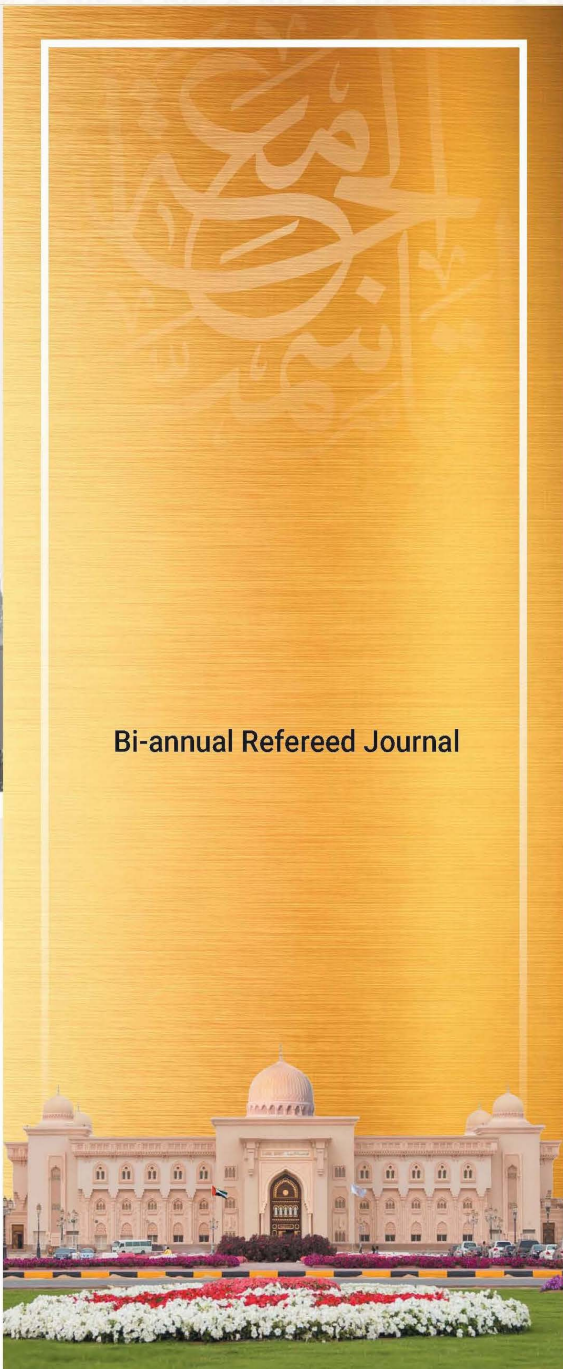


**AL QASIMIA UNIVERSITY JOURNAL
OF
ISLAMIC ECONOMICS**



Bi-annual Refereed Journal

Vol.2, No. 2

Jumada al Ula 1444 A.H. / December 2022 A.D.

ISSN: 2788-5542

فعالية صكوك الإجارة في التمويل التعليمي في ولاية أوسون في نيجيريا:
دروس للولايات الأخرى

THE EFFECTIVENESS OF SUKUK IJARAH IN
EDUCATIONAL FINANCING IN OSUN STATE, NIGERIA:
LESSON TO OTHER STATES¹

محمد دوكو

جامعة غاشوا الفيدرالية، نيجيريا

Muhammad Duku

Federal University Gashua, Nigeria

عليو ضاهر محمد

جامعة بايرو، نيجيريا

Aliyu Dahiru Muhammad

Bayero University Kano, Nigeria

¹ Article received: Jun. 2022; article accepted: Sept. 2022

الملخص

يعد ضعف البنية التحتية العائق الرئيسي لقطاع التعليم في ولاية أوسون مما يتسبب في آثار ضارة على القطاع والدولة. لذلك فإن الهدف من هذا البحث هو استخلاص بعض الدروس من صكوك إجارة ولاية أوسون والاستفادة منها في ولايات أخرى. اعتمدت الدراسة التحليل الموضوعي باستخدام تقنيات الترميز المركزة لتحليل البيانات التي تم جمعها من خلال المقابلات. كما تم تصنيف الموضوعات أيضًا بناءً على إجابات الأشخاص الذين تمت مقابلتهم المصممة لتقديم إجابات للأسئلة التي أثبتت في الدراسة. وخلصت الدراسة إلى أنه يمكن استخلاص الدروس من صكوك إجارة ولاية أوسون والاستفادة منها في الولايات الأخرى لتمويل عجز البنية التحتية في قطاع التعليم. فالصكوك في الأساس أداة مدعومة بالأصول وتوفر مشاركة في المخاطر وعائدات أفضل من السندات التقليدية التي تعتمد على التصنيف الائتماني. كما أوصت الدراسة بأن هناك حاجة كبيرة لوضعي السياسات في الدولة لخلق وعي حول منتجات الإجارة بين المستثمرين في السوق والمواطنين في الدولة من خلال تنظيم الندوات وورش العمل والمؤتمرات لتنوير المستثمرين وعامة الناس حول أداة الصكوك، كما أن هناك حاجة أيضًا لتوفير قاعدة قانونية من شأنها أن تفسح المجال للملكية والضرائب من طرف صانعي السياسات، وهو ما سيؤدي إلى جذب المستثمرين الأجانب للقدوم والاستثمار في الصكوك كما قد تستفيد الولايات الأخرى من السوق.

Abstract

Infrastructure deficit is the major constraint of education sector in Osun state which causes a detrimental effects on the sector and the state. Therefore, the objective of this paper is to draw some lesson from Osun state Sukuk Ijarah to other states. The study uses thematic analysis using focus coding techniques to analyze the data collected through interviews. Themes are also formed based on the interviewees' responses designed to provide answers to the questions

raised in the study. The result of the study depicts out that lessons can be derived from Osun state Sukuk Ijarah to other states. The study concludes that lessons can be derived from Osun state Ijarah Sukuk to other state from the Ijarah Sukuk issued by Osun state to finance infrastructure deficit in the education sector. Sukuk are essentially asset-backed instrument, which support building of underlying asset and give better risk participation and returns than the conventional bond which is credit-rating-based. The study also recommends that there is a great need for policymakers in the country to create awareness (Ijarah products) to the investors in the market and the entire citizen in the country by arranging a kind of seminars, workshops and conferences to enlighten investors and the general public about the Sukuk instrument and there is need also for policy maker to initiate a legal rule that will give way to ownership and taxation, doing this will attract foreign investors to come and invest in Sukuk and also other states may tap into the market.

الكلمات الدالة: البنية التحتية، التعليم، الصكوك، الإجارة، التمويل

Keywords: Infrastructure, Education, Sukuk, Ijarah, Financing

1.0 Introduction

Infrastructure serves as a determining factor for the measurement of a country's index for growth and development and means of increasing economic production, and provision of social amenities such as education, health care facilities, roads, potable water, and electricity among others. Therefore, infrastructure is the basic physical and organizational structure needed for the operation of a society like industries, buildings, roads, bridges, health services, governance and so on (Gbadebo and Olalusi, 2015). The development of infrastructure the world over is a fundamental precursor to economic growth and development (Kari, Collins and Ernest, 2019). From 1992-2003, total international investment in developing countries' infrastructure is estimated to have been \$622 billion an average of \$52 billion a year

and 3.8% of total gross domestic investment in the developing world. Developing nations need an additional \$2.5 trillion if they are to achieve the United Nations Sustainable Development Goals. Infrastructure investment is widely recognized as a crucial driver of economic development, while the quality, quantity and accessibility of economic infrastructure in developing countries lag considerably behind those in advanced economies, scaling up infrastructure investment is widely seen as a key pillar in national development strategies in low-income developing countries (LIDCs) (Gurara, Klyuev, Mwase, and Presbitero, 2018).

