the IDB's MTN Sukuk program as an empirical case study². The primary data are collected through the elite semi-structured interview method. In contrast, the secondary data are obtained using a content analysis method from the IDB's annual reports and project documents.

The *Maqasid Al-Shari'ah* model (MSM) was developed based on the literature and the data generated from the interviews. The model was then used to analyze the IDB's completed projects financed by the MTN Sukuk from 2007 to 2017. This research will focus on the 125 completed projects during the period 2007–2017 for analysis purposes, while project analysis will take place at two levels; first, an analysis of each sector's projects in four dimensions in the MTN Sukuk MSM. A scale from 0 to 100 is given to measure the elements in each dimension. The second level of analysis is done for the whole project, representing the utilized funds of the MTN Sukuk Program.

This study uses the elite interviewing technique³. Given the interviewees' authority and experience, they will have structured their own knowledge. A review of the organizational chart of the IDB was carried out to select the seven elites to be interviewed according to their senior positions and the impact on the MTN Sukuk program. Table 1 summarizes the respondents' background and experience.

2 The IDB has maintained the highest credit rating of AAA from the three major rating agencies since 2002, with a stand-alone credit rating being one of the highest among multilateral lending institutions.

3 Elite interviews suggest interviewing experts or authoritative people who can give answers with insight and a comprehensive grasp of knowledge (Gillham, 2000, p. 63).

Table 1. Experts' background and experience

Respondent codes	Background	Experience
A	Law	Senior legal advisor, expert in Sukuk documentation with more than 40 years in Islamic banking legal documentation in several countries.
B	Economics, sociology	Academic and senior economic advisor, a scholar with a number of publications in top journals and more than 11 books on Islamic economics. He received several awards for his academic contribution.
C	Economics, Islamic finance, capital market and socioeconomics	Senior economist, and a professional trainer in Islamic finance. A member of the technical committee on several institutions for setting the standards and guidelines for Islamic financial institutions. He also participated in the technical assistance programs of the IMF, the World Bank and IDB for Islamic financial sector development in the member countries.
D	Public administration, law, financial management	Academic, a senior leader with over 40 years of experience in Islamic banking and finance. His views on development have been expressed in many articles, speeches, lectures and papers. He received the prestigious King Faisal International Prize in service to Islam in addition to several High Honor Awards.
E	Economics, administrative science, banking administration	Senior Financial Auditor with more than 30 years of experience in overseeing extensive funding, investments, financial management and corresponding banking relationships. In addition to financial planning and financial policies development. A member of IDB committees on assets and liabilities, investment, and risk management.
F	Banking industry, corporate restructuring	Leadership role in CEO, CFO and advisory roles. Establishing and restructuring banks, business evaluations, Islamic structure finance, Sukuk issuance.
G	Finance, chartered professional in Islamic finance	He pioneered and introduced innovative policy research that culminated in flagship reports in Islamic finance. He has also provided advice and technical assistance in Islamic finance to several countries. A member of the BOT of RFI and IMF, and a member of Shariah Supervisory boards (SSB) of several institutions.

3. INTERVIEW ANALYSIS

Several themes emerged from elite interviews with IDB respondents. These themes are developed from the controversial debate about the fulfillment of the requirements of *Shari'ah* in Islamic finance products in general and in Sukuk products in particular, in addition to the role of Sukuk in circulating wealth as a primary requirement of *Maqasid Al-Shari'ah* in *hifth al mal*. The final theme is related to the critical role of the SSB and how policymakers react to this board and their responsibilities.

The first theme concerns the impact of safeguarding wealth on human development, where the following question was asked:

Q1: What is the role of safeguarding wealth in human development and well-being?

Most interviewed experts agreed that the Muslim is required to observe the Islamic rules on earning and spending money that include wise spending, avoiding profligacy, and avoiding any element of *riba* (usury or unjust gains made in trade) or *gharar* (uncertainty). Expert B pointed to the rationale behind Muslims' obligation to safeguard

wealth, as this asset is given to all mankind by God for a certain purpose, namely, to develop and populate the earth. As confirmed by Attia (2007), the preservation of wealth through moderation in spending while avoiding extravagance and wastefulness will extend to affect the individual's community and the whole society on the state level as he is the basic component at all levels.

