

Conference Paper

The Potential of Sukuk Issuance as an Alternative Financing Instrument in Aceh Province

Muhamad Labolo¹ and M. Fadhil Achyari²

¹Government Institute of Home Affairs, Jakarta

²Department of Finance Management, Aceh Province

Abstract

Sukuk issuance is a financing instrument that can be done as an alternative source of financing. This research is entitled The Potential of Sukuk Issuance as an Alternative Financing Instrument in Aceh Province. Specifically, this research aims to find out the advisability of sukuk issuance by Aceh Province, and supporting factors in issuance of the sukuk. This research uses qualitative method that combines data analysis with the relevant aspects. The data collection technique was through interviews with key informant at the Department of Finance Management of Aceh province, observations and documentations from the regional budget, finance report and the development plan. Data analysis for advisability of sukuk issuance was made by the index of sukuk issuance through calculation of the index of regional loans and index of financial capability of Aceh Province. The conclusions that were obtained are based on the research results, Aceh Province is very feasible to issuance of the sukuk. The factors that support the issuance of sukuk are the financial capability of the local government, accountability of financial management, transparency of government performance, public's potential and the bank's network.

Keywords: sukuk, financing instrument, development

1. Background of Study

A sequential theory of decentralization that has three main characteristics: (a) it defines decentralization as a process; (b) it takes into account the territorial interests of bargaining actors; and (c) by incorporating policy feedback effects, it provides a dynamic account of institutional evolution [10]. A Sequential Theory of Decentralization and its Effects on the Intergovernmental Balance of Power: Latin American Cases in Comparative Perspective. The Helen Kellogg Institute for International Studies. Working Paper #341) Orientation of decentralization in Indonesia is to prospering the community and empowering the region to be able to compete regionally, nationally

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and internationally with concern on regional potential aspect and regional diversity in facing the opportunities and challenges of global competition.

One of the form of functional assignment due to authority delegation from central government to local governments is the regional authority to determine the allocation of internal resources that managed in an orderly, law-abiding, effective, efficient, economical, transparent and accountable, based on the principles of justice, propriety and benefits to the society. (Article No. 4, Cluase No. 1, Minister of Home Affairs Regulation No. 13/2006) The momentum of Law No. 33/2004 on Fiscal Balance between the central government and the local government has significantly impacted to the local government in managing its finances. The condition supported by issuance of the Minister of Home Affairs Regulation No. 13/2006 on Guidelines of Local Financial Management. (The regulation change according to the policies of local financial management, 1st change: Minister of Home Affairs Regulation No. 59/2007, and 2nd change: Minister of Home Affairs Regulation No. 21/2011) The policy expected the regions should increase the flexibility in the utilization of funds from structure of regional budget and the shifting of development priorities from sector to regional as well as the certainty of the central government fund transfers based on the potentials and needs of the regions in increasing revenues from natural resources that exist in the area.

Another logical consequence is the independence of the regions to explore potential and financing an effort to cover the existing deficit. As in the allocation of capital expenditures, local financial management is closely related to the maintenance of fixed assets derived from capital expenditure. Allen and Tommasi (2001) disclose: 'in the concept of the Multi-Term Expenditure Framework (MTEF), that capital expenditure policy should take account of the usefulness and financial capability of the asset in the long-term management of the asset' [2]. Managing Public Expenditure: A Reference Book for Transition Countries. Paris: SIGMA-OECD)

The capital expenditure is intended to obtain fixed assets of local governments such as infrastructure. Local governments in obtaining fixed assets are generally done by building their own or buying some building/infrastructure. The limited resources owned by the local government is the problem in this case, but on the other hand, fixed assets (infrastructure development) are much-needed. Most regions still rely heavily on balancing funds provided by the central government either in the form of Revenue Sharing Fund (DBH), General Allocation Fund (DAU) or Special Allocation Fund (DAK). (Structure of balancing funds in Regional Budget (APBD), Article No. 27, Cluase No. 1, Minister of Home Affairs Regulation No. 13/2006)

TABLE 1: Fund transfer from central government to local government.