Equally, the soundness of a nation including its social, economic, political, and technological buoyancies rely on its ability to foster better education for its citizen. The inability of a nation to provide the infrastructure needed in the education sector largely affects the nation growth and development. In this regard, the provision of infrastructure in the education sector is one of the pre-requisites for the economic, social, political, and technological growth and development of the countries. Infrastructure in the education sector is the basic fundamental key pillar and element needed for the growth and development of a nation. On top of that, education is recognized as an important tool that brings about rapid societal development. Education is one of the critical sectors that can be considered in measuring the effectiveness and efficient level of development of a nation and serves as an index that attracts foreign investors and expands international trade. Most developing countries with infrastructural deficits can hardly create a reliable path to national development as the flow of foreign direct investment and advancement of critical and non-critical sectors of the economy are near-impossible (Kari, Collins and Ernest, 2019).

Today, the lack of infrastructure is drawing back Africa's economic growth per capita by 2% each year and reducing firm productivity by as much as 40% (Ali, 2016). In Nigeria, for example, infrastructure in the education sector remains inadequate, which as a result the schools' environment is not conducive for learning to take place and the state of arts infrastructural resources, also, remain a factor. Developing countries are now budging away from financing the infrastructural project. To link it up, African countries are depending

on concessional financing coming from governments and banks, because of inadequate internally generated revenue and poor tax collection, as a result most African countries depend on international donors to meet their budget obligations (Hundal, 2013). Likewise, Infrastructure development is crucial for Nigeria's economic growth, particularly for the realization of the federal government's economic diversification agenda. The lack of adequate fiscal revenue to finance infrastructural development has however left the Nigerian economy grossly in deficit in this area. Nigeria's infrastructure deficit is estimated at \$100 billion annually, which is 189.77% above the 2021 federal budget, projected at \$34.51bn.2. With such a gap, the Nigerian government is incapable of addressing the country's infrastructure needs on its own (FDC, 2020). Nigeria is Africa's giant economy and one of the key player in the global economy. But the country lacks huge infrastructure investment in the education sector and this deficit has constrained social, political, economic and technological growth and development of the country, thus reducing the country ability to improve the quality of life expected from the governments at all levels. However, according to Alex (2013), there are three critical challenges to be addressed in the education sector in Nigeria, these are; funding, administration and curriculum.

In this regard, the demand to provide investment in line with Islamic principles worldwide has created an affluent Islamic capital market. The need for alternative sources of capital to finance infrastructure becomes increasingly more compelling with the fragility of growth from major emerging markets (Gwarzo, 2015). Islamic capital market offers a viable and alternative long-term source of funding for large infrastructure development. In terms of project financing, among the most popular financial instruments is Sukuk. Sukuk emerged as a useful way to increase the funding available for large projects and often yields better quality. Though, the Sukuk structure was used within Muslim societies as early as the middle ages, where paper representing financial commitments originating from trade and other marketable activities were issued. Sukuk is a plural of Sakk, which means "legal documents, deed, and check". It is an Arabic name for the financial certificate but it can be seen as an Islamic equivalent of conventional bonds. Sukuk is defined as;

“Certificates of equal value representing individual shares in ownership tangible assets, usufructs and services or (in the ownership of) the assets of particular projects or special investment activity”. (AAOIFI, 2005)

Therefore, Ijarah is a term of Islamic fiqh, lexically meaning ‘to give something on rent.’ But the term Sukuk Ijarah relates to the usufructs of assets and properties. Usmani (1998), defined Sukuk Ijarah as a means to “transfer the usufruct of a particular property to another person in exchange for a rent claimed from him.”

In Nigeria, Osun state was the first sub-Saharan state to issue Sukuk. The Osun Sukuk which is 14.75% secure return Sukuk Ijarah due in 2020 funding the construction of 11 mega high schools across various local governments in the state. The issuance includes state of arts infrastructural facilities such as instructional materials, science and computer laboratories, and resourceful libraries, among others. In Africa, the Sukuk market capacity is low, the year 2014 paved way to some African countries to tap into the Sukuk market. Senegal issued its 4 years Sukuk Ijarah valued at US \$208 million, to finance energy projects and South Africa followed by issuing a US \$500 million Sukuk Ijarah with 5.75 years tenure in the international market.

However, over the year’s infrastructure deficit is the major problem crippling the education sector. This is a result of inadequate funding to education sector in budgetary distribution annually. The amount allocated yearly on education is lower than the amount recommended by UNESCO which is 26% of the annual budget (Oseini, 2012). Inadequate funding in the education sector is one of the big barriers to sustaining comprehensive economic growth in Osun state and Nigeria in general. Poor funding of infrastructure in education sector culminated to causes detrimental effects to educational system in Nigeria and Osun state in particular, an examples of such problems include dilapidated classrooms, pit toilets instructional materials, science and computer laboratories, resourceful libraries, corruption among other infrastructure. These infrastructure problems directly and indirectly affect the academic performance.

Therefore, the objective of the paper is to draw some lesson from Osun state Sukuk Ijarah to other states.

2.0 Literature Review

2.1 *The Issue of Capital Inflow from Abroad*

There is high need of capital to finance infrastructural projects in Nigeria. The demand is widespread in the country and even the financial institutions which provide the needed services. Accordingly, there is common interest both from government and private sector in finding appropriate financing way out. Despite a number of programs on educational financing by government, also several studies have been done to bridge the gap and assist educational system but have been met with inadequate success. Famurewa (2014), opines that government should focus on internally generated revenue projects which can be used for research work and other development projects. Kpolovie and Esezi (2013), suggest that the best way to raise funds for educational financing is through private donations and grants. In another research by Adeyemi (2011), opines that the best way to finance education is through bank loans for capital development, introduction of property tax, donations from endowment and P.T.A, education tax and development levy. Also, Nwachukwu (2014), suggest that private sector to invest in and operates in the provision of education based on market demand and supply framework.

According to Kpolovie and Obilor (2013), in their paper Adequacy-Inadequacy; Education Funding in Nigeria, came up with investigation whether government participated in financing education or not. The study adopted documental analysis design to review the trend of education funding (budgetary allocation to the education sector) from 1960-2013 in Nigeria.

Adewuyi and Okemakinde (2013), the study provides an overview of the trend and nature of public funding of higher education in Nigeria. The study also supports increased public investment in higher education. Another research by Olaleye and Olafunke (2013), in their paper titled Provision of Quality Education for Nigerian Children a Tool for Achieving Millennium Development Goal (MDGS). The study therefore aimed at examining how quality education can be provided for children in public primary schools. The study was limited to Osun state Nigeria. The study discovered that the schools were not supervised regularly for quality assurance,

inadequate funding, lack of incentive for teachers and inadequate capacity building for staff were some of the constraints for provision of quality education for children in primary schools.