It is significant to consider the role of government at this level, which includes:

- 1) setting the rules and regulation to protect personal and public properties;
- 2) resource allocation;
- 3) ensuring fair access to wealth for all individuals; and
- 4) ensuring justice in wealth distribution. This was confirmed by Chapra (2008, p. 35) in his discussion on the significant role of the government in economic development, including the reorientation of monetary policies and regulations, and promotion of the equitable distribution of wealth.

Given the fulfillment of the *Shari'ah* requirements in terms of Islamic finance products, where the answers could be applied to Sukuk as a significant instrument in the Islamic financial market, the following question was asked:

Q2: *How does Maqasid Al-Shari'ah recognize finance?*

Expert G differentiated between two perspectives: the economic perspective and the legal perspective; he focused on the economic perspective that considered the impact of finance on society; to the extent that they apply *Maqasid Al-Shari'ah*, it is believed that communities will derive considerable benefit.

Halalan tayyiban [lawful and good] is used to explain applying *Maqasid Al-Shari'ah*; *tayyiban* is the part of *Maqasid*. (Expert G)

Expert F notes that the purpose of *Maqasid Al-Shari'ah* in Islamic finance is to protect, in specific transactions, the rights of every party involved in the contract in the sense of their capital, with profit and simultaneous promotion of the transparency and trust in the relationship; while more generally it aims to promote justice and fairness in financial dealings in terms of harmonizing the relationship between a customer and a trader in the market.

Expert D confirms that we are ordered to act with moderation in all aspects of our lives. Hence, squandering and carefree spending are not allowed, as spending or using resources should be limited to the necessity to achieve the purpose.

Wealth should be invested in lawful purposes and limited to *Shari'ah* that includes preserving wealth from waste or destruction and spending in legal purposes. For example, if the wealth is a public trust, then you should preserve and spend it according to the state law and protect it from any risk. (Expert D)

Most experts' opinions on Sukuk are linked to their practice in the field. There are five elements pointed out by them on the role of finance in recognizing *Maqasid Al-Shari'ah*:

1) providing a *Shari'ah* compliant banking and financial system;

2) preserving wealth for productive purposes;

3) offering commercial opportunities;

4) creating employment; and

5) promoting all the elements that will protect the rights and maintain trust between the parties in the contract.

All such features should be in the context of economic well-being, universal brotherhood, justice, and the equitable distribution of wealth to achieve *Maqasid Al-Shari'ah*. These will be applied to the MSM that is developed to analyze the MTN Sukuk Program.

The second emerged theme concerns a critical requirement to achieve *Maqasid Al-Shari'ah* in *hifth al mal*, which is the fair circulation of wealth, where the following question was asked:

Q3: *What is the role of Sukuk in the circulation of wealth-keeping from the Maqasid Al-Shari'ah perspective?*

Expert E divided the role of Sukuk in the circulation of wealth into two basic roles. The first is income generation for the savings of investors and resource mobilization for the investments of the business, which gives an opportunity to the Muslim *Ummah*, in particular, to participate in the income generated from projects of large corporations for a certain period of time, without taking excessive equity risks. The second role is providing a mechanism for raising capital directly from the capital markets, which gives opportunities for providers and users of money to benefit through financial and investment channels to support societies and progress economic development.

Sukuk enables us to shift the wealth from one part to another, from savers to users to help develop and then fulfil the needs of all. (Expert B)

The opinion of Expert A is not different in theory than in practice. He stated that Sukuk and bonds serve the same purpose of raising funds either for a certain project or for liquidity purposes. However, the bond is a form of a loan, whereby the

issuer is considered a borrower and the investors are considered as creditors. In the case of Sukuk, there is no borrowing; rather, it is a reality round action of assets. He continued by giving a direct example of the IDB case, where IDB sells its assets to an SPV that issues the Sukuk. The investors are considered as the beneficiary owners of the assets, who obtain a return on the assets that they own. In all these stages, there is no borrowing, credit, or interest; there are only real economic transactions. Moreover, *Shari'ah* scholars require that the assets be sold to an SPV to be recognized as 'off the balance sheet'; whereas in bonds, the loan is on the balance sheet. He added that money itself is not capable of generating money, only real economic activity is capable of that, while stating that now Western countries have become more familiar with the contribution of Sukuk, the UK was very interested and issued its first Sukuk, which was very successful – the UK had approached the IDB in this respect.