Year	Fund Transfer (IDR)
2001	81.1 trillion
2010	344.7 trillion
2015	664.6 trillion
Source: http://keuda.kemendagri.go.id	

Table 1 displays that during the period of 2001–2010 the funds transferred from the central government to the local government increased significantly four-fold with IDR 81.1 trillion in 2001 to IDR 344.7 trillion in 2010. While during the period of 2010–2015, the fund transfer increased twice with IDR 664.6 trillion in 2015. In 2017, the balancing funds from the central government in the national budget structure was IDR 704.9 trillion. (<https://www.kemenkeu.go.id/apbn2017>) The abandonment of the balanced budget principle allows the regions to use the regional budget deficit. In that case, the regional budget deficit shows regional spending more than regional revenue. To cover the shortfall, one of the efforts that can be done by local government is to obtain the loan. The regional loans are one of the financing sources that aims to accelerate the local economic growth and improve the services for the society. (Regional loans concept on Government Regulation No.54/2005 and No.30/2011)

Financing sourced from loans should be managed properly and not have a negative impact in local financial management, as well as economic and monetary stability in national scale. Therefore, regional loans need to follow the criteria, requirements, mechanisms and sanctions as regulated in the relevant regulations. One form of regional loans is the fund used for infrastructure development. It is also supported by the issuance of Law No. 23/2014, which gives space to the regions to conduct regional loans, (Article No. 300–302, Law No. 23/2014) and Law No. 33/2004 allows the government to use several financial instruments in search of regional loans that can be used as a source of development. (Article No. 51–52, Law No. 33/2004)

One of the financing instruments that can be done is the sukuk (Sharia bonds) issuance that is investment certificate that represents securities of equal value representing undivided share in the ownership of property, usufruct and services. They are issued in the framework of a contract in accordance with Sharia standards and on the basis of the principle of sharing of profits and losses. (According to AAOFI (The Accounting and Auditing Organization for Islamic Financial Institutions)) Sukuk is one of the most widely published forms of Islamic financial instruments, both by corporations

and countries such as Malaysia, Bahrain, United Arab Emirates, Qatar, Pakistan, Brunei Darussalam and the State of Saxony-Anhalt, Germany. Indonesia also took part in the issuance of sukuk, although the proportion compared to the conventional market is still relatively small. (Know the sukuk, Sharia-based Investment Instruments. Directorate of Sharia Financing, Directorate General of Debt Management, Ministry of Finance—Republic of Indonesia) In March 2017, based on the press release of the Directorate General of Financing and Risk Management, the Government determined the proceeds from the sale and allotment of the Sukuk SR-009 series IDR 14.03 trillion, from the indicative target IDR 20 trillion, with a total of 29,838 investors. (<https://m.tempo.co/read/news/2017/03/21/090857876/pemerintah-tetapkan-hasil-penjualan-sukuk-ritel-rp-14-03-triliun>)

The Ministry of Finance of the Republic of Indonesia also urged the issuance of sukuk by local governments in Indonesia. Director of Sharia Finance of the Ministry of Finance said, sukuk is an instrument that uses investment approach, not debt. Sukuk is very suitable to encourage regional and national development processes to be in line with the national development plan that has been determined. (<https://www.cnnindonesia.com/ekonomi/20170409155616-78-206127/genjot-pembangunan-kemenkeu-dorong-penerbitan-sukuk-daerah/>) Opportunities for sukuk issuance by local governments can be a solution in top-down bureaucratic domination, in this case, financing that relies on transfer funds (from the central government); in the ideal level, if this continues to be maintained it will give rise to dependence on the central government with the difficulty of achieving regional independence, especially in the development for the welfare of the society.