According to the Central Bank of Nigeria (2000), poor financial investment has been the bane of Nigerian education system. Education in Nigeria has been in financing crisis for many years, and has culminated in shortage of material and human resources in the system: lack of qualified teachers; high turnover rate of teachers; shortage of classrooms; poor learning environment; inadequate commitment from teachers; decline in the quality of education offered; insufficient admission spaces, examination malpractice, cultism, brain drain, inadequate laboratories for teaching and research, shortage of books and journals, indiscipline, low remuneration, inconsistent and ill-conceived policies and a myriad of other problems. These problems are pronounced at each of the three levels of the educational system: primary, secondary and tertiary education. It is revoltingly annoying that with this dull state of education in Nigeria, the government is still allocating less money to the educational sector. Where the total percentage of annual budgetary allocations to education, if compared with other less wealthy African countries, the picture becomes not only very disturbing, but a sign of imminent failure for the nation. Remember that the percentage of total annual budgetary allocations to education are: Botswana, 19.0%; Swaziland, 24.6%; Lesotho, 17.0%; South Africa, 25.8%; Cote d'Ivoire, 30.0%; Burkina Faso, 16.8%; Ghana, 31%; Kenya, 23.0%; Uganda, 27.0%; Tunisia, 17.0%; and Morocco, 17.7% while that of Nigeria on the average is less than 6 % and in 2013 is 8.7% (Odiaka, 2013; Nzeh, 2013; Oseni, 2012; Adewuyi & Okemakinde, 2013; Kupoluyi, 2012).

Conclusively, this dishearten situation of the statistic on Nigeria's lack of funding to education sector, make the country in to the state where it is now, that lead to the less job opportunities, high rate of illiteracy, insecurity, globally backward in terms of technology in which lead the country cannot even produce the quality professionals in all aspect of human life.

However, the previous studies on financing education are mostly at exploratory stages. Issues covered to date include the extent to fill the gaps of the need and the actual financing of education sector.

2.2 The Application of Sukuk by Osun State Sukuk Company in an Education Sector

A public limited liability company incorporated in Nigeria on the 11th June 2012, named Osun Sukuk company Plc (Rc. No. 10339919) is wholly owned by the state government of Osun with revisited at the finance building, ministry of finance, Osun state government secretariat complex, along Gbongan Road Abere, Osogbo, Osun state. The Osun Sukuk company Plc was established as a special purpose vehicle ('SPV') to act solely for the purpose of participating in the transactions contemplated by the shelf prospectus, this pricing supplement and other transaction document stated in the shelf prospectus.

The authorized and issued share capital of the issuer is N1,000,000 divided in to 1,000,000 ordinary shares of N1.00 each. 999,999 of the issuer's ordinary share are owned by the state government of Osun and 1 ordinary share is by Anthony general and commissioner for justice (Mr. Wale Afolabi). The issuer has no prior operating history or business and will not have any substantial liabilities other than in connection to the issue of the Sukuk. It has not engaged in any material activities other than that incidental to the issuance of the Sukuk. The objective, the issuer is to issue the Sukuk in order to finance the Sukuk assets. To satisfy this objective, the issuer will enter into agreement and undertakings necessary for the performance of its obligations under the transaction contemplated in shelf prospectus and pricing supplement.

Since the date of incorporation, no financial statements of the issuer have been prepared. The issuer's fiscal year will end on April 30 of each year. The issuer has no subsidiaries or employees and is not expected to have any in the future. Osun Sukuk company plc plans to raise up to N11, 4 billion in the form of "Sukuk Ijarah" (lease bonds). The Sukuk Ijarah is an investment vehicle to fund the construction of 27 millennium model schools across various Local Government Area (LGAS) in the state. The schools shall comprise of elementary, middle and high schools in fulfillment of the state's drive to improve on the literary rate. Furthermore, the school will possess state of the art infrastructural facilities including spacious classrooms, well equipped science and computer laboratories, resourceful libraries, accessible

roads and electricity amongst others. Fund received from the Sukuk holders would be used to construct the schools, thus ownership of the school lies with the Sukuk holders. The state government of Osun will make rental payment based on a forward lease (forward Ijarah) agreement. The issuer SPV will commence periodic rental payment to the Sukuk holders 90 days after the date of allotment.

2.3 Steps Involved in Osun State Sukuk Ijarah Structure

Below are the steps involving in structuring osun state Sukuk Ijarah;

- a) Osun Sukuk Company Plc (Issuer SPV) issues Sukuk, which represent an undivided ownership interest in the Sukuk assets and a right against the Issuer SPV to the payment of Rental Amount and Redemption Amount.
- b) The Issuer SPV declares a trust over the Sukuk assets (the school buildings to be constructed) and the proceeds of the Sukuk for the benefit of Sukuk holders and appoints Sterling Asset Management & Trustees Limited and Skye Trustees Limited (Trustee Delegates) to act as its delegate trustee on behalf of the Sukuk Holders (in line with section 245 of ISA. of 2007).
- c) The Investors subscribe for Sukuk and pay the proceeds to the Issuer SPV.
- d) The Government of the State of Osun (Originator) transfers title to the land required for construction of the Sukuk assets to the Issuer SPV and issues Certificates of Occupancy in the name of the Issuer SPV.
- e) The Issuer SPV enters into an Agency Agreement with the Originator for the construction, maintenance and management of the Sukuk Assets.
- f) The Issuer SPV, the Originator, and a construction company enters into a construction contract “Istisna contract” for the construction of the agreed number of Elementary, Middle and High Schools at a specified date.

- g) The Issuer SPV transfers the agreed cost of construction of the Sukuk Assets, as may be necessary, to the Originator acting as the agent.
- h) The Issuer SPV leases the Sukuk Assets to the Originator under a forward Ijarah agreement against periodic rental payments (Lease Rental) and periodic piecemeal purchase price payment (Periodic Redemption Amount)—Ijarah Muntahia Bittamleek i.e gradual purchase and transfer of legal or beneficial title of the Sukuk Assets from the Issuer SPV to the Government of the State of Osun.
- i) The Originator (in its capacity as the Lessee) starts paying the Lease Rental immediately and will commence payment of the Periodic Redemption Amount at a deferred date based on the forward Ijarah agreement.
- j) The Trustee Delegate oversees the remittance of the Lease Rental and the Periodic Redemption Amount to the Issuer SPV and ensures same is distributed among the Sukuk holders as rental payments and purchase price payment at the relevant dates until full redemption.
- k) The Issuer SPV and the Originator execute a Sale and Purchase Agreement for the sale of the relevant portion of the Sukuk Assets covered by the Periodic Redemption Amount. The piecemeal purchase would continue until full redemption.

2.4 Risks and Managing Factors of Oman State Sukuk

There are a number of risks attributed with investing in Sukuk, as with investment in any other type of securities. Any of the following risks may have a material adverse effect on the State's financial condition and ability to service its financial obligations including the Sukuk. It is important to note that the list is not exhaustive and there may be risks currently unknown to the Originator or the Issuer that could affect the State, the SPV and the performance of the Sukuk. These risks may affect a number of assumptions relating to revenue, cost and other estimates made in composing the financial model shown on and may cause underperformance in reality relative to what is being predicted.

Investors should therefore be aware of the following risk factors and consider them together with all the other information included in this Prospectus as a guide prior to subscribing to the offer.

i. Risks Related to the Country (Political & Economic Risks)

Changes in fiscal policies and political crisis including the recurring issues of the Niger Delta and recent terrorist attacks in Nigeria's Northern States could have adverse effects on economic development and stability in the country. Security is envisaged to be a significant concern for the Government this year. The plan of the Federal Government to fully remove fuel subsidy may be met with opposition by the populace and this could potentially delay the ongoing reforms of the current administration. The Nigerian economy continues to recover from the impact of the global recession which contributed to the downturn in the equities markets and a drying up of liquidity occasioned by the banking sector reform.

Significant reforms are needed to restore confidence in the markets, coupled with a higher level of regulation and corporate governance standards to attract investors. If the government cannot stimulate growth, there will be reduced activity in the private sector which may in turn affect the State's tax revenues and consequently the financial health and its ability to meet its obligations. Low level of infrastructure development continues to pose a significant challenge to efforts implemented towards growing the economy and creating quality assets to invest in.