Interviewee G confirmed that the role of Sukuk as an alternative way of financing for many countries allows access to funds for countries and a *Shari'ah* compliant instrument for investors, *takaful* (Islamic insurance) companies and others. He raised another point about trading Sukuk as part of wealth circulation, pointing at the Indonesian experience whereby they create retail Sukuk issued by the government for individual investors. This will give the opportunity for individuals to participate in the economy, and they can sell Sukuk when they need money, which is another phase of circulation.

This study questions the purpose of Sukuk assets and the use of these assets: What is the asset used for? Covering debt, infrastructure, or others? What is the result of it in the community? Having a composite index to measure *Maqasid Al-Shari'ah* will be very helpful to check if Sukuk meets *Maqasid Al-Shari'ah*. (Expert G)

The opinion of Expert C was quite different as he reported that Sukuk did not contribute significantly to the circulation of wealth; both the sovereign Sukuk issued by governments and corporate Sukuk contributing to development, circulation are still limited. The only exception is the retail Sukuk, whereby Sukuk is issued in

small dominations in which individuals can participate. However, the actual situation now is restricted to institutional participation. He continued that microfinance Sukuk is a good alternative to microfinance bonds, and that the type of Sukuk will naturally be short-term Sukuk that are linked directly to the economy. Finally, he confirmed the significant advantage of Sukuk in liquidity management.

Expert F's opinion was more detailed, given his financial experience and involvement in Sukuk structure innovation. He described Sukuk as the outcome of a process in which the ownership of the underlying assets is transferred to many investors through certificates representing the proportionate value of the underlying assets. He pointed out that Sukuk was characterized by having large investors to invest in the pool of assets for productive purposes. Since Islamic finance, and in particular for Sukuk issuance, requires the underlying assets to be securitized, Sukuk has been closely associated with financial instruments, which are very useful for economic development, and, as a result, are directly related to real economic activities.

Interviewee F reports that Sukuk issuance is an alternative to raising sizeable amounts of funding for development projects; Sukuk is a viable and vibrant financial instrument, which can support any productive economic activities.

Interviewee F highlights that Sukuk will be further intensified if there is an effective partnership between the public and private sectors, through which the private sector also contributes to the economic development.

Sukuk is a viable and vibrant financial instrument for economic development, especially for infrastructure development, promoting inclusive growth and reducing poverty by generating economic linkages that provide access to economic activities for many individuals, thereby creating jobs. These direct and indirect effects of Sukuk as financial instruments are in line with all *Maqasid Al-Shari'ah* in wealth preservation through the protection of wealth, acquisition and development, damage protection, circulation, and the protection of its value. (Expert F)

The experts' opinions represent an agreement on significant issues that affect the role of Sukuk in the circulation of wealth. First, all experts confirm that all the transactions taking place during Sukuk structuring should be real economic transactions, and that all the investments should be in actual economic activities. The conclusion here is the direct correlation between the shift of wealth among parties and the compliance of *Maqasid Al-Shari'ah*. Second, there is agreement about the significant role of Sukuk in liquidity management, which was raised by several previous studies (Dusuki, 2010; Ghafoor et al., 2018), and the growing demand for the growth of the Islamic capital market and *takaful* companies. Third, the investments carried out by Sukuk funds should be for the benefit of all, including individuals, institutions, societies, and the whole country. Fourth, the results of Sukuk should include human development, economic growth, poverty reduction, job creation, and any other outcome that achieves sustainable development that must be considered in the context of populating and developing the earth. This should be extended to the positive impact on communities, such as education, health

care, housing, and other benefits that serve human well-being.

Based on the analysis of interviews and a theoretical framework, the Sukuk *Maqasid Al-Shari'ah* model is developed and discussed in the next section.

4. RESULTS AND DISCUSSION

The interviewees reported that financing projects via MTN Sukuk should benefit all stakeholders, individuals, institutions, societies, and the whole society and *Ummah*. Hence, based on these benefits and analysis of the interviews, the MSM is developed (see Figure 1).