Aceh, as one of the provinces in Indonesia, with the status as a special autonomy province, gained large funds from special autonomy funds and balancing funds from the central government. The acquisition of these balancing funds is higher than the Local-own Source Revenue (PAD) derived either from local taxes, regional levies or other legitimate revenues, as well as expenditures allocated for infrastructure development in the form of capital expenditures.

As a special autonomy province in Islamic Sharia implementation, Aceh has more opportunities in issuance of the sukuk. (The issuance of bonds is used as financing receipts and is carried out in accordance with the laws and regulations. Article No. 73, Qanun (Aceh Regulation) No. 1 of 2008 on Aceh Financial Management) The issuance of this alternative instrument of financing is in line with the Government Work Plan (RKP) of 2018, which has the theme 'Driving Investment and Infrastructure for Growth

TABLE 2: Balancing Funds, Special Allocation Funds (DAK), Local-own Source Revenue (PAD) and Capital Expenditure of Aceh province, 2015-2017.

Year	Balancing Funds	Special Autonomy Funds	Local-own Source Revenue (PAD)	Capital Expenditure
1	2	3	4	5
2015	1.561.778.472.543.00	7.057.756.971.000.00	1.972.049.032.901.98	2.278.118.011.241
2016	1.572.466.631.620.00	7.707.216.942.000.00	2.060.180.945.551.33	2.582.415.195.971
2017	3.736.189.009.600.00	8.375.636.174.561.00	2.191.987.653.755.00	2.310.891.552.415

Source: Regional budget of Aceh province, 2015-2017

and Equity', which emphasizes on investment and acceleration of infrastructure development. (<https://www.merdeka.com/uang/ini-deretan-proyek-prioritas-pemerintah-di-aceh-pada-2018.html>) Therefore, this research tries to analyze the potential of sukuk issuance as an alternative financing instrument in Aceh Province.

2. Literature Review

Islamic finance has emerged as an effective tool for financing development worldwide, including in non-Muslim countries. Major financial markets are discovering solid evidence that Islamic finance has already been mainstreamed within the global financial system—and that it has the potential to help address the challenges of ending extreme poverty and boosting shared prosperity. (<http://www.worldbank.org/en/topic/financialsector/brief/islamic-finance>) Warde (2010) defines the evolution of Islamic finance through three distinct phases; the early years (1975-1991); the era of globalization (1991-2001); and the post-September 11, 2001 period. (Warde, Ibrahim. 2010. *Islamic Finance in the Global Economy*, Second Edition. Edinburgh University Press)

The Islamic financial system was supposed to function according to the double mudaraba principle: in the liability side of the balance sheet, the depositor would be the financier and the bank the entrepreneur; on the asset side, the bank would be the financier and the person seeking funding the entrepreneur. The second stage of Islamic finance marked a departure from the early ideas, and Islamic institutions moved toward more pragmatism and started focusing on ways of replicating conventional finance, albeit through Sharia-compliant contracts. The third phase of Islamic finance started after the global war on terror, September 11, 2001 attacks.

World Bank stated that the basic instrument of Islamic finance include: cost-plus financing (murabaha), profit-sharing (mudaraba), leasing (ijara), partnership

(musharaka) and forward sale (bay'salam). These constitute the basic building blocks for developing a wide array of more complex financial instruments.

1. Murabaha: Trade with markup or cost-plus sale. The purchase of an asset is financed for a profit margin, with the asset purchased on behalf of client and resold at a pre-determined price. Payment could be in lump sum or in installments and the ownership of the asset remains with bank till full payments are made.
2. Ijara: Operational or financial leasing contracts. Bank purchases asset on behalf of client and allows usage of asset for a fixed rental payment. Ownership of the asset remains with the financier but may gradually transfer to the client who eventually becomes the owner (ijara wa iqtina).
3. Mudaraba: Trustee financing contract. One party contributes capital, while the other contributes effort or expertise. Profits are shared according to a predetermined ratio and the investor is not guaranteed a return and bears any financial loss.
4. Musharaka: Equity participation contract. Different parties contribute capital and profits are shared according to a pre-determined ratio, not necessarily in relation to contributions, but losses are shared in proportion to capital contributions. The equity partners share and control how the investment is managed, and each partner is liable for the actions of the others.
5. Sales contracts: Deferred-payment sale (bay' mu'ajjal) and deferred-delivery sale (bay'salam) contracts, in addition to spot sales, are used for conducting credit sales. In a deferred-payment sale, delivery of the product is taken on the spot, but delivery of the payment is delayed for an agreed period. Payment can be made in a lump sum or in installments, provided there is no extra charge for the delay. A deferred-delivery sale is similar to a forward contract, where delivery of the product is in the future in exchange for payment on the spot market.
6. Sukuk: Certificates of Ownership. Sukuk are certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services, or (in the ownership of) the assets of particular projects. The returns on the certificates are directly linked to the returns generated by the underlying assets.