Furthermore, the Nigerian economy is largely dependent on oil sales and the global prices of oil, with oil accounting for almost 17% of the nation's GDP, over 95% of export earnings and about 81% of budgetary earnings according to the data obtained from the World Bank. Recently oil prices have surged and crossed the US\$100 mark largely due to political unrest in the Middle East but a fall in global oil prices can have a significant impact on Nigeria's earnings and currency.

ii. Mitigating Factor (Political and Economic Risks):

Following the successful conclusion of the elections in April 2011, President Goodluck Jonathan moved to appoint a government to pursue his “transformation agenda” and Ngozi Okonjo-Iweala returned to the finance ministry operating in an additional coordinating role for the economy. The emergence of a new generation of leadership and key appointments of proven technocrats in prominent positions is promising for the development and regulation of the Nigerian economy, through power, infrastructure and most importantly agriculture. The FGN has shown commitment towards addressing the security threat by reinforcing and equipping the Security Services with the necessary resources to face the challenge. This commitment has been demonstrated by the FGN as almost a quarter of the 2012 budget was allocated for security purposes. Any progress made in tackling this security threats will go a long way towards dampening the tension in the economy and increase investments therein. The Federal Government has identified these challenges and has made significant strides in addressing these issues via the following:

Fiscal consolidation, partial subsidy removal, reform of the oil and gas industry, roll-out of a nationwide power transformation and distribution system and creation of a sovereign wealth fund. These are key Osun Sukuk Company Plc, N11,400,000,000.00 14.75% Fixed Return Sukuk Ijarah Due 2020. 10 initiatives that are being implemented and which have brought significant improvements to the economy within the last year and are expected to continue to do so going forward.

iii. Risks Related to the Sukuk Issue (Shari’ah Compliance Risk):

Risk associated with a particular school of jurisprudence that may reject the Shari’ah rulings of the other school. Some Sukuk structures in one jurisdiction may not be suitable investment instruments in other jurisdictions that follow different schools of thought.

iv. Mitigating Factor (Shari'ah Compliance Risk):

The Sukuk is structured as Sukuk Ijarah which is widely accepted in many jurisdictions. This owes from the fact that many describe it as the classical Sukuk structure from which all other Sukuk structures have developed, whilst others highlight its simplicity and its favor with Shari'ah scholars. Notwithstanding the wide acceptability of the Ijarah structure, the Shari'ah Scholars have certified that the Sukuk structure has complied with Shari'ah injunctions. The Investors have the right to seek the opinion of their Shari'ah Expert on the Shari'ah compliance of the Sukuk.

v. Nature of Issuer (SPV) Risk

The Sukuk Issuer is the Special Purpose Vehicle, a newly formed public limited liability with no operating history.

vi. Mitigating Factor (Nature of Issuer (SPV) Risk

The Issuer is wholly owned by the Originator and will not engage in any other business activity other than the issuance of Sukuk Trust Certificates, the acquisition of trust assets, acting in the capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents. As a security to the issue, the State Government has issued an Irrevocable Repayment Guarantee in favor of certificate holders. In addition, the Sukuk is backed by an Irrevocable Standing Payment Order (ISPO) for monthly deductions from the State's statutory allocation.

vii. Environmental Risks:

There is a possibility that natural disasters could occur, which could negatively affect the State's current revenues and potential revenues as projects under construction could be delayed or not completed. This will decrease the States

projected IGR making it tougher for the State to meet its obligations.

viii. Mitigating Factor (Related to Environmental Risk):

All projects have undergone Environment Impact Assessment and negative impact identified has been evaluated whilst adequate measures have been put in place to mitigate such occurrences. In addition, the primary source of repayment of the Sukuk is the monthly deduction through ISPO from the Statutory Allocation of the State. This will ensure that repayment of the financial obligation is adequately covered and not affected by fluctuations in the State's IGR.

ix. Regulatory Environment Risks:

The Statutory and Regulatory environment can change resulting in the amendment of policies that may not be favorable to the Sukuk.

x. Mitigating Factor (Related to Regulatory Environmental Risk):

The Federal Government and the respective regulators are keen to create and sustain an investor friendly environment, governed by stable policies. The Federal Government has identified the Debt Capital Markets Osun Sukuk Company Plc, N11,400,000,000.00 14.75% Fixed Return Sukuk Ijarah Due 2020. 11 as an alternative source of funding for the public and private sector and has developed policies to encourage participation in the market. The regulators have also created policies to improve the process and encourage both local and international participation. In addition, agencies of the Federal Government have commenced activities to enforce investment regulations, with the aim of discouraging its violation and securing investments.

xi. Credit Risk:

As with any Bonds, the major risk is that the Issuer will default in its obligations leading to the nonpayment of the rentals, and the principal at the time of maturity.

xii. Mitigating Factor (Related to Credit Risk):

The State has an admirable track record in fulfilling its obligations. The State has serviced all its financial obligations without default. Payment of the rentals and principal repayment shall be via ISPO from the State's share of the statutory allocations from the Federation Account. In addition, the Bonds Law also ensures the creation of a Consolidated Debt Service Account ("CDSA") into which monthly deductions from the State's IGR be made. The amounts standing to the credit of the CDSA will be used in meeting the State's lease obligations. Furthermore, the State shall issue an Irrevocable Guarantee and has also created a Conservation Fund which is currently managed by independent Asset Managers. The Conservation Fund which contains a monthly deduction of the State's IGR currently stands at N11.3 billion Naira Only. This Fund will act as a buffer in the event that there is a default in the funding of the States obligations.

xiii. Inflation Risk:

Inflation is a major concern in Nigeria. The possibility of flooding in the Northern region of Nigeria, as witnessed in 2012 could likely lead to higher food prices which may result in higher inflation in the near future. Where inflation remains above Bonds yields and investments are held to maturity, opportunity to re-invest received rentals at higher rates are non-existent, thus, investors are at risk of loss in real value.

xiv. Mitigating Factor (Related to Inflation Risk):

The State does not have control over the level of inflation in the wider economy. As a mechanism to counter inflation, the Sukuk

will be priced competitively, and the rentals offered by the Sukuk is expected to provide real returns over the course of the Sukuk lifespan.

xv. Exchange Rate Risk:

Foreign based investors are susceptible to fluctuation in the exchange rate of the Naira relative to their domestic currencies. A decrease in the value of the Naira relative to their domestic currency will result in diminishing real returns for the investor. Fluctuations in exchange rate can also have a negative effect on the completion of the State's projects which require imports.

xvi. Mitigating Factor (Related to Exchange Rate Risk):

One of the CBN major initiatives is to provide stability to the Naira. Various steps in the recent past have been taken to ensure the value of the Naira remains stable against other major foreign currencies. There are also Shari'ah rules to ensure the hedging strategies which foreign based investors may adopt to minimize the exchange risks which may be incurred whilst investing in this Sukuk Issue.

xvii. Risks Relating to the Market Generally

There is low level of liquidity in the secondary market for bonds. Although a secondary market exists for bond trading, it may not be liquid. Therefore, investors may not be able to sell their Trust certificates easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. However, market regulators and participants will continuously develop and deepen the Bonds market and improve tradability of the Sukuk over time. The market price of the Sukuk may be volatile. The market price of the Sukuk could be subject to significant fluctuations in response to actual or anticipated variations in the Nigerian economic environment. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could

adversely affect the market price of the Sukuk without regard to the State's performance, prospects or financial condition. Credit ratings may not reflect all risks. The Sukuk is rated locally by Agosto & Co. Limited. This rating may not reflect the potential impact of all risks related to structure, market and the additional factors discussed above, and other factors that may affect the value of the Sukuk. A credit rating is not recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Sukuk is a legal investment, (ii) the Sukuk can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Sukuk. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Sukuk under any applicable risk-based capital adequacy or similar rules.