Source: Researchers' own design. The model highlights the direct relationship between the shift of wealth among parties and the compliance of *Maqasid Al-Shari'ah*.

The MSM in Figure 1 illustrates the transfer of wealth among parties and the compliance of

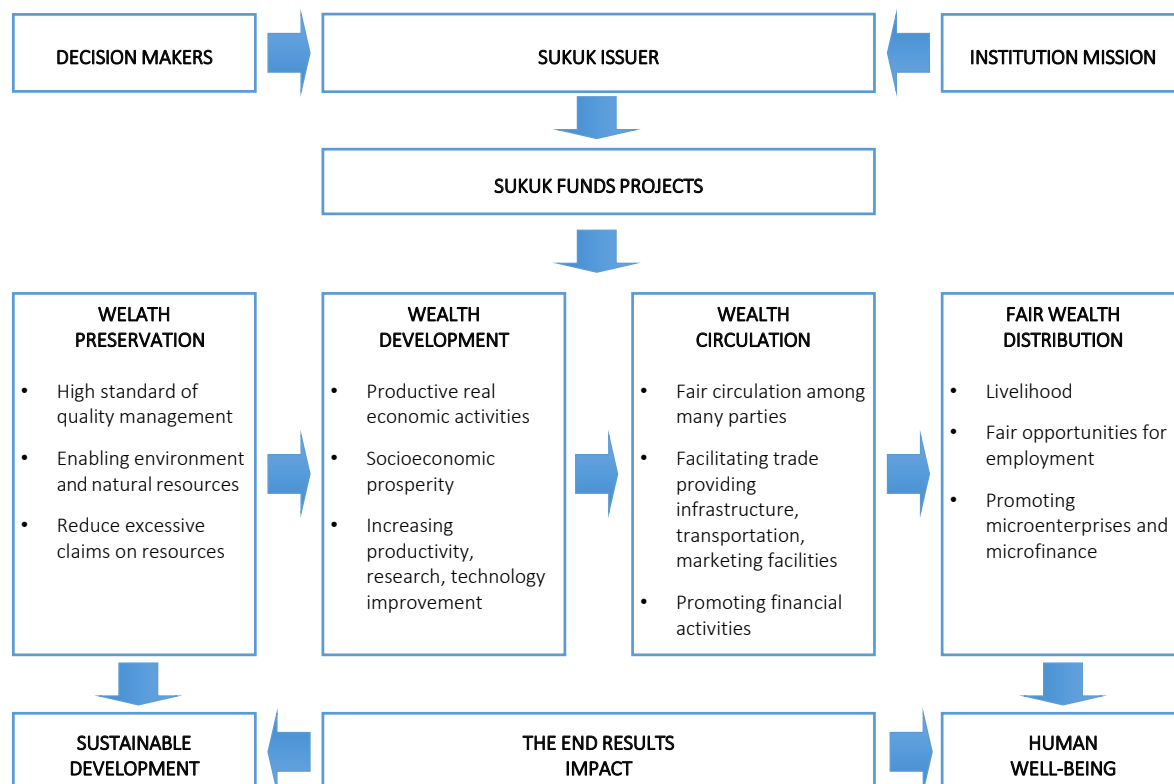


Figure 1. The *Maqasid Al-Shari'ah* model

Maqasid Al-Shari'ah. It shows the relations in the process of Sukuk issuance until the result of the Sukuk funding in the context of *Maqasid Al-Shari'ah*. This shows that Sukuk issuance is influenced by two variables, such as the mission of the institution that is issuing Sukuk, and the decision-makers at that institution. This implies that *Maqasid Al-Shari'ah*, at this stage, is related to the aim and purpose of the Sukuk issuance, which is determined by the vision and mission of the institution and the impact of decision-makers. The MSM reveals that Sukuk comprises tools that can be used for different means; even if Sukuk is *Shari'ah* compliant, the purpose of the issuance should still be achieving *Maqasid Al-Shari'ah* in *hifth al-mal*.

Sukuk issuance is followed by utilizing Sukuk funds in projects, while realizing *Maqasid Al-Shari'ah* in *hifth al mal* at this stage is affected by four correlated dimensions: wealth preservation, wealth development, wealth circulation, and fair wealth distribution. Moreover, projects were evaluated against criteria relating to these four dimensions.