Sukuk, comes from an Arabic word and is plural in form, the singular is sakk, meaning the instrument of contract, legal instrument, document, deed, check. (Hans Wehr. 1976. *A Dictionary of Modern Written Arabic* 520 (J.M. Cowan ed., 3d ed.)) Ayman and Christopher (2007) define sukuk as financial certificates, typically likened to conventional

bonds, and much like bonds that are sold by a person or an institution seeking to raise capital. In Indonesia, Sukuk is known as 'Sharia Bonds', which is a long-term securities based on Sharia principles, issued by issuers to Sharia bond-holders that require issuers to pay revenues in the form of profit/margin/fee, and repay the funds at maturity. (The Fatwa of The National Sharia Council (DSN) Nomor 32/DSN-MUI/IX/2012)

The first clear difference between sukuk and more conventional forms of finance is that sukuk are structured to avoid a specific religious prohibition—namely, the Islamic prohibition on *riba*. (Qur'an Surah Al Imran (3:130) 'you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful') In any case, however, the traditional structure of a bond—as a loan on which the issuer pays the bondholder interest—is right out. Under a widely followed interpretation from the AAOIFI, sukuk may be based on a number of different kinds of assets, including tangible assets, usufructs and services. (Michael J. T. McMillen, *Islamic Capital Markets for United States Parties: Overview and Select Shari'ah Governance Elements*, 2013 WL 5293295,*13 (Aug. 2013))

Sukuk are more competitive than conventional bonds, based on the reason: (1) possible revenue share is higher than conventional bonds; (2) Sukuk is secure investment because it is intended for prospective projects; (3) if loss occurs (excluding control), the investor still obtains the asset; and (4) breaks through the paradigm, no longer as a debt but investment. (Abdul Manan. *Obligasi Syariah*. www.badilag.nethal.11) Sukuk is expected to attract more investors because of its lower risk compared to the stock market. In fact, sukuk can be used to raise fund for a longer term at a lower cost for real estate developers in order to balance the asset-liability mismatch. (Ding Bo, Engku Rabiah, Bueran Siti. 2016. *Sukuk Issuance in China: Trends and Positive Expectations*. *International Review of Management and Marketing*. Vol. 6. Issue 4)

Sukuk can be issued using the principles of *mudharabah*, *musharakah*, *ijarah*, *istisna'*, *salam*, and *murabahah*, but among the principles of sukuk, the most widely used are the principles of *mudharabah* and *ijarah*. (Firdaus, dkk. 2005. *Konsep Dasar Obligasi Syariah*. *Renaissance*) The most common and most basic kind of sukuk is *sukuk alijarah*—sukuk of lease. This is the usual manner in which sukuk are structured. In the most basic form of an *ijarah*, the borrower must first identify the underlying asset on which the sukuk are to be based. In a modern *ijarah*, the party typically establishes a special-purpose vehicle (SPV) to issue the sukuk, which represents an ownership interest in the asset and also represents certain rights against the SPV.