2.5 Concept of Sukuk

Sukuk is an asset-backed or asset-based instrument which complies with Shari'ah (Islamic law) which has stable income, tradable in Islamic capital market. Thus, Sukuk are back by tangible or intangible collateral and give undivided ownership of the underlying assets for an agreed period for investors. Therefore, Sukuk refers to the Islamic debt securities or certificates that comply with the principles of Islamic law (prohibition of Riba, Gharar and Maysir).

Also, Islamic Financial Services Board (2004) defines Sukuk as "Certificate that present the holder's proportionate ownership in an undivided part of the underlying assets, where the holder assumes all right and obligations to such assets." So also, Sukuk as defined by Securities Commission Malaysia (2005) is "Documents or Certificates which represent the value of an asset".

However, the Sukuk, as understood in its contemporary forms, lies in a decision of the Islamic jurisprudence council (the "IJC") as

cited in Amundi (2012), that “Any combination of assets (or the Usufruct of such assets), that can be represented in the form of written financial instruments which can be sold at a market price provided that the composition of the group of assets represented by the Sukuk consists of a majority of tangible assets”.

2.6 Legitimacy of Sukuk

Fiqh Academy of the Organization of the Islamic Conference, their judgments carry substantial weight with most Islamic financial institutions and their Shari’ah boards and consultants. At the demand of representatives from Jordan, Pakistan and Malaysia, the Fiqh Academy measured the demand of Islamic investment certificates at their fourth annual entire session held in Jeddah in February 1988. They noted that the Shari’ah encourages the certification of agreements as specified in the Holy Qur’an:

“When ye deal with each other, in transactions involving future obligations in a fixed period of time reduce them to writing. ...It is more just in the sight of God, more suitable as evidence and more convenient to prevent doubts among yourselves” (Al-Qur’an, 2:282)

From Malik, that he had heard that receipts (Sukuk) were given to people in the time of Marwan ibn al-Hakam for the produce of the market at al-Jar. People bought and sold the receipts(Sukuk) among themselves before they took delivery of the goods. Zayd bin Thabit and one of the Companions of RasululLah (SAW) went to Marwan and said, “Marwan! Do you make usury halal(permissible)?” He said: “I seek refuge with Allah! What is that?” He said, “These receipts (Sukuk) which people buy and sell before they take delivery of the goods.” Marwan therefore sent a guard to follow them and to take them from people’s hand and return to their owners.”

Based on the above quoted references and the judgments made by the scholars Sukuk gain its origin from the book of Allah and the Sunnah of Prophet (pbuh).

2.7 Benefits of Sukuk

The following are some of the benefits of Sukuk according to Usmani (2008):

- i. Sukuk are among the best way of financing large enterprises that are beyond the ability of a single party to finance.
- ii. Sukuk provide an ideal means for investors seeking to deploy streams of capital and who require at the same time, the ability to liquidate their position with ease whenever the need arises. This is because it is envisioned that a secondary market for the trading of Sukuk will develop. Thus, whenever investors require cash from their investments or a part of the same, will be possible for them to sell their Sukuk holdings, part thereof, and receive the value from their original investment plus earnings, if the enterprise is profitable in cash.
- iii. Sukuk represents an excellent way of managing liquidity for banks and Islamic financial institutions. When these are in need of disposing of excess liquidity they may purchase Sukuk, and when they are in need of liquidity they may sell into the secondary market.
- iv. Sukuk are means of equitable distribution of wealth as they allow all investors to benefit from the true profits resulting from enterprises in equal shares. In this way wealth may circulate on a broad scale without remaining the exclusive domain of a handful of wealthy persons. This is clearly among the most important of all the higher purposes sought by an Islamic economic system.

2.8 Types of Sukuk

2.8.1 Sukuk al-Ijarah

Sukuk Ijarah is defined as the ‘transfer of the usufruct of an asset to another person in exchange for a rent claimed from that person (Latham and Watkins, 2015). This is one of the most common Sukuk issuance types, especially for project financing. Sukuk al-Ijarah is a leasing structure coupled with a right available to the lessee to

purchase the asset at the end of the lease period. The certificates are issued on stand-alone assets identified on the balance sheet. The rental rates of return on these Sukuk can be fixed or floating depending on the agreement. The cash flow from the lease including rental payments and principal repayments are passed through to investors in the form of coupon and principle payments. The Sukuk al-Ijarah provides efficient medium – to-long term mode of financing (Mohamed, 2008).

2.8.2 Sukuk Musharakah

Musharakah is an Arabic word literally means sharing. In the context of business and trade it means a joint enterprise in which all the partners share the profit or loss of the joint venture (Usmani, 1998). These are investment Sukuk that represent ownership of Musharakah equity. The structure of Musharakah requires that both parties provide financing to the projects. In case of losses, both parties will lose in proportion to the size of their investment. Sukuk Musharakah is used to mobilize funds to establish new projects, or to develop an existing one, or to finance a business activity on the basis of partnership contract (Mohamed, 2008).

2.8.3 Sukuk Mudharabah

This is an agreement made between a party, who provides the capital and another party (an entrepreneur), to enable the entrepreneur to carry out business projects, which will be on a profit sharing basis, according to predetermine ratios agreed on earlier. In the case of losses are born by the provider of funds only, Sukuk Mudharabah are used to enhance public participation in big investment projects (Mohamed, 2008).

2.8.4 Sukuk Istisna'a

Istisna'a is a contractual agreement for manufacturing goods and commodities, allowing cash payment in advance and future delivery or a future payment and future delivery (Dar al-Istithmar). This type of Sukuk has been used for the advance of funding for real estate

development, major industrial projects or large items of equipment such as turbines, power plants, ships or aircraft (Construction/Manufacturing Financing). The Islamic financial institution funds the manufacturer or the contractor during the construction of the asset, acquires title to that assets and up to completion either immediately passes title to the developer on agreed deferred payment terms or, possibly, leases the asset to the developer under Sukuk Ijarah (Mohamed, 2008).

2.8.5 Sukuk as-Salam

Salam is a contract which involves the purchase of assets by one party from another party on immediate payment and deferred delivery terms (DIFC, 2009). The structures of Salam involve the sale of goods to be delivered in future to the buyer, but the payment of the price should be at the spot.

2.8.6 Sukuk al-Murabaha

Murabaha is a sale of goods with an agreed upon profit mark up on the cost. Murabaha is an agreement between two parties (buyer and seller) for the supply of goods; the price includes the cost of the goods plus an agreed profit for the seller (Latham and Watkins, 2015).

2.9 An Overview of Global Sukuk Market

The sukuk market is a new development in Islamic financial system (Isra, 2012). According to Islamic finance information services (IFIS), cited in Islamic financial system: principles and operations, in Malaysia 1990 issued its first Sukuk, but since then there was no issuance by other market players or countries until 2001, where some institutions participated. The institutions including, Majlis Ugama Islam Singapur (MUIS) and the government of Bahrain issued Sukuk. Guthrie Malaysia was the first to issue global corporate Sukuk. In 2006 Sukuk issuance grew up to 145%, compared to 2005, to reach US\$27 billion, the market rose to US\$47 billion in 2007 and dropped by 55% to US\$21 billion in 2008. In 2009 the market started

recovering with total issuance of US\$31 billion, higher than the issuance in 2006. In April, 2010 the issuance stood about US\$9.4 billion.