The final process is the impact of the projects on the individuals, society, and the country. Realizing *Maqasid Al-Shari'ah* at this stage is illustrated by achieving (1) human well-being, which is mostly related to the positive impact on individuals and societies, and (2) sustainable development, which refers to the positive effects of the projects in the broader community and the whole *Ummah*.

The developed MSM is used to empirically examine IDB projects financed by Sukuk, to evaluate their compliance in achieving *Maqasid Al-Shari'ah* in *hifth al-mal* reflected by human well-being and sustainable development.

The first level analyzes the different projects of the same sector, which will include the analysis of serving *Maqasid Al-Shari'ah* according to the four main aspects, as in the MTN Sukuk MSM presented in Figure 1, to conclude on the impacts of each project. The second-level analysis aims to explore the whole sector achievements of *Maqasid Al-Shari'ah*, according to the MSM, and to conclude on the impacts on each sector and, hence, the compliance of the MTN Sukuk Program with

Maqasid Al-Shari'ah and its impact on human well-being and sustainable development.

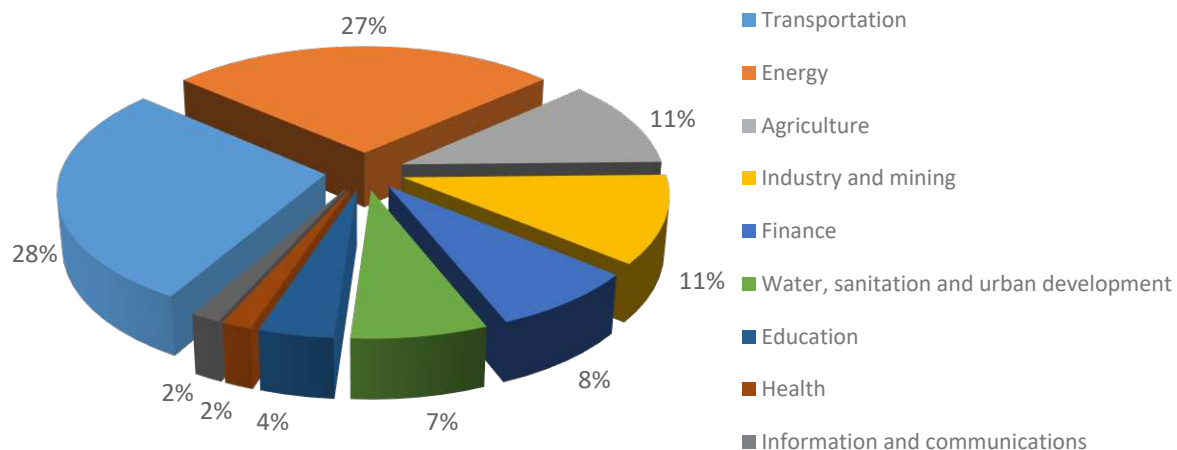
IDB projects financed by Sukuk are based on the following criteria:

- 1) Improving quality of life through education and health projects.
- 2) Investing in infrastructure that includes: energy projects, transportation, urban development, public-private partnership (ppp), targeting non-sovereign infrastructure projects to promote economic development through job creation, and regional integration.
- 3) Boosting agriculture to increase production, empowerment, and an overall increase in economic activities.

Figure 2 shows the allocation of the 125 completed projects financed by IDB Sukuk across sectors. They are divided by size as follows: transportation (28%); energy (27.2%); agriculture (11.2%); industry and mining (11.2%); finance (8%); water, sanitation and urban development (7.2%); education (4%); health (1.6%); and information and communications technology (ICT) (1.6%). Figure 2 illustrates the completed and active projects by size.

The first level of analysis for the projects shows that most of them achieve high levels of wealth preservation. However, some other projects show less achievement in wealth preservation levels, such as energy, transportation and industrial projects that are usually combined with an uncontrolled side-effect on the environment. Education and ICT projects serve wealth development more than other types, as these projects play a crucial role in human uplift and socio-economic prosperity. These are followed by health projects that deeply affect the socio-economic prosperity and the productivity of all social and economic activities. Finance projects are among those projects that closely serve wealth development due to the direct finance that is provided to support individuals and institutions to establish and develop their social and economic activities. Other projects, such as transportation and agriculture, add to socio-economic prosperity, increase in productivity and technology improvement. Energy and industry projects add to

Source: Researchers' own design.