There are a variety of other mechanisms, but ultimately there are variations on this theme. For *sukuk al-musharakah*—sukuk of partnership, the SPV is not a party to

a lease-and-buy-back agreement, but a partnership or joint venture; for sukuk al-murabahah-sukuk of profit-making, the asset is a commodity transaction; for sukuk al-mudarabah, literally sukuk of sweat capital, it is an equity-partnership agreement by the borrower to 'manage' a business for the lender. (Kareem R. Seifeldin. 20120. On the Issuance of Islamic Securities by State and Local Government; or, Why New Jersey Should Sell The Turnpike to The Emir of Dubai. Rutgers Journal of Law and Religion. J.D Candidate May 2015, Rutgers School of Law – Camden; B.A., Michigan State University)

3. Methodology

The method used in this research is a qualitative method which essentially is a holistic method that combines data analysis with the relevant aspects. The tools used in this research are interviews, observations and documentations, where the interview is data collection technique with depth interview both structured and unstructured. Interviews were conducted with key informants from Department of Finance Management of Aceh province. Observation and documentation has been done from the regional budget, finance report and development plan documents.

The purpose of interviews was observations and documentations as a preliminary study and as a source of information that were both primary and secondary. Data analysis for advisability of sukuk issuance by the index of sukuk-issuance ability (with the interval class used, 0.00–0.33 is not feasible; 0.34–0.43 is feasible; and 0.44–1.00 is very feasible) through calculation of the index of regional loans and index of financial ability. The regional loans were calculated by 75 percent of general revenue and financial ability were calculated through local-own source revenue in index of growth, elasticity and share (with interval class used 0.00–0.33 is low; 0.34–0.43 is medium; and 0.44–1.00 is high).

4. Result and Discussion

4.1. Advisability of Sukuk issuance

The analysis of sukuk issuance is measured through the Index of Sukuk Issuance Ability which is a calculation of the Index of Regional Loans and the Index of Financial Capability.

4.1.1. Index of regional loans

Based on the regulation of regional loans, (Government Regulation No. 30 of 2011 on Regional Loans) Regional Loans obtained 75 percent of general revenues. General revenues are all regional budget (APBD) revenues excluding special allocation funds (DAK), emergency funds, borrowing funds and other revenues to finance certain expenditures. (Regional Loans terms, http://www.djpk.depkeu.go.id/?page_id=328)

The formula of General Revenues is = Regional Revenues – (Special Allocation Fund (DAK) + Other Revenues).

TABLE 3: General revenues of Aceh province, 2015–2017.

Year	Regional Revenues	Special Allocation Funds	Other Revenues	General Revenues
1	2	3	4	5 = 2 – (3 + 4)
2015	11.680.376.915.213	70.866.056.000	8.146.549.409.768	3.462.961.449.445
2016	12.364.563.976.147	129.982.373.000	8.731.916.398.976	3.502.665.204.171
2017	14.324.170.698.863	1.560.836.260.000	8.395.994.035.508	4.367.340.403.355

The formula of Regional Loans is:

Regional Loans = General Revenues x 75%.

TABLE 4: Regional loans based on general revenues, 2015–2017.

Year	General Revenues	Regional Loans
1	2	3 = 2 x 75%
2015	3.462.961.449.445	2.597.221.087.083
2016	3.502.665.204.171	2.626.998.903.128
2017	4.367.340.403.355	3.275.505.302.516

The formula of Index of Regional Loans is:

$$\text{Index of Regional Loans} = \frac{X \text{ Value} - \text{Min Value}}{\text{Max. Value} - \text{Min. Value}}$$

4.1.2. Index of financial capability

Based on the National Development Planning Agency (Bappenas), the index of Financial Capability is measured through Local-own Source Revenue (PAD) in the index of growth, elasticity and share. (National Development Planning Agency (Bappenas). 2003. Map of Provincial Finance Capability in the Era of Regional Autonomy. Review

TABLE 5: Index of regional loans, 2015–2017.