The global Sukuk market has witnessed significant growth, the annual Sukuk issuance almost tripled from US\$ 45 billion in 2011 to US\$ 118.8 billion in 2014. The growth of the markets was driven by Malaysia, Saudi Arabian, and the United Arab Emirates (UAE) as well as emerging front line such as Turkey, and Indonesia. In recent times, landmark issuances were recorded from the UK, Hong Kong, Senegal, South Africa, Luxembourg states that the Sukuk market is a viable and competitive source of funding (MWIFM, 2015).

Global Sukuk issuances in the first quarter of 2015 turn down to US\$18.7 billion from US\$24.2 billion in fourth quarter of 2014. Where the Sukuk market is intimately attached to reaction in the global economic and financial sector as most Sukuk issuing countries are among the world's leading oil producers, and also the issue of exchange rate volatility in emerging market is another key market driver in the first quarter of 2015 (MWIFM, 2015).

The total global Sukuk issuance amounted to USD\$116.7 billion in 2017. The global issuance increased from USD\$87.9 billion in 2016 to USD\$116.7 billion in 2017 an impressive increase of around 32% in volume. The increase was mainly due to sovereign Sukuk issuance by Saudi Arabia coupled with steady issuance from Asia, GCC, Africa, and other jurisdictions, while still Malaysia has dominated the Sukuk market (IIFM, 2018). Connectedly, the total global issuance reaches USD\$123.15 billion in 2018, the issuance of Sukuk in 2018 shows a modest increase of +5% from USD\$116.7 billion in 2017 to USD\$123.15 billion in 2018. The huge volume of Sukuk issuance was mainly due to sovereign Sukuk issuance from Africa, Asia, GCC and other jurisdictions, while still Malaysia has dominated the Sukuk market with other countries such as Indonesia, UAE, and to some extent from Turkey (IIFM, 2019).

The boost of the Sukuk market is the result of its capability to offer long-term financing. Majority of Sukuk have the maturity of three to five years. In April 2013, Saudi Electricity Company (SEC) issued the first international 30 years Sukuk and in April, 2014, Dubai

government issued its first ever 15 years Sukuk (Lathem and Watkins, 2016).

3.0 Methodology

The study used primary source of data collection to gather information from seven (7) respondents through interview. Based on the selected population of the study, the respondents were selected through their respected working places, and they were selected based on their knowledge and experience about the issuance, also at the same time their active participation in Sukuk issuance in Osun state.

The administration of the interview is as follows; the interview conducted with respondents from Osun State Debt Management Office and Lotus Capital Limited was face-to-face interview individually. But for the Securities and Exchange Commission, the interview was conducted face-to-face except that the respondents were gathered in one place each respondent responding to the questions. A full clarification in relation to the procedure and breakdown of interviews was dealt with in the research methodology part. It should be repeated that the interviews conducted with Osun state Debt Management Office, Securities and Exchange Commission, and Lotus Capital Limited, were audio recorded with the permission of the interviewees.

Interviews were transcribed and the interview comments were read many times, which help to create the thematic areas but also the focused coding. In other words, comments were transferred into segments representing complete thought on a single question, in line with the original research questions.

3.1 Forming the Main Interview Themes

The interview themes and questions were planned within the context of the main research questions explained. The main themes were:
Lesson derived from *Sukuk* issuance

3.2 Interview Questions

The followings are the main interview questions:
Theme: Lesson derived from *Sukuk* issuance

1. Would you recommend *Sukuk* financing to other states in the and why?

2. What kind of encouragement can you give to other states to show their commitment towards adopting *Sukuk* as a means/ source of financing infrastructural projects?

3.3 Results and Data Analysis

Table 1 Result for Question 1

Theme	Lesson derived from <i>Sukuk</i> issuance
Question 1	Would you recommend <i>Sukuk</i> financing to other states and why?
Focused Coding	
1.	<i>Sukuk</i> suggestion to other states
2.	<i>Sukuk</i> is a transparent instrument for financing
Theme: Recommendation of <i>Sukuk</i> instrument to other states to finance their infrastructural projects	

Table 1 above shows that *Sukuk* has been suggested to other states for financing and also indicates that *Sukuk* is a transparent instrument for financing infrastructural projects. The result of the question 1 can be summarized in table 2 to 3.

Table 1.1 Focused Coding Number 1 for Question 1

<i>Sukuk</i> suggestion to other states	
LOTUS	Yes, I will recommend for some reason first, <i>Sukuk</i> is socially responsible way of accessing the capital from payable sector to the sector that needs it. Secondly, <i>Sukuk</i> has long term financial obligation, and thirdly, <i>Sukuk</i> bring about job opportunities because with infrastructure people were engage in doing this and that.
DMO 1	So gladly I will recommend it to any other states and not because of any other things because of its structure, it is the structure that looks <i>Sukuk</i> . You cannot use <i>Sukuk</i> to finance something that is not assets based, so because of the assets based once it was introduce to any other states.

DMO 2	So, in terms of recommendation oh why not for about two reason (1) in terms of easy access to funding so <i>Sukuk</i> is an innovation that can be recommended. (2) I will recommend because in terms of project completion <i>Sukuk</i> has a kind of highly regulated because people are interesting in seeing the project that they used their money to do.
SEC 1	I will say yes, I will recommend that to other states because states now can tap from various sources of financing and some projects, you can issue domestically, you can issue internationally, you can from that attract GCC countries to come in and invest because is a <i>Shari'ah</i> compliance product.
SEC 2	Recommendation actually to other states is almost obvious, because whatever you say development and the source of that development is positive everywhere so definitely is obvious for anybody to recommend for any other states and not only the states even the local government and even the federal government.
SEC 3	I want to say presently the commission has started organizing a round table and you know high level forum in some of the states in the north in tie ting them on various source of advantages and kind of benefit there in the <i>Sukuk</i> issuance as far as it is concern.
SEC 4	My own point is just to say that I will encourage citizen constituent to insist on their states to issuing <i>Sukuk</i> rather than conventional bond and loan from banks because of interest.

Table 1.1 above shows, the respondent’s opinion with regard to *Sukuk* suggestion to other states, where all the respondents has recommended *Sukuk* financing to other states in the country and even the federal government because of the benefit of the product and also because of

easy access of the product in financing infrastructural projects. LOTUS speak out that she will recommend *Sukuk* financing to other states in the country for some reason, first *Sukuk* has an easy way in of channeling funds from payable sector to the deficit sector, second it has a features long term contract and thirdly it create job opportunities because always *Sukuk* tied to another project, DMO 1 maintained that he will recommend *Sukuk* to other states just because of its structure being an assets based instrument that cannot be used to finance anything that is not an assets based, while the DMO 2 recommend *Sukuk* to other states for two reason, firstly, *Sukuk* is a new innovation that has easy access to funding projects and secondly, in term of project completion it is highly regulated and people will see where there resources is used, SEC 1 opined that *Sukuk* can serve as an another way of financing infrastructural projects and a new instrument in capital that can be used by market players to finance projects and *Sukuk* can be issued domestically and internationally where foreign investors will participate, SEC 2 view that *Sukuk* as a source of development, so it can be recommended to other states and the federal government, SEC 3 speak out that the SEC is now organizing a round table educating and enlighten the states in the north to issue *Sukuk* because of the advantages and benefit of the product, based on that *Sukuk* is recommended to other states and the SEC 4 recommended other states to issue *Sukuk* rather than conventional bond or loan from banks because of the interest.

Table 1.2 Focused Coding Number 2 for Question 1

<i>Sukuk</i> is a transparent instrument for financing	
DMO 2	Then any government i.e deserve for transparency you will recommend it for them because <i>Sukuk</i> is a transparent product why because is an asset based, and before you go out you will have at back of your mind what assets you are delivering, it is assets based is not something that somebody can say maybe they have misappropriated for this and that.