Note: This pie chart shows the allocation of the 125 completed projects financed by IDB Sukuk across sectors.

Figure 2. Completed IDB projects financed by MNT Sukuk

research, technology improvement, training, and increased productivity.

The circulation of wealth is highly served by transportation and finance projects, where the active trading and export will involve more circulation among different parties, in addition to promoting financial activities. Other projects positively affect wealth circulation, as they provide infrastructure, facilitate trading, and promote financial activities.

Finance and ICT projects are the sectors that most serve a fair distribution of wealth due to the direct support to microfinance and microenterprises. All other projects add to livelihoods and provide fair opportunities for employment. The major impacts that are shared throughout the projects are poverty alleviation, reducing economic disparities, improving living standards and enhancing economic growth. These enable both public and private sectors to commit to development obligations.

Food security is the main impact of agricultural, water and urban development projects, in addition to food self-sufficiency. The other impacts of both projects are related to the rural population and development.

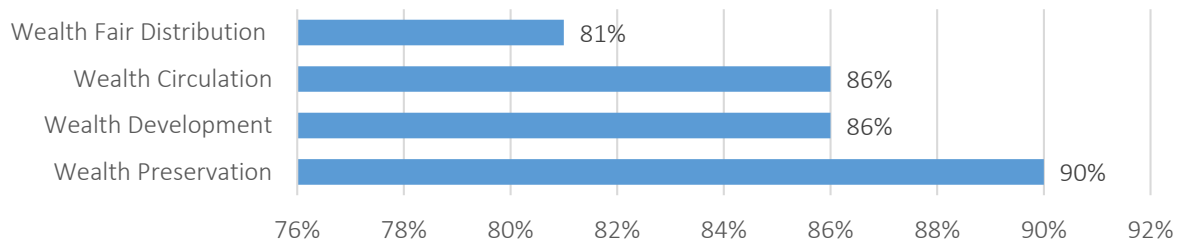
The significant impact of environmentally friendly energy projects and sanitation projects consists in improving environmental conditions that will improve the health condition and public health, in addition to maintaining a sustainable environ-

ment. The second impact of both projects consists in providing infrastructure and basic services to rural areas that will affect urban development.

Industry and mining projects, in addition to energy projects, share a notable impact, which promotes other related economic activities, such as the trading of raw materials. The second long-term impact is the contribution of these projects to social and economic development. Regional and national integration are direct impacts of both transportation and ICT projects, with transportation projects accompanied by other related infrastructure construction such as building bridges and constructing tunnels.

Health and flood-protection projects' impact is the preservation of human life, which is the most significant purpose in the context of *Maqasid Al-Shari'ah*. Other impacts of different projects are as follows: education projects provide quality education and research; finance projects contribute to the Islamic banking and finance industry; and water sector projects play a crucial role in the preservation of water resources that will benefit future generations.

The second level of analysis is carried out to conclude on the MTN program achievement of *Maqasid Al-Shari'ah* as determined by MSM, considering the ratio of the sectors to the whole projects. Figure 3 shows that the Sukuk program serves 90% of wealth preservation, then 86% of



Note: This figure shows the compliance of the MTN Sukuk Program with *Maqasid Al-Shari'ah* as determined by MSM.

Figure 3. The compliance of the MTN Sukuk Program with *Maqasid Al-Shari'ah*

both development and circulation of wealth, and 81% of the fair distribution of wealth. The impact of the MTN Sukuk program could be summarized as follows. The most significant impact is on the preservation of wealth, food security, and food self-sufficiency. The large number of jobs created by the projects, in addition to the direct support to some specific line of activities, are of great help to poverty alleviation, reducing economic disparities, improving living standards and adding to the economic growth. Investing in education and health will support human development with quality education and research while improving public health. Further impacts of the program are urban development, sustainable environment, the preservation of natural resources, regional and national integration, support for both public and private sectors, social development, and, finally, the significant contribution to the Islamic banking and finance industry.