Year	Regional Loans	Index of Regional Loans
1	2	3
2015	2.597.221.087.083	0.000
2016	2.626.998.903.128	0.043
2017	3.275.505.302.516	1.000
	Average	0.347

of Local-Own Source Revenue (PAD) Performance and Regional Effort. Jakarta : Directorate of Regional Autonomy Balance)

The formula of Growth of Local-own Source Revenue (PAD) is

$$\frac{\Delta \text{Local-own Source Revenue (PAD)}}{\text{Local-own Source Revenue (PAD)} X} \times 100\%.$$

TABLE 6: Growth of Local-own Source Revenue (PAD) of Aceh province, 2016–2017.

Year	Local-own Source Revenue (PAD) _i	Local-own Source Revenue (PAD) _x	Δ PAD	Growth of PAD
1	2	3	4 = 2 + 3	5
2016	1.972.049.032.901	2.060.180.945.551	88.131.912.650	0.042
2017	2.060.180.945.551	2.191.987.653.755	131.806.708.204	0.060

The formula of Index of Growth of Local-own Source Revenue (PAD) is:

$$\text{Index of Local-own Source Revenue (PAD)} = \frac{X \text{ Value} - \text{Min. Value}}{\text{Max. Value} - \text{Min. Value}}.$$

TABLE 7: Index of Local-own Source Revenue (PAD) of Aceh province, 2016–2017.

Year	Growth of Local-own Source Revenue (PAD)	Index of Local-own Source Revenue (PAD)
1	2	3
2016	0.042	0.00
2017	0.060	1.00
	Average	0.50

The formula of Share of Local-own Source Revenue (PAD) is:

$$\text{Share of Local-own Source Revenue (PAD)} = \frac{\text{Local-own Source Revenue (PAD)} X}{\text{Capital Expenditure } X}.$$

The formula of Index of Share of Local-own Source Revenue (PAD) is:

$$\text{Index of Share of Local-own Source Revenue (PAD)} = \frac{X \text{ Value} - \text{Min. Value}}{\text{Max. Value} - \text{Min. Value}}.$$

The formula of Index of Elasticity of Local-own Source Revenue (PAD) is:

TABLE 8: Share of Local-own Source Revenue (PAD) of Aceh province, 2015–2017.

Year	Local-own Source Revenue (PAD)	Capital Expenditure	Share of Local-own Source Revenue (PAD)
1	2	3	4 = 2/3
2015	1.972.049.032.901	2.278.118.011.241	0.865
2016	2.060.180.945.551	2.582.415.195.971	0.797
2017	2.191.987.653.755	2.310.891.552.415	0.948

TABLE 9: Index of Share of Local-own Source Revenue (PAD) of Aceh province, 2015–2017.

Year	Share of Local-own Source Revenue (PAD)	Index of Share of Local-own Source Revenue (PAD)
1	2	3
2015	0.865	0.45
2016	0.797	0.00
2017	0.948	1.00
Average		0.48

$$\text{Index of Elasticity of Local-own Source Revenue (PAD)} = \frac{X \text{ Value} - \text{Min. Value}}{\text{Max. Value} - \text{Min. Value}}.$$

TABLE 10: Index of Elasticity of Local-own Source Revenue (PAD) 2015–2017.

Year	Local-own Source Revenue (PAD)/ Capital Expenditure	Index of Elasticity of Local-own Source Revenue (PAD)
1	2	3
2015	0.865	0.45
2016	0.797	0.00
2017	0.948	1.00
Average		0.48

Based on the data given in Table 10 (Index of Growth, Share and Elasticity of Local-own Source Revenue (PAD)), the formula of Index of Financial Capability is:

$$\text{Index of Financial Capability} = \frac{I.G + I.S + I.E}{3}.$$

Based on the result of the data, the Index of Financial Capability of Aceh province (calculation of Index of Growth, Index of Share and Index of Elasticity of Local-own Source Revenue (PAD)) is '0.486' and included in interval class 'High (0.44–1.00)'.

TABLE 11: Index of Financial Capability of Aceh province.