SEC 1	Some people are afraid in interest, so now everybody can come in and invest not only those that want interest, but everybody can come and tap into this new product.
SEC 2	So, I fully 100% recommend not only Osun alone other 35 states and the federation because it is very easiest transparent way of sourcing financing for projects or any development in the country.
SEC 4	I will encourage citizens to insist on their states issuing <i>Sukuk</i> because it enhances accountability, and they see where their money is going.

Table 1.2 above describe some respondents’ views on the transparency of the instrument in terms of project financing and also, they view that *Sukuk* serve as an interest free alternative source of financing for the investors who are afraid consuming interest. DMO 2 who opined that any government that deserve transparency should go for *Sukuk* being a transparent product and asset based instrument that cannot be embezzle, while SEC 1 consider those who are afraid of interest (*Riba*), they should use *Sukuk* as an investment avenue been a new product and interest free instrument, SEC 2 view *Sukuk* as transparent instrument use for financing projects and any developmental activities and SEC 4 insist on citizen to encourages their leaders on issuing *Sukuk* as their means of financing due to the fact that it enhance accountability or responsibility and citizen may know where their resources is been used.

Question 2 draws some lesson from Osun state *Sukuk* to other states. The results obtained are summarized in table 2.1 to 2.2.

Table 2 Results for Question 2

Theme	Lesson derived from <i>Sukuk</i> issuance
Question 2	What kind of encouragement can you give to other states to show their commitment towards adopting <i>Sukuk</i> as a means / source of financing their infrastructural projects?

Focused Coding	
1.	<i>Sukuk</i> is an instrument that one can encourage others to invest on and it has features of easy projects delivery
2.	Projects that executed using <i>Sukuk</i> instrument are not diverted to another aspect of the economy
Theme: Encouragement can be given to other states to adopt <i>Sukuk</i> as a source of financing	

Table 2 above shows that *Sukuk* is an instrument that one can encourage others to invest on and it has features of easy projects delivery and also indicates that Projects that executed using *Sukuk* instrument are not diverted to another aspect of the economy because is a transparent product. The result of the question 2 can be summarized in table 2.1 to 2.2.

Table 2.1 Focused Coding Number 1 for Question 2

<i>Sukuk</i> is an instrument that one can encourage others to invest on and it has features of easy projects delivery	
DMO 1	So gladly I will encourage to other states to come and invest in this <i>Sukuk</i> to use Osun model as a case study since we are first to issue in sub- Sahara Africa.
DMO 2	So, in terms of ease delivery, project delivery one, ease of funding because is whatever money you raised on <i>Sukuk</i> you have to earmarked it for a particular project.
SEC 1	So, the only thing is the kind of encouragement I will say that they should go to Osun and see the project that has been done and the amount spent on the project.
SEC 2	Any way in the other hand actually the commission now is committed to encourage and educate and enlighten other states to impress Islamic financing

	rather than the conventional because of the benefit attached to Islamic product or Islamic financing.
SEC 3	Presently a lot of countries have come back to <i>Sukuk</i> , the issue is the assurance I want to give is that issuance of using instrument of Islamic finance to finance project is a solid foundation, solid and reliable foundation.

As depicted in table 2.1 above most of the respondents have similar idea of encouraging other states to embark on *Sukuk* financing because of its features such as easy access to financing, easy project delivery and it has a long-term obligation. The DMO 1 opined that he will encourage other states to come and invest on *Sukuk* and use Osun model as a case study been the first state to issue the instrument, DMO 2 agree that *Sukuk* serve as a quick way of project delivery and simple way of raising funds, while the SEC 1 view that other states should go and see the Osun mock-up and also see the amount spent on the project so that they should embark on *Sukuk* financing, the SEC 2 speak out the kind of encouragement, educating and enlightenment that SEC is giving to other states to adopt *Sukuk* financing instead of conventional bond due to the advantages attached to the Islamic instrument and SEC 3 express his opinion that most of countries have get on *Sukuk* financing based on the benefit attached to the instrument and also opined that using Islamic finance instrument to finance project is a concrete and dependable foundation.

Table 2.2 Focused Coding Number 2 for Question 2

Projects that executed using <i>Sukuk</i> instrument are not diverted to another aspect of the economy	
DMO 1	What we are able to achieve with our <i>Sukuk</i> proceed, and <i>Sukuk</i> proceed is something that it must be judicially utilize because you must tied it to that particular projects which cannot be divert, the purpose cannot be diverted to do other things.

DMO 2	Once you issue <i>Sukuk</i> you are sure that the assets you want to drive, you want to finance as a government you assure you are going to deliver unlike if you do conventional bond and people cannot even trace the assets that use the money to do.
SEC 1	Yes, the proceeds of <i>Sukuk</i> were really utilized in the project that they said they are going to do, not diverted in to the other aspect of the economy because is just tied to those schools.

As table 2.2 shows, some of the respondents view *Sukuk* as a kind of instrument that cannot be diverted to another aspect of the economy which is not design for that purpose. DMO 1 hold the view that *Sukuk* proceed is something that must be wisely make use of been a project that is tied to particular scheme which cannot be redirect to another area, DMO 2 who opined that any government that want to finance a project must be sure that it has been deliver, not like in the other way round i.e in conventional financing and also they share almost similar view with SEC 1 who view that once a project is finance using *Sukuk* must be tied to that particular project not change to another thing.

4.0 Findings and Discussion

In relation to the theme formed on the recommendation and encouragement of Sukuk issuance to other states, the respondents unanimously agreed that Sukuk instrument can be recommended and encourage other state to use it as financing instrument. The finding of the study revealed that lesson can be derived from Osun state Sukuk to other state.

Sukuk sprint parallel to conventional bond and gives investors alternative investment philosophy and gives the issuer alternative source of capital to finance infrastructure. The need for alternative source of capital to finance infrastructure becomes increasingly more compelling with fragility of growth from major emerging markets (Gwarzo, 2015). Besides, Sukuk is used in financing project because of its key features such as the source of the funds must comply with

Shari'ah, the way funds are used, easy project delivery and must be asset-backed or asset-based unlike the conventional bond. Sukuk being a new innovation and also Shari'ah compliance product is preferable over conventional bond to provide alternative to traditional investment channels which may encourage Muslim and non-Muslim to invest due to its transparency and accountability. Sukuk are essentially asset-backed instrument, which obviously support building of underlying asset and give better risk participation and returns than conventional bond which is credit-rating-based. Sukuk can also be recommended because of its transparency meaning that it cannot be diverted to other sector of the economy and the underlying assets will generate more profit margin than conventional bond. Also, one can encouraged other states to adopt Sukuk instrument for financing their budget deficit for Sukuk provide investors with high degree of certainty that their money would be used for the purpose. The fund raised through the issue of a Sukuk must be used to the investment. Therefore, if a Sukuk is structured to offer funds for a particular project, the money will not be diverted and used for another purpose. Therefore, it is obvious encourage other state to invest in Sukuk instrument, because of its features of easy projects delivery and adequate utilization of the fund mobilize to Sukuk

In summary, Ijarah Sukuk is one among the most acceptable product of Islamic capital market. It's an alternative source of financing that promote socio-economic growth and development for both private and public sectors. Ijarah Sukuk serves as an ideal way of financing large infrastructural projects for public goods by government. Thus, it has an advantage of complying with Shari'ah principles and boosting the living standard of society's economies. Therefore, lesson can be derived from the Osun state Ijarah Sukuk to other states in Nigeria, due to the advantage of channeling of fund for financing large infrastructure deficit. From the economics perspective, Ijarah Sukuk allowed the issuer (Federal, State, or corporate entities) to build, renovate their outdated infrastructure and the benefit of avoiding long and medium term financing through interest-based investment loan. Consequently, adopting Ijarah Sukuk by other states in Nigeria they may benefit from its usufruct and the advantage of having large infrastructure for society development.