The MTN Sukuk program includes diversified sectors targeting socio-economic and human development, which include improving the quality of life, human capital uplift, infrastructure, urban development, transportation, agriculture, industry, and mining. The MTN Sukuk is effective in serving the basic elements in the MSM model, scoring 90% in terms of the preservation of wealth, 86% in both de-

velopment and circulation of wealth, and 81% in the fair distribution of wealth. The analysis for the purpose of this research includes only 30% of the total projects, and thus 70% of the projects are still active, with the number of projects increasing every year. The potential of the program is high, with the active projects targeting agriculture, transportation, energy, urban services, education, health, finance, industry, information, and telecommunications. Further sectors (public administration and trade) are added to the projects.

The impact of the MTN Sukuk on the MSM is divided into two major categories: human well-being and sustainable development, as summarized in Table 2.

In human well-being, the achievements include the preservation of human life, poverty alleviation, improving living conditions, reducing economic disparities, human development, improving public health, improving ecological conditions, quality education and research, and social development. The achievements in the sustainable development sector include economic growth and sustainability, food security and sufficiency, urban development, sustainable environment, preservation of natural resources, regional and national integration, support for the public and private sectors, and contribution to the

Table 2. Human well-being and sustainable development

Source: Researchers' own design.

Sustainable development	Human well-being
<ul style="list-style-type: none"> Economic growth and sustainability Food security and sufficiency Urban development Sustainable environment Preservation of natural resources Regional and national integration Support to public and private sectors Contribution to Islamic banking industry 	<ul style="list-style-type: none"> Preservation of human life Poverty alleviation Improving living conditions Reducing economic disparities Human development Improving public health Improving ecological conditions Quality education and research Social development

Islamic banking industry. The impact of the MTN Program is highly compliant with the Organization for Economic Co-operation and Development's (OECD) well-being indicators and the UN's SDGs, which emphasizes Islam's universal objectives of human well-being and populating the earth.

The other positive indicator concerning the MTN Program is the increased number of projects with high achievements of *Maqasid Al-Shari'ah*, such as agriculture, urban services, education, and health projects.

CONCLUSION

The interviewees confirm the importance of creating an Islamic financial system that preserves wealth for productive purposes, offers business opportunities and generates employment.

Based on the analysis of interviews and the conceptual MSM, Sukuk as a financing instrument is capable of achieving human well-being and sustainable development, via accomplishing *Maqasid Al-Shari'ah* in *hifth al mal*, which includes wealth development and expansion, fair circulation, protection from harm and fair distribution. Sukuk represents a significant element in wealth circulation at two levels. First, the funding received from investors or Sukuk holders is a shift of wealth from the hands of the wealthy to the Sukuk issuer to invest that wealth. Sukuk also represents a tool for wealth development when the investments are related to the real economy and produce real productive activities. As a fixed income instrument, Sukuk will preserve the wealth from any unexpected excessive risk that may waste or destroy it.

Nevertheless, development is not limited to material wealth, but extends to the prosperity and the socio-economic development of human labor. Regarding the fair distribution of wealth, Sukuk plays an essential role in circulating the wealth among broader society by avoiding the concentration of wealth among the wealthy, in addition to the fair opportunities for employment and livelihood that will be created through large projects. Therefore, instead of focusing on the legality for MSM of Sukuk, SSB should evaluate the substance when structuring these financial products (Dusuki, 2010). This would help Islamic finance benefit in terms of moving towards the achievement of *Maqasid Al-Shari'ah*.

Interestingly, the case study shows that the impact of IDB MTN Sukuk is compliant with OECD's well-being indicators and with the UN's SDGs, emphasizing Islam's universal objectives of human well-being and sustainable development. In human well-being, the achievements of the program include the preservation of human life, poverty alleviation, improving public health, improving ecological condition, quality education and social development. The achievements in the sustainable development sector include economic growth and sustainability, food security and sufficiency, urban development, sustainable environment, preservation of natural resources, regional and national integration, support for the public and private sectors and the contribution to the Islamic banking industry. Hence, the findings confirm that Islamic finance as a system contributes to economic activities aimed at alleviating poverty and inequality, achieving economic and social stability, and supports comprehensive human development and fairness, which are all relevant to the SDGs (Zarrouk, 2015).

AUTHOR CONTRIBUTIONS

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