Index of Growth	Index of Share	Index of Elasticity	Index of Financial Capability
Local-own Source Revenue (PAD)			
1	2	3	4
0.50	0.48	0.48	0.486

4.1.3. Index of sukuk issuance ability

The calculation of the Index of Sukuk Issuance Ability based on the result of Index of Regional Loans and Index of Financial Capability. The formula of Index of Sukuk Issuance Ability is = Index of Regional Loans + Index of Financial Capability/2

TABLE 12: Index of sukuk issuance ability of Aceh province.

Index of Regional Loans	Index of Financial Capability	Index of Sukuk Issuance Ability
1	2	3
0.374	0.486	0.417

Based on the interval class, Aceh province included in 'Very Feasible' in issuance the sukuk with Index of Sukuk Issuance Ability is 0.417.

4.2. Supporting factors of Sukuk issuance

The issuance of sukuk if planned by Aceh Province is not separated from the supporting factors (internal and external), that support the process of sukuk issuance. Based on the result of observation and documentation obtained, the supporting factors in issuance of the sukuk are:

1. Financial Capability of Local Government

Based on the data in the previous section, financial capability of Aceh province is included in 'High' category. It can be a supporting factor, if Aceh province wants to issue the sukuk. A 'high' financial capability will convince the investors in sukuk issuance.

2. Accountability of Financial Management

Measurement of accountability of financial management was conducted based on the opinion given by the Supreme Audit Agency (BPK) of the Republic of

Indonesia. Based on the audit results, Aceh province received Unqualified Opinion (WTP) for 2015–2016. (<http://aceh.tribunnews.com/2017/06/13/pemerintah-aceh-raih-wtp-kedua>) Obtaining Unqualified Opinion (WTP) consistently maintained by Aceh province can be one of the supporting factors in order to issue the sukuk.

3. Transparency of Government Performance

Implementation of government functions, Aceh province can be categorized transparent, seen from the website owned by the government, www.acehprov.go.id, and various other related links as a medium of information about both the services and the latest information of the province. This website can be used as liaison between the government and the society.

4. The Public's Potential

The sukuk that issued by the local government can be bought by the public through public offerings offered in the Sharia capital market. The public's potential to buy the sukuk is getting better. It can be seen from PDB of Indonesia which continued to increase during the period of 2012–2016. The data shows that PDB has increased IDR 41.92 million in 2014, IDR 45.14 million in 2015 and IDR 47.96 in 2016. (<https://finance.detik.com/berita-ekonomi-bisnis/3414745/pendapatan-per-kapita-ri-naik-jadi-rp-4796-jutatahun>)

5. The Banks Network

In the sukuk issuance, the banks act as a provider and offer the sukuk to the public. The potential of banks from the aspect of quantity is quite a lot and capable of reaching various regions. In addition, the quality of banks is also continuously improved in terms of service to the public. For the country sukuk, the government set 22 banks as a provider. (<https://www.kemenkeu.go.id/SukukRitel>) It can be one of the supporting factors if the local government planned the sukuk issuance.

5. Conclusion

Based on the previous section, the conclusions of this research are:

1. Sukuk can be one of the alternative financing instrument in Aceh province. The sukuk can finance the development such as infrastructure and others. It can be seen from the Index of Sukuk Issuance Ability included in 'Very Feasible' category. The calculation is based on Index of Regional Loans and Index of Financial Capability of Aceh province. The Index of Regional Loans calculation through 75

percent of general revenue and the Index of Financial Capability through Local-own Source Revenue (PAD) in Index of Growth, Index of Share and Index of Elasticity.

2. In the planned of sukuk issuance in Aceh province, there are some supporting factors both internal and external that support the issuance of sukuk, the factors are financial capability of local government, the accountability of financial management that received the Unqualified Opinion (WTP) by the Supreme Audit Agency (BPK) of Republic of Indonesia in 2015–2016, transparency of government performance, the public's potential as investor in the sukuk issuance, and the banks' network as a provider in sukuk issuance.

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