5.0 Conclusion and Recommendations

To conclude, it is the objective of the paper to draw some lesson from Osun state Sukuk Ijarah to other states. Thus, the finding of the study revealed that lesson can be derived from Osun state Ijarah Sukuk to other state from the Ijarah Sukuk issued by Osun state to finance infrastructure deficit in an education sector. Sukuk are essentially asset-backed instrument, which obviously support building of underlying asset and give better risk participation and returns than conventional bond which is credit-rating-based.

The study also recommends that there is great need for policy makers in the country to create an awareness (Ijarah product) to the investors in the market and the entire citizen in the country by arranging a kind of seminars, workshop and conferences to enlighten investors and general public about the Sukuk instrument and there is need also for policy maker to initiate a legal rule that will give way to ownership and taxation, doing this will attract foreign investors to come and invest in Sukuk and also other states may tap in to the market.

This research has raised a number of questions which have been answered. Therefore, further research would be expanded to strengthen the results. Because this study examines the lesson that can be derived from Osun state Sukuk Ijarah in financing educational sector in Osun state, Nigeria using thematic analysis approach, it would be advantaged to the work if the result proven by another alternative method to the same data. However, for further research we can measure the comparative performance of the Sukuk against the conventional bond in Osun state.

References

- AAOIFI (2004), Accounting, Auditing and Governance Standards for Islamic Financial Institution, Shariah Standards for Financial Institutions Bahrain, Accounting and Auditing organization of Islamic Financial Institutions.
- Adewuyi, J.O, and Okemakinde, Timothy. (2013). Higher Education Financing in Nigeria; Issues and Trends. International Journal of Educational Administration and Policy Studies.

- Adeyemi, T. O. (2011). Financing Education in Nigeria: An Analytical Review. *American Journal of Social and Management Sciences*. ISSN: 2156-1540, 2011.
- Ali, A. K. (2016). Infrastructure Deficit and Challenges for Growing Nigerian Economy. Punchng.com/infrastructure-deficit-...
- Amundi, A. M. (2012). Cross Assets Investment Strategy: Special focus.
- Anas, Malik Ibn. Al-Muwatta; Book 31, number 31.19.44.
- Central Bank of Nigeria (2000). sAnnual Report and Statement of Accounts. Abuja: Central Bank of Nigeria. 53:103-104. Retrieved on 12 August 2014 from <http://www.cenbank.org/documents/annualreports.asp>
- Dubai International Financial Centre, (2009). Sukuk Guidebook.
- Famurewa, Oluranti Isaac, (2014). Inadequate Funding as the Bane of Tertiary Education in Nigeria. *Greener Journal of Economics and Accountancy* vol.3(2), pp. 020-025, july, 2014.
- Financial Derivatives Company (2020). Infrastructure Development in Nigeria: The PPP Approach. *Today Newspaper*. Friday, December 11,2020/3:16pm FDCLtd
- Gbadebo, M.A. and Olalusi, O.C. (2015). Critical Factors Affecting Development of Infrastructure in Nigeria. *International Journal of Advances in Mechanical and Civil Engineering*. Vol 2, issue 1, pp. 23-28 ISSN: 2394-2827
- Gurara, D., Klyuev, V., Mwase, N. and Presbitero, A.F. (2018). Trends and Challenges in Infrastructure Investment in Developing Countries. *International Development Policy/Revue Internationale de Politique de Developpement* (online), 10.1/2018. <https://doi.org/10.4000/poldev.2802>
- Gwarzo, Mounir (2015). SEC/DMO to Issue Nigeria's First Sovereign Sukuk in May. Retrieved 24th June 2016 from <https://naija247news.com/2016/01/27/secdmo-to-issue-nigerias-first-sovereign-sukuk-in-may/>
- Hundal, M. M. (2013). Structured Finance: Conditions for Infrastructure Project Bonds in African Markets. Published by African Development Bank (AfDB) at www.afdb.org
- Ibrahim, W. (n.d). Holy Qur'an: chapter 2, Verse 282. English Translation.

- IFSB (2005). Capital Adequacy Standard for Institutions (other than insurance institutions) offering only Islamic financial services. Islamic Finance Services Board, <http://ifsb.org/standard/ifsb2.pdf>
- Isra (2012). Islamic Financial System: Principles and Operations. Published in 2012 by International Shari'ah Research Academy for Islamic Finance (ISRA). 2nd Floor, Annex Block, Menara Tun Razak, Jalan Raja Laur, 50350 Kuala Lumpur, Malaysia.
- Kari, U., Collins, O. and Ernest, E. (2019). The Challenges of Infrastructural Development in Nigeria: An Assessment of the Pains and the Gains. *International Journal of Political Science and Development*.vol 7 (4), pp. 101-108, Doi: 10.14662/IJPSD2019.065, ISSN:2360-784X
<http://www.academicresearchjournals.org/IJPSD/index.html>
- Kpolovie, James Peter., and OliborEsezi Isaac, (2013). Adequacy-Inadequacy Education Funding in nigeria. *Universal Journal of Education and General Studies* vol.2(8), pp.239-254, August 2013.
- Kupoluyi, A (2012, 26 Nov.). 2013 Budget-Rescuing Education. *Vanguard News*. Retrieved 9 Oct 2014 from <https://www.vanguardngr.com/2012/11/2013-budget-rescuing-education/>
- Latham and Watkins (2015). *The Sukuk Handbook: A Guide to Structuring Sukuk*.
- Latham and Watkins (2016). *The Sukuk Handbook: A Summary*
- Mohamed, Bt. Zureena, (2008). *Sukuk - A Brief Introduction: Azmi and Associates a member of Terralex Worldwide/Advocate and Solicitor*
- MWIFM (2016). *Global Sukuk Report1Q 2015*.
- Nwachukwu, P. O. (2014). Funding Education for Sustainable Development in Nigeria: Challenges and the Way Forward. *Journal of Education and Practice*. ISSN: 2222-1735, Vol.5, No.20, 2014.
- Nzeh, Emeka (2013). Impact of Government's Budgetary Allocations and Policies on nigeria's Educational System. *Impact for change and Development*. Vision Nigeria: February 8, 2013.

- Odiaka, T.I (2013). Opinion: 2013 Budget, Education and Nigerian Universities. By Zebbook, Published: 31st Oct. 2012. www.omojuwa.com/.../opinion-2013-budget-...
- Olaleye, F.O. and Olufunke, A.M., (2013). Provision of Quality Education for Nigerian Children Tool for Achieving Millimium Development Goals (MDG). *Research Journal in Organizational Psychology and Educational Studies*. 2(5), 233-238.
- Oseni, Michael, (2012). Adequacy of Budgetary Allocation to Edutional Institutions in Nigeria. *Pakistan Journal of Business and Economic Review*, Volume 3, Number 1.
- Osun Sukuk Company Plc (2013). Pricing supplement.
- Otti, Alex (2013). Education, Infrastructure Development, Key to Securing Nigeria's Future. *Bizwatchnigeria* December 6, 2013
- Sc. (2004). Guidelines on the offering of Islamic securities. Kuala Lumpur; securities commission of Malaysia.
- Usmani, T. M. (1998). *An Introduction to Islamic Finance*.
- Usmani, T. M. (2008). *Sukuk and their Contemporary Applications*.